

Stock code : 3259

Solid State System Co., Ltd. and Subsidiaries

Consolidated Financial Statements

With Independent Auditors' Review Report

For the Nine Months Ended September 30, 2024 and 2023

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The independent auditors' review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' review report and consolidated financial statements, the Chinese version shall prevail.

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INDEPENDENT AUDITORS' REVIEW REPORT

For Solid State System Co., Ltd.:

Introduction

We have reviewed the accompanying consolidated balance sheets of Solid State System Co., Ltd. ("3S") and its subsidiaries (together referred to as the "Company") as of September 30, 2024, and the related consolidated statements of comprehensive income for the three and nine months ended September 30, 2024, as well as the changes in equity and cash flows for the nine months ended September 30, 2024, and notes to the consolidated financial statements, including a summary of significant accounting policies. The management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with the Standards on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing of the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as of September 30, 2024, and of its consolidated financial performance for the three and nine months ended September 30, 2024, as well as its consolidated cash flows for the nine months ended September 30, 2024 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Other Matter – Reference to review of other independent auditors

The consolidated financial statements for the nine months ended September 30, 2023 of the Company, were reviewed by other independent auditors and expressed an unqualified conclusion on those statements dated November 2, 2023.

The engagement partners on the reviews resulting in this independent auditors' review report are Ting-Hsun Chan and Pei-Hua Huang.

Lan-Jai CPAs' Firm

Taiwan(Republic of China)

November 7, 2024

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally accepted and applied in the Republic of China.

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(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)

Solid State System Co., Ltd. and Subsidiaries

Consolidated Balance Sheets

September 30, 2024, December 31 and September 30, 2023

(Expressed in Thousands of New Taiwan Dollars)

Assets	September 30, 2024		December 31, 2023		September 30, 2023		Liabilities and Equity	September 30, 2024		December 31, 2023		September 30, 2023	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
Current Assets:							Current liabilities:						
Cash and cash equivalents (note 6)	\$ 97,033	24	\$ 141,727	28	\$ 43,901	9	Short-term borrowings (notes 12 and 25)	\$ 35,000	9	\$ 34,170	7	\$ 69,940	15
Accounts receivable, net (note 7)	29,257	7	13,889	3	18,421	4	Accounts payable	6,250	2	1,282	-	1,766	-
Accounts receivable from related parties, net (notes 7 and 24)	2,421	1	12,111	2	16,463	4	Accrued payroll and bonus	9,398	2	13,120	3	9,481	2
Inventories (note 8)	199,552	49	268,581	53	299,047	63	Other accrued expenses	13,366	3	14,886	3	20,436	4
Other current assets (note 25)	17,684	4	15,645	3	16,331	3	Current lease liabilities (note 10)	9,519	2	7,354	1	9,344	2
Total current assets	345,947	85	451,953	89	394,163	83	Current portion of long-term borrowings (note 12)	6,767	2	-	-	-	-
							Other current liabilities	8,590	2	9,804	2	4,189	1
Non-current assets:							Total current liabilities	88,890	22	80,616	16	115,156	24
Property, plant and equipment (note 9)	27,876	7	29,352	6	45,867	10	Non-current liabilities:						
Right-of-use assets (note 10)	16,720	4	11,778	2	15,041	3	Long-term borrowings (note 12)	24,904	6	-	-	-	-
Intangible assets (note 11)	9,331	2	9,042	2	11,019	2	Deferred tax liabilities	-	-	-	-	1,718	-
Refundable deposits (note 25)	6,854	2	6,810	1	6,955	2	Non-current lease liabilities (note 10)	5,802	2	1,593	-	2,385	1
Total non-current assets	60,781	15	56,982	11	78,882	17	Guarantee deposits received	628	-	618	-	618	-
							Total non-current liabilities	31,334	8	2,211	-	4,721	1
							Total liabilities	120,224	30	82,827	16	119,877	25
							Equity (note 14):						
							Common stock	569,659	140	569,659	112	497,659	105
							Capital surplus	-	-	76,464	15	-	-
							Accumulated deficits	(283,155)	(70)	(220,015)	(43)	(144,491)	(30)
							Total equity	286,504	70	426,108	84	353,168	75
Total assets	\$ 406,728	100	\$ 508,935	100	\$ 473,045	100	Total liabilities and equity	\$ 406,728	100	\$ 508,935	100	\$ 473,045	100

The accompanying notes are an integral part of the financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)
Solid State System Co., Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
For the three and nine months ended September 30, 2024 and 2023
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

	For the three months ended September 30,				For the nine months ended September 30,			
	2024		2023		2024		2023	
	Amount	%	Amount	%	Amount	%	Amount	%
Operating revenues (notes 16 and 24)	\$ 62,891	100	\$ 56,006	100	\$ 166,095	100	\$ 221,159	100
Operating costs (notes 8 and 29)	(51,024)	(81)	(61,933)	(110)	(159,817)	(96)	(187,696)	(85)
Gross profit (loss)	11,867	19	(5,927)	(10)	6,278	4	33,463	15
Operating expenses								
Selling	(11,870)	(19)	(15,663)	(28)	(37,492)	(22)	(46,046)	(21)
General and administrative	(9,399)	(15)	(10,600)	(19)	(29,091)	(18)	(32,167)	(15)
Research and development	(26,354)	(41)	(36,885)	(66)	(84,585)	(51)	(100,502)	(45)
Total operating expenses	(47,623)	(75)	(63,148)	(113)	(151,168)	(91)	(178,715)	(81)
Net operating loss	(35,756)	(56)	(69,075)	(123)	(144,890)	(87)	(145,252)	(66)
Non-operating income and expenses (note 17)								
Interest income	298	-	95	-	1,048	1	413	-
Other gains and losses	2,349	4	1,654	3	5,357	3	1,730	2
Financial costs	(493)	(1)	(424)	(1)	(1,119)	(1)	(1,382)	(1)
Total non-operating income and expenses	2,154	3	1,325	2	5,286	3	761	1
Loss before income tax	(33,602)	(53)	(67,750)	(121)	(139,604)	(84)	(144,491)	(65)
Income tax expenses (note 19)	-	-	-	-	-	-	-	-
Net loss for the period	(33,602)	(53)	(67,750)	(121)	(139,604)	(84)	(144,491)	(65)
Other comprehensive income for the period (after tax)	-	-	-	-	-	-	-	-
Total comprehensive income for the period	<u>(\$ 33,602)</u>	<u>(53)</u>	<u>(67,750)</u>	<u>(121)</u>	<u>(139,604)</u>	<u>(84)</u>	<u>(144,491)</u>	<u>(65)</u>
Earning per share (New Taiwan Dollars) (note 15)								
Basic earnings per share	<u>(\$ 0.59)</u>		<u>(\$ 1.36)</u>		<u>(\$ 2.45)</u>		<u>(\$ 2.90)</u>	
Diluted earnings per share	<u>(\$ 0.59)</u>		<u>(\$ 1.36)</u>		<u>(\$ 2.45)</u>		<u>(\$ 2.90)</u>	

The accompanying notes are an integral part of the financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)

Solid State System Co., Ltd. and Subsidiaries
Consolidated Statements of Changes in Equity
For the nine months ended September 30, 2024 and 2023
(Expressed in Thousands of New Taiwan Dollars)

	Common stock	Capital surplus	Accumulated deficits	Total equity
Balance as of January 1, 2023	\$ 746,877	\$ -	(\$ 249,218)	\$ 497,659
Net loss for the period	-	-	(144,491)	(144,491)
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	(144,491)	(144,491)
Capital reduction to offset accumulated deficits	(249,218)	-	249,218	-
Balance as of September 30, 2023	<u>\$ 497,659</u>	<u>\$ -</u>	<u>(\$ 144,491)</u>	<u>\$ 353,168</u>
Balance as of January 1, 2024	\$ 569,659	\$ 76,464	(\$ 220,015)	\$ 426,108
Net loss for the period	-	-	(139,604)	(139,604)
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	(139,604)	(139,604)
Capital surplus used to offset accumulated deficits	-	(76,464)	76,464	-
Balance as of September 30, 2024	<u>\$ 569,659</u>	<u>\$ -</u>	<u>(\$ 283,155)</u>	<u>\$ 286,504</u>

The accompanying notes are an integral part of the financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)
Solid State System Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
For the nine months ended September 30, 2024 and 2023
(Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30,	
	2024	2023
Cash flows from operating activities:		
Loss before income tax	(\$ 139,604)	(\$ 144,491)
Adjustments to reconcile profit (loss):		
Depreciation	17,990	24,425
Amortization	5,948	8,724
Expected credit (gain) loss	(3)	15
Interest expense	1,119	1,382
Interest income	(1,048)	(413)
Gain on disposals of property, plant and equipment	(2,884)	-
Impairment loss on non-financial assets	-	714
Provision for inventory devaluation loss	15,696	33,963
Others	-	608
Changes in operating assets and liabilities:		
Accounts receivable	(15,365)	(4,845)
Accounts receivable from related parties	9,690	24,180
Inventories	53,333	57,443
Other operating assets	(1,998)	481
Accounts payable	4,968	(170)
Other operating liabilities	(5,127)	(7,965)
Cash flows used in operations	(57,285)	(5,949)
Interest received	1,088	417
Interest paid	(1,096)	(1,375)
Income taxes paid	(83)	(10)
Income taxes refund	2	2
Net cash flows used in operating activities	(57,374)	(6,915)
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(8,288)	(5,072)
Proceeds from disposal of property, plant and equipment	2,884	-
Increase in refundable deposits	(44)	(176)
Acquisition of intangible assets	(6,237)	(5,566)
Net cash flows used in investing activities	(11,685)	(10,814)
Cash flows from financing activities:		
Proceeds from borrowings	60,018	149,894
Repayments of borrowings	(59,188)	(145,973)
Proceeds from long-term borrowings	35,000	-
Repayments of long-term borrowings	(3,329)	-
Increase in guarantee deposits	10	-
Payment of lease liabilities	(8,146)	(8,243)
Net cash flows from (used in) financing activities	24,365	(4,322)
Net decrease in cash and cash equivalents for the period	(44,694)	(22,051)
Cash and cash equivalents at beginning of period	141,727	65,952
Cash and cash equivalents at end of period	\$ 97,033	\$ 43,901

The accompanying notes are an integral part of the financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)

Solid State System Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

For the nine months ended September 30, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollars,

Except for Earnings Per Share Information and Unless Otherwise Specified)

1. Company History

Solid State System Co., Ltd. (“3S”) was incorporated on November 26, 1998, as a company limited by shares and registered under the Ministry of Economic Affairs of the Republic of China (“R.O.C.”). The address of 3S’s registered office is 5F-1 No. 22 Tai Yuen Street, Tai Yuen Hi-Tech Industrial Park, Zhubei City, Hsinchu 302, Taiwan, R. O. C. 3S’s common stocks have been publicly listed on Taipei Exchange since December 24, 2007.

The main activities of 3S and its subsidiaries (hereinafter referred to as “the Company”) are the design, research, development, manufacture and sale of integrated circuits (ICs).

2. Approval Date and Procedures of the Consolidated Financial Statements

The consolidated financial statements were authorized for issuance by the Board of Directors on November 7, 2024.

3. New Standards, Amendments, and Interpretations Adopted

- (1) The impact of the IFRS Accounting Standards endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2024 :

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

- (2) The impact of IFRS endorsed by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2025, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 21 “Lack of Exchangeability”

(3) The impact of IFRS Accounting Standards issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
IFRS 18 “Presentation and Disclosure in Financial Statements”	<p>The new standard introduces three categories of income and expenses, two income statement subtotals and one single note on management performance measures. The three amendments, combined with enhanced guidance on how to disaggregate information, set the stage for better and more consistent information for users, and will affect all the entities.</p> <ul style="list-style-type: none"> • A more structured income statement: under current standards, companies use different formats to present their results, making it difficult for investors to compare financial performance across companies. The new standard promotes a more structured income statement, introducing a newly defined ‘operating profit’ subtotal and a requirement for all income and expenses to be allocated between three new distinct categories based on a company’s main business activities. • Management performance measures (MPMs): the new standard introduces a definition for management performance measures, and requires companies to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS Accounting Standards. • Greater disaggregation of information: the new standard includes enhanced guidance on how companies group information in the financial statements. This includes guidance on whether information is included in the primary financial statements or is further disaggregated in the notes. 	January 1, 2027

The Company is evaluating the impact on its consolidated financial position and consolidated financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Company completes its evaluation.

The Company does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- IFRS 19 “Subsidiaries without Public Accountability: Disclosures”
- Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”
- Annual Improvements of IFRS Accounting Standards

4. Summary of Significant Accounting Policies

(1) Statement of compliance

These consolidated financial statements have been prepared in accordance with the preparation and guidelines of IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect by FSC, and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRS Accounting Standards endorsed by the FSC) for a complete set of the annual consolidated financial statements.

Except the following accounting policies mentioned below, the material accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2023. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2023.

(2) Basis of consolidation

The principle of preparation of the consolidated financial statements is consistent with those of the consolidated financial statements for the year ended December 31, 2023. For related information, please refer to note 4(3) of the consolidated financial statements for the year ended December 31, 2023.

A. List of subsidiaries in the consolidated financial statements

Name of investor	Subsidiary	Main activities	Percentage of ownership (%)			Note
			September 30, 2024	December 31, 2023	September 30, 2023	
3S	ViCHIP Corporation Limited (ViCHIP)	Operating electronic components				
		manufacturing, wholesaling, sales and product design business	-%	-%	100%	a

a. 3S liquidated its subsidiary, ViCHIP, on November 3, 2022. All related statutory registration procedures had already been completed on October 24, 2023.

B. List of subsidiaries which are not included in the consolidated financial statements: None.

(3) Income tax

Income tax expense in the financial statements is measured and disclosed in according to paragraph B12 of IAS 34 endorsed by the FSC.

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period by the effective annual tax rate as forecasted by the management. This should be recognized fully as income tax expense for the current period.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is

recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

5. Significant Accounting Assumptions and Judgments, and Major Sources of Estimation Uncertainty

The preparation of the consolidated financial statements in conformity with the Regulations and IFRS Accounting Standards (in accordance with IAS 34 “Interim Financial Reporting” and endorsed by the FSC) requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The preparation of the consolidated financial statements, the major sources of accounting judgments, estimations and assumptions of uncertainty are applied consistently with note 5 to the consolidated financial statements for the year ended December 31, 2023.

6. Cash and Cash Equivalents

	September 30, 2024	December 31, 2023	September 30, 2023
Cash on hand and petty cash	\$ 183	\$ 119	\$ 67
Checking and savings accounts	38,850	29,108	30,334
Time deposits	58,000	112,500	13,500
	<u>\$ 97,033</u>	<u>\$ 141,727</u>	<u>\$ 43,901</u>

Please refer to note 20 for the disclosure of credit risk and currency risk of the financial assets and liabilities of the Company.

7. Accounts Receivable

A. Accounts receivable (including receivables from related parties)

	September 30, 2024	December 31, 2023	September 30, 2023
Accounts receivable	\$ 31,695	\$ 26,020	\$ 34,915
Less: loss allowance	(17)	(20)	(31)
	<u>\$ 31,678</u>	<u>\$ 26,000</u>	<u>\$ 34,884</u>
Accounts receivable, net	<u>\$ 29,257</u>	<u>\$ 13,889</u>	<u>\$ 18,421</u>
Accounts receivable from related parties, net	<u>\$ 2,421</u>	<u>\$ 12,111</u>	<u>\$ 16,463</u>

The Company applies the simplified approach to provide for its expected credit losses (ECL), which permit the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information.

The expected loss allowance for accounts receivable (including receivables from related parties) was determined as follows:

September 30, 2024			
	Gross carrying amount	Weighted-average loss rate	Expected loss allowance
Not past due	\$ 26,456	0.042%	11
Past due by 1~89 days	5,239	0.115%	6
Total	<u>\$ 31,695</u>		<u>17</u>

December 31, 2023			
	Gross carrying amount	Weighted-average loss rate	Expected loss allowance
Not past due	\$ 25,438	0.067%	17
Past due by 1~89 days	582	0.515%	3
Total	<u>\$ 26,020</u>		<u>20</u>

September 30, 2023			
	Gross carrying amount	Weighted-average loss rate	Expected loss allowance
Not past due	\$ 32,563	0.049%	16
Past due by 1~89 days	2,352	0.638%	15
Total	<u>\$ 34,915</u>		<u>31</u>

The movements in the allowance for accounts receivable (including receivables from related parties) were as follows:

	For the nine months ended September 30,	
	2024	2023
Beginning balance	\$ 20	\$ 16
Impairment (gain) loss recognized	(3)	15
Ending balance	<u>\$ 17</u>	<u>\$ 31</u>

The Company's net accounts receivable (including receivables from related parties) mentioned above were not pledged as collateral.

8. Inventories

	September 30, 2024	December 31, 2023	September 30, 2023
Raw materials	\$ 1,030	\$ 26,153	\$ 30,544
Work in process	61,261	100,531	124,701
Finished goods	137,261	141,897	143,802
	<u>\$ 199,552</u>	<u>\$ 268,581</u>	<u>\$ 299,047</u>

a. The costs of goods sold related to inventories for the three months and nine months ended September 30, 2024 and 2023 were \$51,024, \$61,933, \$159,817, and \$187,696, respectively. The cost of goods sold includes provision for inventory devaluation (reversed) loss of (\$5,405), \$11,508, \$15,696, and \$33,963, respectively.

b. The Company's inventories mentioned above were not pledged as collateral.

9. Property, Plant, and Equipment

	Machinery and equipment	Office and other equipment	Total
Cost			
Balance as of January 1, 2024	\$ 111,203	\$ 46,140	\$ 157,343
Additions	190	6,746	6,936
Disposal and write-off	(35,118)	-	(35,118)
Balance as of September 30, 2024	\$ 76,275	\$ 52,886	\$ 129,161
Accumulated depreciation and impairment loss:			
Balance as of January 1, 2024	\$ 94,494	\$ 33,497	\$ 127,991
Depreciation for the period	2,666	5,746	8,412
Disposal and write-off	(35,118)	-	(35,118)
Balance as of September 30, 2024	\$ 62,042	\$ 39,243	\$ 101,285
Book value:			
Balance as of September 30, 2024	\$ 14,233	\$ 13,643	\$ 27,876

	Machinery and equipment	Office and other equipment	Total
Cost:			
Balance as of January 1, 2023	\$ 117,202	\$ 45,291	\$ 162,493
Additions	1,332	2,746	4,078
Disposal and write-off	(312)	-	(312)
Reclassification	(329)	(279)	(608)
Balance as of September 30, 2023	\$ 117,893	\$ 47,758	\$ 165,651
Accumulated depreciation and impairment loss:			
Balance as of January 1, 2023	\$ 76,920	\$ 27,788	\$ 104,708
Depreciation for the period	8,310	6,364	14,674
Impairment loss	-	714	714
Disposal and write-off	(312)	-	(312)
Balance as of September 30, 2023	\$ 84,918	\$ 34,866	\$ 119,784
Book value:			
Balance as of September 30, 2023	\$ 32,975	\$ 12,892	\$ 45,867

The Company's property, plant and equipment mentioned above were not pledged as collateral.

10. Lease Arrangements

A. Right-of use assets

	September 30, 2024	December 31, 2023	September 30, 2023
Carrying amount:			
Buildings	\$ 16,720	\$ 11,778	\$ 15,041

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023
Addition to right-of-use assets	\$ 11,684	\$ -	\$ 14,520	\$ 1,192
Depreciation for right-of-use assets				
Buildings	\$ 3,181	\$ 3,263	\$ 9,578	\$ 9,751

B. Lease liabilities

	September 30, 2024	December 31, 2023	September 30, 2023
Carrying amount:			
Current	\$ 9,519	\$ 7,354	\$ 9,344
Non-current	5,802	1,593	2,385
	\$ 15,321	\$ 8,947	\$ 11,729

Range of discount rate for lease liabilities was as follows:

	September 30, 2024	December 31, 2023	September 30, 2023
Buildings	1.40%~2.64%	1.40%~2.08%	1.40%~2.08%

C. Material lease activities and terms

The Company leases buildings, parking space and store house for its office space, staff parking area and store the machine, with the leases terms that typically run for a period of 1 to 5 years.

11. Intangible Assets

	Computer software	Patent and technology license fee	Total
Cost:			
Balance as of January 1, 2024	\$ 11,131	\$ 20,896	\$ 32,027
Additions	6,237	-	6,237
Balance as of September 30, 2024	\$ 17,368	\$ 20,896	\$ 38,264
Accumulated amortization:			
Balance as of January 1, 2024	\$ 9,166	\$ 13,819	\$ 22,985
Amortization for the period	4,651	1,297	5,948
Balance as of September 30, 2024	\$ 13,817	\$ 15,116	\$ 28,933
Book value:			
Balance as of September 30, 2024	\$ 3,551	\$ 5,780	\$ 9,331

	Computer software	Patent and technology license fee	Total
Cost:			
Balance as of January 1, 2023	\$ 27,664	\$ 24,591	\$ 52,255
Additions	5,566	-	5,566
Balance as of September 30, 2023	\$ 33,230	\$ 24,591	\$ 57,821
Accumulated amortization:			
Balance as of January 1, 2023	\$ 24,267	\$ 13,811	\$ 38,078
Amortization for the period	5,794	2,930	8,724
Balance as of September 30, 2023	\$ 30,061	\$ 16,741	\$ 46,802
Book value:			
Balance as of September 30, 2023	\$ 3,169	\$ 7,850	\$ 11,019

12. Borrowings

A. Short-term borrowings

	September 30, 2024	December 31, 2023	September 30, 2023
Unsecured bank loans	\$ 25,000	\$ 34,170	\$ 69,940
Secured bank loans	10,000	-	-
Total	\$ 35,000	\$ 34,170	\$ 69,940
Unused credit line	\$ 50,000	\$ 26,834	\$ 40,060
Range of interest rates	2.63%~3.08%	2.21%~2.95%	2.21%~2.95%

B. Long-term borrowings

	September 30, 2024	December 31, 2023	September 30, 2023
Unsecured bank loans	\$ 31,671	\$ -	\$ -
Less: Current portion of long-term borrowings	(6,767)	-	-
	\$ 24,904	\$ -	\$ -
Unused credit line	\$ -	\$ -	\$ -
Range of interest rates	2.22%	-%	-%

The Company asset-backed collateralization for bank loans, please refer to note 25.

13. Employee Benefit

In accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, 3S applied for a clearance on the remaining years of service of its employees to the competent authority in October 2022, who approved its application in November and December of the same year. As of December 31, 2023, there were no employees belonging to the old labor pension plan.

The retirement reserve check for the settlement account received by 3S in May 2023 resulted in the reduction of its defined benefit retirement obligation by \$8,490 thousands, with its income distribution totaling \$198 thousands, recognized as “other income” in its consolidated statements of comprehensive income.

For the information related to the Company's pension costs for the nine months ended September 30, 2024 and 2023, please refer to note 29.

14. Capital and Other Equity Interest

A. Ordinary share capital

	September 30, 2024	December 31, 2023	September 30, 2023
Number of authorized shares (in thousands)	120,000	120,000	120,000
Amount of authorized shares	\$ 1,200,000	\$ 1,200,000	\$ 1,200,000
Number of issued and fully paid shares (in thousands)	56,966	56,966	49,766
Issued share capital	\$ 569,659	\$ 569,659	\$ 497,659

In order to appeal to strategic investors, on May 16, 2023, based on the resolution of a special stockholders' meeting, the Board of Directors approved the proposal, to raise \$148,464 through private placement of 7,200 thousand common stock at a premium price of \$20.62 dollars per share on November 2, 2023. The premium amounted to \$76,464 and was recognized as capital surplus—additional paid in capital. The effective date of the capital increase was November 17, 2023, and the required registration process was completed on December 21, 2023. Except for the restriction on trading as required by the Securities and Exchange Act and the requirement for a public offering could only be made three years after the issuance date whenever the Company meets the profitability requirement announced by the Taipei Exchange in Taiwan, the rights and obligations of participants in this private placement are identical to those of holders of current outstanding common stock.

In order to improve the financial structure of the Company, a resolution was passed during the stockholders' meeting held on May 16, 2023 for the capital reduction of \$249,218 to compensate the deficit, the capital reduction ratio is 33%. The remaining balance after the reduction amounted to \$497,659. The capital reduction has been approved by the FSC on the June 14, 2023, and the date of capital reduction set on June 15, 2023. The relevant statutory registration procedures had already been completed on July 12, 2023.

B. Capital surplus

The Company's capital surplus was as follows:

	September 30, 2024	December 31, 2023	September 30, 2023
Capital increase	\$ -	\$ 76,464	\$ -

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated

assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

C. Distribution of earnings/deficit compensation

A resolution was approved during the stockholders' meetings held on May 29, 2024. For 3S to use its capital surplus to offset its accumulated deficits in 2023 at the amount of \$76,464, was consistent with those of the resolution approved by the Board of Directors. A resolution was approved during the stockholders' meetings held on May 16, 2023. For 3S to use its the capital reduction to offset its accumulated deficits in 2022 at the amount of \$249,218, was consistent with those of the resolution approved by the Board of Directors.

The information will be available on the Market Observation Post System website.

15. Earnings Per Share

A. Basic earnings (loss) per share

Basic earnings per share amounts for the three and nine months ended September 30, 2024 and 2023 were calculated by dividing net profit attributable to ordinary equity holders of the 3S by the weighted average number of ordinary shares outstanding as follow:

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023
Net loss attributable to 3S's stockholders	(\$ 33,602)	(\$ 67,750)	(\$ 139,604)	(\$ 144,491)
Weighted average common stocks outstanding (thousand shares)	56,966	49,766	56,966	49,766
Basic and diluted EPS (TWD)	(\$ 0.59)	(\$ 1.36)	(\$ 2.45)	(\$ 2.90)

There were no dilutive potential ordinary shares for the period.

16. Revenue

A. The analysis of the revenue generated by the company in the current year is as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023
Primary geographical markets				
China	\$ 30,671	\$ 24,024	\$ 74,551	\$ 54,718
Taiwan	14,758	10,881	49,034	36,735
North-east Asia	10,787	6,927	32,505	13,772
America	6,675	14,174	10,005	115,934
	<u>\$ 62,891</u>	<u>\$ 56,006</u>	<u>\$ 166,095</u>	<u>\$ 221,159</u>
Major products				
Revenue from IC	\$ 62,891	\$ 56,006	\$ 166,095	\$ 192,170
Technical Service Income	-	-	-	28,989
	<u>\$ 62,891</u>	<u>\$ 56,006</u>	<u>\$ 166,095</u>	<u>\$ 221,159</u>

17. Non-operating Income and Expenses

A. Interest income

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023
Interest income from bank deposits	\$ 298	\$ 95	\$ 1,048	\$ 411
Other interest income	-	-	-	2
	<u>\$ 298</u>	<u>\$ 95</u>	<u>\$ 1,048</u>	<u>\$ 413</u>

B. Other gains and losses

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023
Gains on disposals of property, plant and equipment	\$ 2,618	\$ -	\$ 2,884	\$ -
Recognition of impairment losses on property, plant and equipment	-	-	-	(714)
Foreign exchange (losses) gains, net	(663)	1,384	1,273	1,374
Others	394	270	1,200	1,070
	<u>\$ 2,349</u>	<u>\$ 1,654</u>	<u>\$ 5,357</u>	<u>\$ 1,730</u>

C. Financial costs

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023
Interest expense — borrowings	\$ 424	\$ 372	\$ 999	\$ 1,194
Interest expense — lease liabilities	69	52	120	188
	<u>\$ 493</u>	<u>\$ 424</u>	<u>\$ 1,119</u>	<u>\$ 1,382</u>

18. Compensation of Employees and Directors

According to 3S's articles of incorporation, 3S's annual net income before tax, after offsetting any accumulated deficit, no less than 10% of the remainder shall be appropriated as employee compensation, and no more than 2% of the remainder shall be appropriated as compensation to directors. The compensation of employee in the form of stock bonuses may also apply to employees of the affiliated companies. The Board of Directors is authorized to set out related terms and conditions. The remuneration to independent directors of 3S are distributed on a monthly fixed term and excluded from the above-mentioned distribution.

Because 3S incurred a net loss for the nine months ended September 30, 2024 and 2023, compensation to employees and directors were not accrued.

If there are any subsequent adjustments to the actual compensation amounts after the annual stockholders' meeting, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year.

For related information about the 3S's compensation to employees and directors will be available at the Market Observation Post System website.

19. Income Tax

A. The amount income tax expense were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023
Current tax expense				
In respect of the current year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

B. Income tax assessments

The income tax returns of the Company through 2022 have been assessed by the tax authorities.

20. Financial Instruments

A. Categories of financial instruments

	September 30, 2024	December 31, 2023	September 30, 2023
<u>Financial assets</u>			
Financial assets measured at amortized cost:			
Cash and cash equivalents	\$ 97,033	\$ 141,727	\$ 43,901
Accounts receivable (including receivables from related parties)	31,678	26,000	34,884
Refundable deposits	6,854	6,810	6,955
	<u>\$ 135,565</u>	<u>\$ 174,537</u>	<u>\$ 85,740</u>
<u>Financial liabilities</u>			
Financial liabilities measured at amortized cost:			
Short-term borrowings	\$ 35,000	\$ 34,170	\$ 69,940
Accounts payable	6,250	1,282	1,766
Accrued payroll and bonus	9,398	13,120	9,481
Other accrued expenses	13,366	14,886	20,436
Lease liabilities (included in current and non-current)	15,321	8,947	11,729
Long-term borrowings (included in current and non-current)	31,671	-	-
Guarantee deposits received	628	618	618
	<u>\$ 111,634</u>	<u>\$ 73,023</u>	<u>\$ 113,970</u>

B. Credit risk

a. Exposure to credit risk

The carrying amount of financial assets and contract assets represents the maximum amount exposed to credit risk. The maximum credit risk exposure amounts as of September 30, 2024, December 31, 2023, and September 30, 2023 were \$135,565, \$174,537, and \$85,740, respectively.

b. Situation of concentrated credit risk

The Company's potential credit risk is derived primarily from cash and cash equivalents and receivable (including accounts receivable and receivables from related parties). The Company maintains its cash and cash equivalents in various creditworthy financial institutions. The Company monitors its exposure with these financial institutions; therefore, the Company considers that there is no concentration of credit risk in regard to cash and cash equivalents.

The Company's sales to individual clients constituting over 10% of total sales revenue for the nine months ended September 30, 2024 and 2023, were 38% and 65%, respectively, of the total sales revenues. To reduce the concentration of credit risk, the Company continuously evaluates the credit status of its customers and the collectability of accounts receivable, and provides for its ECL. It is management's belief that such concentration of credit risk is under control. For the details of aging and ECL, please refer to note 7.

No impairment loss was recognized for the nine months ended September 30, 2024 and 2023. All of these financial assets are considered to have low risk and thus, the impairment provision recognized during the period was limited to 12 months excepted losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(7) of the consolidated financial statements for the year ended December 31, 2023.

C. Liquidity risk

The following are the contractual maturities of financial liabilities (including estimated interest expense):

	Carrying amount	Contractual cash flows	Within 1 years	1~5 years
<u>September 30, 2024</u>				
Non-derivative financial liabilities				
Short-terms borrowing	\$ 35,000	\$ 35,214	\$ 35,214	\$ -
Accounts payable	6,250	6,250	6,250	-
Accrued payroll and bonus	9,398	9,398	9,398	-
Other accrued expenses	13,366	13,366	13,366	-
Lease liabilities (included in current and non-current)	15,321	15,413	9,651	5,762
Long-term borrowings (included in current and non-current)	31,671	33,309	7,402	25,907
Guarantee deposits received	628	628	-	628
	<u>\$ 111,634</u>	<u>\$ 113,578</u>	<u>\$ 81,281</u>	<u>\$ 32,297</u>
<u>December 31, 2023</u>				
Non-derivative financial liabilities				
Short-terms borrowing	\$ 34,170	\$ 34,424	\$ 34,424	\$ -
Accounts payable	1,282	1,282	1,282	-
Accrued payroll and bonus	13,120	13,120	13,120	-
Other accrued expenses	14,886	14,886	14,886	-
Lease liabilities (included in current and non-current)	8,947	9,014	7,416	1,598
Guarantee deposits received	618	618	-	618
	<u>\$ 73,023</u>	<u>\$ 73,344</u>	<u>\$ 71,128</u>	<u>\$ 2,216</u>
<u>September 30, 2023</u>				
Non-derivative financial liabilities				
Short-terms borrowing	\$ 69,940	\$ 70,367	\$ 70,367	\$ -
Accounts payable	1,766	1,766	1,766	-
Accrued payroll and bonus	9,481	9,481	9,481	-
Other accrued expenses	20,436	20,436	20,436	-
Lease liabilities (included in current and non-current)	11,729	11,836	9,439	2,397
Guarantee deposits received	618	618	-	618
	<u>\$ 113,970</u>	<u>\$ 114,504</u>	<u>\$ 111,489</u>	<u>\$ 3,015</u>

D. Currency risk

a. Exposure to currency risk

The Company's financial assets and liabilities exposed to exchange rate risk were as follows:

September 30, 2024

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 1,477	31.65 (USD : TWD)	<u>\$ 46,747</u>

Financial liabilities

Monetary items

USD	\$ 272	31.65 (USD : TWD)	<u>\$ 8,609</u>
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December 31, 2023

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 1,076	30.68 (USD : TWD)	<u>\$ 33,012</u>

Financial liabilities

Monetary items

USD	\$ 175	30.68 (USD : TWD)	<u>\$ 5,369</u>
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September 30, 2023

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 1,362	32.28 (USD : TWD)	<u>\$ 43,965</u>

Financial liabilities

Monetary items

USD	\$ 300	32.28 (USD : TWD)	<u>\$ 9,684</u>
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b. Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, receivable (including receivables from related parties), accounts payable and other payables accounts that are denominated in foreign currency.

A 1% depreciation or appreciation of the TWD against the USD as of September 30, 2024 and 2023, would have decreased or increased the net loss by \$305 and \$274, respectively. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the reporting date. The analysis assumes that all other variables remain constant. Both periods are analyzed on the same basis.

E. Fair value of financial instruments

a. Categories of financial instruments and fair value

The Company's carrying amount and the fair value of financial assets and liabilities (including information for fair value hierarchy, excluding financial instruments whose fair values approximate the carrying amounts and lease liabilities) were as follows:

	September 30, 2024				
	Carrying Amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 97,033	\$ -	\$ -	\$ -	\$ -
Accounts receivable (including receivables from related parties)	31,678	-	-	-	-
Refundable deposits	6,854	-	-	-	-
	<u>\$ 135,565</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Financial liabilities measured at amortized cost					
Short-terms borrowing	\$ 35,000	\$ -	\$ -	\$ -	\$ -
Accounts payable	6,250	-	-	-	-
Accrued payroll and bonus	9,398	-	-	-	-
Other accrued expenses	13,366	-	-	-	-
Lease liabilities (included in current and non-current)	15,321				
Long-term borrowings (included in current and non-current)	31,671				
Guarantee deposits received	628	-	-	-	-
	<u>\$ 111,634</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
December 31, 2023					
	Carrying Amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 141,727	\$ -	\$ -	\$ -	\$ -
Accounts receivable (including receivables from related parties)	26,000	-	-	-	-
Refundable deposits	6,810	-	-	-	-
	<u>\$ 174,537</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Financial liabilities measured at amortized cost					
Short-terms borrowing	\$ 34,170	\$ -	\$ -	\$ -	\$ -
Accounts payable	1,282	-	-	-	-
Accrued payroll and bonus	13,120	-	-	-	-
Other accrued expenses	14,886	-	-	-	-
Lease liabilities (included in current and non-current)	8,947				
Guarantee deposits received	618	-	-	-	-
	<u>\$ 73,023</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	September 30, 2023				
	Carrying Amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 43,901	\$ -	\$ -	\$ -	\$ -
Accounts receivable (including receivables from related parties)	34,884	-	-	-	-
Refundable deposits	6,955	-	-	-	-
	<u>\$ 85,740</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Financial liabilities measured at amortized cost					
Short-terms borrowing	\$ 69,940	\$ -	\$ -	\$ -	\$ -
Accounts payable	1,766	-	-	-	-
Accrued payroll and bonus	9,481	-	-	-	-
Other accrued expenses	20,436	-	-	-	-
Lease liabilities (included in current and non-current)	11,729	-	-	-	-
Guarantee deposits received	618	-	-	-	-
	<u>\$ 113,970</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

b. Valuation techniques for financial instruments not measured at fair value

Fair value measurement for financial assets and liabilities measured at amortized cost will be based on the latest quoted price and agreed-upon price if these prices are available in the active markets. When market value is unavailable, the fair value of financial liabilities is evaluated based on the discounted cash flow of the financial assets and liabilities.

Due to the refundable deposits and guarantee deposits received that do not have explicit expiration dates, their fair value is evaluated based on their carrying amounts.

21. Financial Risk Management

Except as described in the following paragraph, there were no significant changes in the Company's objectives and policies applied in the financial risk management from those in note 6(17) of the consolidated financial statement for the year ended December 31, 2023.

22. Capital Risk Management

The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of common stock, capital surplus, retained earnings, and non-controlling interests of the Company. The Board of Directors monitors the return on capital as well as the level of dividends to common stockholders.

The debt-to-capital ratio as of the reporting date is as follows:

	September 30, 2024	December 31, 2023	September 30, 2023
Total liabilities	\$ 120,224	\$ 82,827	\$ 119,877
Total equity	\$ 286,504	\$ 426,108	\$ 353,168
Debt-to-capital ratio	\$ 41.96%	\$ 19.44%	\$ 33.94%

The Company approach to capital management for the nine months ended September 30, 2024, was the same as that in 2023.

23. Financing Activities Not Affecting Current Cash Flow

Reconciliation of liabilities arising from financing activities were as follows:

	Short-term borrowings	Long-term borrowings	Lease liabilities	Guarantee deposits received	Total liabilities from financing activities
Balance as of January 1, 2024	\$ 34,170	\$ -	\$ 8,947	\$ 618	\$ 43,735
Cash flows:					
Proceeds from borrowings	60,018	35,000	-	-	95,018
Repayments of borrowings	(59,188)	(3,329)	-	-	(62,517)
Payment of lease liabilities	-	-	(8,146)	-	(8,146)
Interest paid	-	-	(120)	-	(120)
Increase in guarantee deposits	-	-	-	10	10
Non-cash flow:					
Increase in lease liabilities	-	-	14,520	-	14,520
Interest expense	-	-	120	-	120
Balance as of September 30, 2024	\$ 35,000	\$ 31,671	\$ 15,321	\$ 628	\$ 82,620
Balance as of January 1, 2023	\$ 66,019	\$ -	\$ 18,780	\$ 618	\$ 85,417
Cash flows:					
Proceeds from borrowings	149,894	-	-	-	149,894
Repayments of borrowings	(145,973)	-	-	-	(145,973)
Payment of lease liabilities	-	-	(8,243)	-	(8,243)
Interest paid	-	-	(188)	-	(188)
Non-cash flow:					
Increase in lease liabilities	-	-	1,192	-	1,192
Interest expense	-	-	188	-	188
Balance as of September 30, 2023	\$ 69,940	\$ -	\$ 11,729	\$ 618	\$ 82,287

24. Related-Party Transactions

A. Names and relationships with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

Name of related parties	Relationship with the Company
Kingston Digital International Ltd (KDIL)	The subsidiary of Kingston Technology Company (note)
KIOXIA Corporation (KIC)	A member of the board of 3S

Note: 3S held a shareholders' meeting to elect a new board of directors on May 29, 2024. Following the re-election, Kingston Technology Company (KTC), the parent company of KDIL, is no longer a director of 3S. Consequently, as of May 29, 2024, KTC and its subsidiaries are no longer considered related parties of 3S.

B. Significant transactions with related parties

The followings are related parties that have had transactions with the Company during the period covered in the consolidated financial statements.

a. Sales and service revenue from related parties

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023
KDIL	\$ -	\$ 14,174	\$ -	\$ 115,934
KIC	5,110	4,855	20,926	5,447
	<u>\$ 5,110</u>	<u>\$ 19,029</u>	<u>\$ 20,926</u>	<u>\$ 121,381</u>

The collection terms for sales to related parties will be 30 to 45 days or after the month-end; the prices of the products sold to related parties, which were determined by the products' specifications and the situation regarding market supply and demand, and there was no significant differences as compare to those of the other parties.

b. Accounts receivable from related parties

	September 30, 2024	December 31, 2023	September 30, 2023
KDIL	\$ -	\$ 10,040	\$ 14,332
KIC	2,421	2,071	2,131
	<u>\$ 2,421</u>	<u>\$ 12,111</u>	<u>\$ 16,463</u>

c. Transactions with key management personnel

Key management compensation for the three months and nine months ended September 30, 2024 and 2023 were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023
Short-term employee benefits	\$ 2,835	\$ 2,606	\$ 7,928	\$ 7,700
Post-employment benefits	81	81	243	1,681
	<u>\$ 2,916</u>	<u>\$ 2,687</u>	<u>\$ 8,171</u>	<u>\$ 9,381</u>

25. Pledged Assets

The carrying values of the Company's pledged assets are as follows:

Assets	Purpose of Pledged	September 30, 2024	December 31, 2023	September 30, 2023
Time deposits (recorded in other current financial assets)	Customs duty guarantee	\$ 900	\$ 900	\$ 900
Time deposits (recorded in other current financial assets)	Purchase guarantee	10,000	10,000	10,000
Time deposits (recorded in other current financial assets)	Financing facilities	2,000	-	-
Refundable deposits	Warranty guarantee	3,976	3,976	3,976
		<u>\$ 16,876</u>	<u>\$ 14,876</u>	<u>\$ 14,876</u>

26. Commitments and Contingencies

3S has obtained licenses to use other companies' technology, which requires a monthly royalty payment based on its sales volume. 3S must also guarantee the minimum production capacity required by some outsourcing factories.

27. Losses Due to Major Disasters: None.

28. Subsequent Events

In response to future development needs, on October 14, 2024, the Board of Directors resolved to increase 3S's capital by issuing 16,000 thousand common shares with a par value of NT\$10 per share. The estimated initial issue price is NT\$25 per share. The application is pending for approval by the FSC and it will be agreed by related regulations according to adverse effects from markets.

29. Others

A. 3S incurred a net loss amounting to \$283,155 as of September 30, 2024. 3S intends to adopt the following countermeasures to maintain its operation:

a. Marketing plans

- (a) Continue optimizing customer and product portfolios in order to provide higher value-added and profitable services.
- (b) Continue to enhance operation efficiency through improving material cost management and production efficiency to maximize profit.

b. Financial structure improvement plans

- (a) Enforce inventory management, analyze the sales status and adjust inventory levels when necessary, and close out the slow-moving inventory in order to reduce the stock risk and capital lying idle.
- (b) Propose to dispose the assets in order to enrich working capital.
- (c) Plan to issue of new common shares for cash in private placement, in order to have sound financial structure and enrich working capital.
- (d) Control the labor expenditure, as well as review and improve the daily expenses of 3S in order to avoid unnecessary expenses at all costs.

B. A summary of current-period employee benefits, depreciation, and amortization, by function, was as follows:

By function By item	For the three months ended September 30, 2024			For the three months ended September 30, 2023		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits						
Salary	\$ 1,450	\$ 29,784	\$ 31,234	\$ 1,027	\$ 36,731	\$ 37,758
Labor and health insurance	132	2,218	2,350	104	2,666	2,770
Pension	76	1,368	1,444	55	1,560	1,615
Others	126	1,608	1,734	56	1,286	1,342
Depreciation	1,036	4,982	6,018	2,401	5,698	8,099
Amortization	-	1,969	1,969	-	3,102	3,102

By function By item	For the nine months ended September 30, 2024			For the nine months ended September 30, 2023		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits						
Salary	\$ 4,131	\$ 93,711	\$ 97,842	\$ 3,389	\$ 109,337	\$ 112,726
Labor and health insurance	353	7,133	7,486	311	8,299	8,610
Pension	198	4,218	4,416	165	4,831	4,996
Others	276	4,511	4,787	186	4,114	4,300
Depreciation	3,085	14,905	17,990	7,008	17,417	24,425
Amortization	-	5,948	5,948	-	8,724	8,724

30. Other Disclosures

A. Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the 3S:

- a. Loans to other parties: None.
- b. Guarantees and endorsements for other parties: None.
- c. Securities held as of September 30, 2024 (excluding investment in subsidiaries, associates and joint ventures): None.
- d. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- e. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- f. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- g. Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None.
- h. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None.
- i. Trading in derivative instruments: None.
- j. Business relationships and significant intercompany transactions: None.

B. Information on investees:

Information on investees for the nine months ended September 30, 2024 (excluding information on investees in Mainland China): None.

C. Information on investment in Mainland China:

- a. The name of investees in Mainland China, the main businesses and products, and other information: None.
- b. Limitation on investment in Mainland China: None.
- c. Significant transactions: None.

D. Major shareholders: Table 1.

31. Segment Information

The Company operates predominantly in one industry segment which includes the in the research, development, manufacture and sale of integrated circuits (ICs). The segment information is found in the consolidated financial statements. For sales to other than the consolidated entities and income before income tax, please see statements of comprehensive income. For assets, please see the consolidated balance sheets.

Solid State System Co., Ltd. and Subsidiaries
INFORMATION OF MAJOR SHAREHOLDERS
SEPTEMBER 30, 2024

Table 1

Name of Major Shareholder	Number of Shares	Percentage of Ownership
ZHI HAO JIANG	5,684,386	9.97%
YU LIAN JIANG	3,982,568	6.99%
TA YU CHEN	3,954,646	6.94%
Kingston Technology Corporation	3,484,652	6.11%
KIOXIA Corporation	3,375,480	5.92%

Note 1 : The information on major shareholders, which is provided by the Taiwan Depository & Clearing Corporation, summarized the shareholders who held over 5% of the total non physical common stocks and preferred stocks (including treasury stocks) on the last business date of each quarter.

Note 2 : The registered non physical stocks may be different from the capital stocks disclosed in the financial statement due to different calculations basis.

Note 3 : In the case of the above information, if the shareholder delivers the shares to the trust, the shares will be disclosed as a personal account under the trust account of the principal opened by the trustee.

Note 4 : As for the shareholders' declaration of more than 10% of the insider's shareholdings under the Securities and Exchange Act, the shareholders' stocks should be included in their own shareholdings, plus, the shares delivered to the trust, wherein the shareholders have the right of decision on using the trust property. For information on insider's equity declaration, please refer to market observation post system.