

Stock code : 3259

Solid State System Co., Ltd.

Individual Financial Statements

With Independent Auditors' Report

For the Years Ended December 31, 2024 and 2023

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The independent auditors' review report and the accompanying individual 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' report and individual financial statements, the Chinese version shall prevail.

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INDEPENDENT AUDITORS' REPORT

For Solid State System Co., Ltd.:

Opinion

We have audited the individual financial statements of Solid State System Co., Ltd. ("3S"), which comprise the individual balance sheets as of December 31, 2024, and the individual statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2024, and notes to the individual financial statements, including a summary of material accounting policies.

In our opinion, the accompanying individual financial statements present fairly, in all material respects, the individual financial position of 3S as of December 31, 2024, and its individual financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Individual Financial Statements section of our report. We are independent of 3S in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the individual financial statements for the year ended December 31, 2024. These matters were addressed in the context of our audit of the individual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Valuation of inventories

Please refer to Note 4(7) "Summary of Significant Accounting Policies-Inventories", Note 5(1) "Significant Accounting Assumptions and Judgments, and Major Sources of Estimation Uncertainty-Valuation of inventories", and Note 8 "Explanation of Significant Accounts-Inventories" to the individual financial statements.

Description:

3S's main products included NAND Flash controller IC and Audio IC, wherein its inventories are measured at the lower of cost and net realizable value. Due to the rapid changes in electronic industry, the old models produced by

3S may quickly be replaced by new ones or may fail to meet the market demand resulting in a risk in which the carrying value of inventories may be higher than its net realizable value. The net realizable value of the inventory is mainly determined based on the assumptions of the estimated selling price of the products within a specific time horizon which might be subject to significant fluctuations. Therefore, the valuation of inventories is one of the key audit matters for our audit.

How the matter was addressed in our audit:

Our principal was addressed in our audit:

- Inspecting the inventory aging report and analyzing the difference in the inventory aging in comparison to prior periods.
- Testing inventory Lower-of-cost-or-net-realizable value evaluating report and testing the accuracy of the inventory aging report.
- Assessing the management's assumptions on the completeness of inventory provisions.
- Evaluating the appropriateness of the inventory valuation, evaluating the management's calculations for inventory loss with reference to historical trends to ensure their appropriateness and considering the adequacy of 3S disclosures in the accounts.

2. Impairment assessment on non-financial assets

Please refer to Note 4(11)" Summary of Significant Accounting Policies-Impairment of non-financial assets", Note 5(2) "Significant Accounting Assumptions and Judgments, and Major Sources of Estimation Uncertainty-Impairment Assessment on non-financial assets", and Notes 10,11 and 12 "Explanation of Significant Accounts-Property, plant and equipment", "Explanation of Significant Accounts-Right-of-use assets" and "Explanation of Significant Accounts-Intangible assets", respectively, to the individual financial statements.

Description:

3S has performed poorly in operation in recent years, resulting in a risk in which the impairment loss of non-financial assets and the recoverable amount of assets may become lower than the carrying value of assets. The valuation of the impairment loss of assets that are based on the cash flow in the future is subject to the management's judgment which has significant uncertainty, and the audit team needs to discuss the matter with the management to evaluate the adequacy of the valuation. Therefore, the impairment assessment on non-financial assets is one of the key audit matters for our audit.

How the matter was addressed in our audit:

Our principal was addressed in our audit:

- Understand the methods used by management for asset impairment assessment, and the design and implementation of relevant internal control systems.
- Obtain the assessment process from management; evaluate the reasonableness of the valuation methods used by management to measure recoverable amount and net fair value, review the data sources of the assumptions and parameters used during the valuation process, and perform an analysis.
- Obtain the appraisal report issued by external experts commissioned by management, and assess the reasonableness of the valuation methods, data sources, and parameters used in the appraisal report.

Other Matter – Reference to audit of other independent auditors

The financial statements for the years ended December 31, 2023 of 3S, were audited by other independent auditors and expressed an unqualified conclusion on those statements dated February 22, 2024.

Responsibilities of Management and Those Charged with Governance for the Individual Financial Statements

Management is responsible for the preparation and fair presentation of the individual financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRIC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of individual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the individual financial statements, management is responsible for assessing 3S's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate 3S or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) are responsible for overseeing 3S's financial reporting process.

Auditor's Responsibilities for the Audit of the Individual Financial Statements

Our objectives are to obtain reasonable assurance about whether the individual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these individual financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the individual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 3S's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on 3S's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the individual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause 3S to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the individual financial statements, including the disclosures, and whether the individual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the individual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Lan-Jai CPAs' Firm

Taiwan(Republic of China)

February 20, 2025

Notes to Readers

The accompanying individual financial statements are intended only to present the individual 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 audit such individual financial statements are those generally accepted and applied in the Republic of China.

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

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

Solid State System Co., Ltd.

Individual Balance Sheets

December 31, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollars)

Assets	December 31, 2024		December 31, 2023		Liabilities and Equity	December 31, 2024		December 31, 2023	
	Amount	%	Amount	%		Amount	%	Amount	%
Current Assets:					Current liabilities:				
Cash and cash equivalents (note 6)	\$ 430,667	60	\$ 141,727	28	Short-term borrowings (notes 13 and 27)	\$ 33,833	5	\$ 34,170	7
Accounts receivable, net (note 7)	23,009	3	13,889	3	Accounts payable	7,979	1	1,282	-
Accounts receivable from related parties, net (notes 7 and 26)	2,055	-	12,111	2	Accrued payroll and bonus	12,340	2	13,120	3
Inventories (note 8)	184,784	26	268,581	53	Other accrued expenses	16,367	2	14,886	3
Other current assets (note 27)	23,270	3	15,645	3	Current lease liabilities (note 11)	8,569	1	7,354	1
Total current assets	663,785	92	451,953	89	Current portion of long-term borrowings (note 13)	6,805	1	-	-
					Other current liabilities	10,671	1	9,804	2
					Total current liabilities	96,564	13	80,616	16
Non-current assets:					Non-current liabilities:				
Property, plant and equipment (note 10)	28,065	4	29,352	6	Long-term borrowings (note 13)	23,189	3	-	-
Right-of-use assets (note 11)	13,533	2	11,778	2	Non-current lease liabilities (note 11)	4,074	1	1,593	-
Intangible assets (note 12)	7,360	1	9,042	2	Guarantee deposits received	628	-	618	-
Refundable deposits (note 27)	6,852	1	6,810	1	Total non-current liabilities	27,891	4	2,211	-
Other non-current assets	800	-	-	-	Total liabilities	124,455	17	82,827	16
Total non-current assets	56,610	8	56,982	11					
					Equity (note 15):				
					Common stock	729,659	101	569,659	112
					Capital surplus	190,985	27	76,464	15
					Accumulated deficits	(324,704)	(45)	(220,015)	(43)
					Total equity	595,940	83	426,108	84
Total assets	\$ 720,395	100	\$ 508,935	100	Total liabilities and equity	\$ 720,395	100	\$ 508,935	100

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

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

Solid State System Co., Ltd.

Individual Statements of Comprehensive Income

For the years ended December 31, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

	For the year ended December 31,			
	2024		2023	
	Amount	%	Amount	%
Operating revenues (notes 18 and 26)	\$ 239,110	100	\$ 275,641	100
Operating costs (notes 8 and 31)	(225,924)	(94)	(260,326)	(94)
Gross profit	13,186	6	15,315	6
Operating expenses				
Selling	(49,130)	(21)	(57,140)	(21)
General and administrative	(44,228)	(19)	(43,120)	(16)
Research and development	(107,988)	(45)	(123,010)	(44)
Total operating expenses	(201,346)	(85)	(223,270)	(81)
Net operating loss	(188,160)	(79)	(207,955)	(75)
Non-operating income and expenses (note 19)				
Interest income	1,458	1	766	-
Other gains and losses	7,157	3	12,764	(5)
Financial costs	(1,608)	(1)	(1,780)	-
Total non-operating income and expenses	7,007	3	(13,778)	(5)
Loss before income tax	(181,153)	(76)	(221,733)	(80)
Income tax benefit (note 21)	-	-	(1,718)	-
Net loss for the period	(181,153)	(76)	(220,015)	(80)
Other comprehensive income for the period (after tax)	-	-	-	-
Total comprehensive income for the period	(181,153)	(76)	(220,015)	(80)
Earning per share (New Taiwan Dollars) (note 17)				
Basic earnings per share	<u>(\$ 3.18)</u>		<u>(\$ 4.34)</u>	
Diluted earnings per share	<u>(\$ 3.18)</u>		<u>(\$ 4.34)</u>	

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

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

Solid State System Co., Ltd.

Individual Statements of Changes in Equity
For the years ended December 31, 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	-	-	(220,015)	(220,015)
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	(220,015)	(220,015)
Issue of shares	72,000	76,464	-	148,464
Capital reduction to offset accumulated deficits	(249,218)	-	249,218	-
Balance as of December 31, 2023	569,659	76,464	(220,015)	426,108
Net loss for the period	-	-	(181,153)	(181,153)
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	(181,153)	(181,153)
Capital surplus used to offset accumulated deficits	-	(76,494)	76,464	-
Issue of shares	160,000	190,500	-	350,500
Share-based payments	-	485	-	485
Balance as of December 31, 2024	\$ 729,659	\$ 190,985	(\$ 324,704)	\$ 595,940

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

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

Solid State System Co., Ltd.

Individual Statements of Cash Flows

For the years ended December 31, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollars)

	For the year ended December 31,	
	2024	2023
Cash flows from operating activities:		
Loss before income tax	(\$ 181,153)	(\$ 221,733)
Adjustments to reconcile profit (loss):		
Depreciation	24,414	32,592
Amortization	7,919	11,050
Expected credit (gain) loss	(8)	4
Interest expense	1,608	1,780
Interest income	(1,458)	(766)
Share-based payments	485	-
Gain on disposals of property, plant and equipment	(2,884)	(285)
Impairment loss on non-financial assets	-	14,658
Provision for inventory devaluation loss	17,483	56,101
Others	27	735
Changes in operating assets and liabilities:		
Accounts receivable	(9,112)	(361)
Accounts receivable from related parties	10,056	28,532
Inventories	66,314	65,771
Other operating assets	(8,377)	474
Accounts payable	6,697	(654)
Other operating liabilities	2,746	(5,493)
Cash flows used in operations	(65,243)	(17,595)
Interest received	1,473	680
Interest paid	(1,581)	(1,791)
Income taxes paid	(106)	(28)
Income taxes refund	2	2
Net cash flows used in operating activities	(65,455)	(18,732)
Cash flows from investing activities:		
Proceeds from disposal of subsidiaries	-	2,108
Acquisition of property, plant and equipment	(11,553)	(6,194)
Proceeds from disposal of property, plant and equipment	2,884	285
Increase in refundable deposits	(42)	(31)
Acquisition of intangible assets	(6,237)	(5,915)
Net cash flows used in investing activities	(14,948)	(9,747)
Cash flows from financing activities:		
Proceeds from borrowings	81,644	184,605
Repayments of borrowings	(81,981)	(216,454)
Proceeds from long-term borrowings	35,000	-
Repayments of long-term borrowings	(5,006)	-
Increase in guarantee deposits	10	-
Payment of lease liabilities	(10,824)	(11,025)
Proceeds from issuing shares	350,500	148,464
Net cash flows from financing activities	369,343	105,590
Net increase in cash and cash equivalents for the period	288,940	77,111
Cash and cash equivalents at beginning of period	141,727	64,616
Cash and cash equivalents at end of period	\$ 430,667	\$ 141,727

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

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

Solid State System Co., Ltd.

Notes to the Individual Financial Statements

For the years ended December 31, 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 is the design, research, development, manufacture and sale of integrated circuits (ICs).

2. Approval Date and Procedures of the Individual Financial Statements

The individual financial statements were authorized for issuance by the Board of Directors on February 20, 2025.

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.

3S has initially adopted the following new amendments, which do not have a significant impact on its 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

3S 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 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 3S, 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

3S is evaluating the impact on its financial position and financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when 3S completes its evaluation.

3S 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 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
- Amendments to IFRS 9 and IFRS 7 “Nature-dependent Electricity Contracts”

4. Summary of Significant Accounting Policies

(1) Statement of compliance

These individual financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C..

(2) Basis of preparation

A. Basis of measurement

The individual financial statements have been prepared on a historical cost basis.

B. Functional and presentation currency

The functional currency of 3S is determined based on the primary economic environment in which the entity operates. The individual financial statements are presented in New Taiwan Dollars (“TWD”), which is 3S’s functional currency. All financial information presented in TWD has been rounded to the nearest thousand.

(3) Classification of current and non-current assets and liabilities

3S classifies an asset as current when any one of the following requirements is met. Assets that are not classified as current are non-current assets.

- A. It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- B. It holds the asset primarily for the purpose of trading;
- C. It expects to realize the asset within twelve months after the reporting period; or
- D. The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

3S classifies a liability as current when any one of the following requirements is met. Liabilities that are not classified as current are non-current liabilities.

- A. It expects to settle the liability in its normal operating cycle;
- B. It holds the liability primarily for the purpose of trading;
- C. It is due to be settled within twelve months after the reporting period; or
- D. 3S does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period.

(4) Foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period (hereinafter referred to as the reporting date), monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of transactions.

Exchange differences are generally recognized in profit or loss except for the differences of FVOCI-equity instrument, which are recognized in other comprehensive income.

(5) Cash and cash equivalents

Cash comprises cash on hand, petty cash and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The time deposits, which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are classified as cash equivalents.

(6) Financial instruments

Accounts receivable are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when 3S becomes a party to the contractual provisions of the instrument. A financial asset (unless it is an accounts receivable without a significant financing component) or financial liability is initially measured at fair value plus, transaction costs that are directly attributable to its acquisition or issue. Accounts receivables without a significant financing component is initially measured at the transaction price.

A. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost and FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless 3S changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

a. Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- (a) it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- (b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

b. Financial assets at FVTPL

All financial assets not classified as amortized cost is measured at FVTPL, including derivative financial assets. On initial recognition, 3S may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

c. Impairment of financial assets

3S recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, receivables, other receivables, refundable deposits and other financial assets) and contract assets.

3S measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- (a) debt securities that are determined to have low credit risk at the reporting date ;
and
- (b) other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivable and contract assets are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12-month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which 3S is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, 3S considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on 3S's historical experience and informed credit assessment as well as forward-looking information.

3S assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

3S considers a financial asset to be in default when the financial asset is more than 180 days past due and the borrower is unlikely to pay its credit obligations to 3S in full.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. The difference between the cash flows due to 3S in accordance with the contract and the cash flows that 3S expects to receive. ECLs are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off either partially or in full to the extent that there is no realistic prospect of recovery. For corporate customers, 3S individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. 3S expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with 3S's procedures for recovery of amounts due.

d. Derecognition of financial assets

3S derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which 3S neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

3S enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

B. Financial liabilities and equity instruments

a. Classification of debt or equity

Debt and equity instruments issued by 3S are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

b. Equity instruments

Equity instruments refer to surplus equities of the assets after the deduction of all the debts for any contracts. Equity instruments issued are recognized as the amount of consideration received, less, the direct cost of issuing.

c. Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

d. Derecognition of financial liabilities

3S derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or has expired. 3S also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

e. Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, 3S currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

C. Derivative financial instruments and hedge accounting

3S holds derivative financial instruments to hedge its foreign currency and interest rate exposures.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(7) Inventories

Inventories are measured at the lower of cost and net realizable value. The costs of inventories include expenditure incurred in acquiring the inventories, conversion costs, and other costs (weighted-average method) incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs incurred in acquiring the available-for-sale inventories and selling expenses.

(8) Property, plant and equipment

A. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

B. Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to 3S.

C. Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

(a) Building: 1.5 to 10 years

(b) Office and other equipment: 1 to 10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(9) Leases

A. Identifying a lease

At inception of a contract, 3S assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, 3S assesses whether:

- (a) the contract involves the use of an identified asset, and the supplier does not have a substantive right to substitute the asset; and
- (b) 3S has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- (c) 3S has the right to the direct use of the asset.

At inception or on reassessment of a contract that contains a lease component, 3S allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, 3S has elected not to separate these non-lease components, and account for the lease and non-lease components as a single lease component.

B. As a lessee

3S recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at, or before, the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, 3S's incremental borrowing rate. Generally, 3S uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- (a) fixed payments (including in-substance fixed payments);
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable under a residual value guarantee; and

- (d) payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- (a) there is a change in future lease payments arising from the change in an index or rate; or
- (b) there is a change in 3S's estimate of the amount expected to be payable under a residual value guarantee; or
- (c) there is a change in the assessment regarding the purchase option; or
- (d) there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- (e) there are any lease modifications.

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, 3S accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

3S has elected not to recognize the right-of-use assets and lease liabilities for its parking space and other, which qualifies as short-term assets leases. 3S recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

For sale and leaseback transactions, 3S applies the requirements for determining when a performance obligation is satisfied in IFRS 15 to determine whether the transfer of an asset is accounted for as a sale of the asset. If the transfer of an asset satisfies the requirement of IFRS 15 to be accounted for as a sale of the asset, 3S derecognizes the transferred asset, then measures the right of use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained. Accordingly, 3S recognizes only the amount of any gain or loss that relates to the rights transferred to the buyer lessor. For leaseback transaction, 3S applies the lessee accounting policy. If the transfer of an asset does not satisfy the requirement of IFRS 15 to be accounted for as a sale of the asset, 3S continues to recognize the transferred asset and recognizes the financial liability equal to the transfer proceeds.

(10) Intangible assets

A. Research and development

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and 3S intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets that are acquired by 3S and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

B. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

C. Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

The estimated useful lives for the current and comparative periods are as follows:

(a) Software: 1 to 6 years

(b) Patent and technology fee: 3 to 10 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(11) Impairment of non-financial assets

At each reporting date, 3S reviews the carrying amounts of its non-financial assets (other than inventories, contract assets, and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(12) Provisions

A provision is recognized if, as a result of a past event, 3S has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as interest expense.

A provision for warranties is recognized when the underlying products or services are sold, based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(13) Revenue from contract with customers

Revenue is measured based on the consideration to which 3S expects to be entitled in exchange for transferring goods or services to a customer. 3S recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for 3S's main types of revenue are explained below.

A. Sale of goods

3S's main products included NAND Flash controller IC and Audio IC. 3S recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or 3S has objective evidence that all criteria for acceptance have been satisfied.

B. Rendering of services

Some of the manufacturing and sales contracts of 3S include pre-production activities such as researching, developing, designing and testing of new products. Revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the reporting date as a proportion of the total services to be provided. The proportion of services provided is determined based on the actual labor hours spent relative to the total expected labor hours of the transaction.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or

costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by 3S exceed the payment, a contract asset (recorded in other current assets) is recognized. If the payments exceed the services rendered, a contract liability is recognized.

If the contract includes an hourly fee, revenue is recognized in the amount to which 3S has a right to invoice. Customers are invoiced on a monthly basis and consideration is payable when invoiced.

C. Financing components

3S does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, 3S does not adjust any of the transaction prices for the time value of money.

(14) Employee benefits

A. Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

B. Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if 3S has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(15) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to

payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the liability are recognized in profit or loss.

The grant date of a share-based payment award is the date when 3S confirmation of the number of shares subscribed by the employees.

(16) Income tax

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities at the reporting date and their respective tax bases.

Deferred tax assets are recognized for the carry forward of unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each financial reporting date, and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

- A. The entity has the legal right to settle tax assets and liabilities on a net basis; and
- B. The taxing of deferred tax assets and liabilities fulfills one of the scenarios below:
 - (a) Levied by the same taxing authority; or
 - (b) Levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

(17) Earnings per share

3S discloses its basic and diluted earnings per share attributable to common stockholders of 3S. The calculation of basic earnings per share is based on the profit attributable to the

common stockholders of 3S divided by the weighted-average number of common stock outstanding. The calculation of diluted earnings per share is based on the profit attributable to common stockholders of 3S, divided by the weighted-average number of common stock outstanding after adjustment for the effects of all dilutive potential common stock.

(18) Operating segment information

An operating segment is a component of 3S that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of 3S). Operating results of the operating segment are regularly reviewed by 3S's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

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

In preparing these individual financial statements, management has made judgments and estimates about the future, including climate-related risks and opportunities, 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.

Estimates and underlying assumptions are reviewed on an ongoing basis and are consistent with 3S's risk management and climate-related commitments where appropriate. Revisions to estimates are recognised prospectively in the period of the change and future periods.

The following assumptions and estimated with uncertainties have a significant risk of causing significant adjustments to the carrying amount of assets and liabilities in the next financial year. The relevant information is as follows:

(1) Valuation of inventories

Due to the rapid technological changes, 3S estimates the net realizable value of inventories for obsolescence and unmarketable items at the reporting date, and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on the assumptions of future demand within a specific time horizon which might subject to significant fluctuations. Please refer to note 8 for further description of the valuation of inventories.

(2) Impairment assessment on non-financial assets

In the process of evaluating the potential assets, 3S is required to make subjective judgments in determining the independent cash flows, useful lives, expected future income and expenses related to the specific asset groups considering of the nature of the industry. Any changes in these estimates based on changed economic conditions or business strategies and could result in significant impairment charges or reversal in future years. Please refer to notes 10, 11 and 12 for further description of the impairment assessment on non-financial assets.

6. Cash and Cash Equivalents

	December 31, 2024	December 31, 2023
Cash on hand and petty cash	\$ 147	\$ 119
Checking and savings accounts	430,520	29,108
Time deposits	-	112,500
	<u>\$ 430,667</u>	<u>\$ 141,727</u>

Please refer to note 22 for the disclosure of credit risk and currency risk of the financial assets and liabilities of 3S.

7. Accounts Receivable

A. Accounts receivable (including receivables from related parties)

	December 31, 2024	December 31, 2023
Accounts receivable	\$ 25,076	\$ 26,020
Less: loss allowance	(12)	(20)
	<u>\$ 25,064</u>	<u>\$ 26,000</u>
Accounts receivable, net	<u>\$ 23,009</u>	<u>\$ 13,889</u>
Accounts receivable from related parties, net	<u>\$ 2,055</u>	<u>\$ 12,111</u>

3S 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:

	December 31, 2024		
	Gross carrying amount	Weighted-average loss rate	Expected loss allowance
Not past due	\$ 22,601	0.053%	12
Past due by 1~89 days	2,475	-%	-
Total	<u>\$ 25,076</u>		<u>12</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>

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

	For the years ended December 31,	
	2024	2023
Beginning balance	\$ 20	\$ 16
Impairment (gain) loss recognized	(8)	4
Ending balance	\$ 12	\$ 20

3S' s net accounts receivable (including receivables from related parties) mentioned above were not pledged as collateral.

8. Inventories

	December 31, 2024	December 31, 2023
Raw materials	\$ 393	\$ 26,153
Work in process	61,389	100,531
Finished goods	123,002	141,897
	\$ 184,784	\$ 268,581

a. The costs of goods sold related to inventories for the years ended December 31, 2024 and 2023 were \$225,924 and \$260,326, respectively. The cost of goods sold includes provision for inventory devaluation loss of \$17,483 and \$56,101, respectively.

b. 3S's inventories mentioned above were not pledged as collateral.

9. Investments accounted for using equity method

For the year ended December 31, 2023, share of loss of the subsidiary amounted was \$0.

3S liquidated its subsidiary, ViCHIP, on November 3, 2022 with the approval of the board. All related statutory registration procedures had already been completed on October 24, 2023.

10. 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	10,158	10,348
Disposal and write-off	(42,066)	(504)	(42,570)
Reclassification	-	14	14
Balance as of December 31, 2024	\$ 69,327	\$ 55,808	\$ 125,135
Accumulated depreciation and impairment loss:			
Balance as of January 1, 2024	\$ 94,494	\$ 33,497	\$ 127,991
Depreciation for the period	3,553	8,096	11,649
Disposal and write-off	(42,066)	(504)	(42,570)
Balance as of December 31, 2024	\$ 55,981	\$ 41,089	\$ 97,070
Book value:			
Balance as of December 31, 2024	\$ 13,346	\$ 14,719	\$ 28,065

	Machinery and equipment	Office and other equipment	Total
Cost:			
Balance as of January 1, 2023	\$ 117,202	\$ 45,291	\$ 162,493
Additions	1,607	4,903	6,510
Disposal and write-off	(7,178)	(3,775)	(10,953)
Reclassification	(428)	(279)	(707)
Balance as of December 31, 2023	<u>\$ 111,203</u>	<u>\$ 46,140</u>	<u>\$ 157,343</u>
Accumulated depreciation and impairment loss:			
Balance as of January 1, 2023	\$ 76,920	\$ 27,788	\$ 104,708
Depreciation for the period	11,008	8,570	19,578
Impairment loss	13,744	914	14,658
Disposal and write-off	(7,178)	(3,775)	(10,953)
Balance as of December 31, 2023	<u>\$ 94,494</u>	<u>\$ 33,497</u>	<u>\$ 127,991</u>
Book value:			
Balance as of December 31, 2023	<u>\$ 16,709</u>	<u>\$ 12,643</u>	<u>\$ 29,352</u>

For the years ended December 31, 2024 and 2023, 3S assessed the impairment loss on equipment and reticle masks due to the changes in production technology to be \$0 and \$14,658, recognized as “ Other gains and losses” in the individual statement of comprehensive income.

3S’ s property, plant and equipment mentioned above were not pledged as collateral.

11. Lease Arrangements

A. Right-of use assets

	December 31, 2024	December 31, 2023
Carrying amount:		
Buildings	<u>\$ 13,533</u>	<u>\$ 11,778</u>
	For the year ended December 31,	
	2024	2023
Addition to right-of-use assets	<u>\$ 14,520</u>	<u>\$ 1,192</u>
Depreciation for right-of-use assets		
Buildings	<u>\$ 12,765</u>	<u>\$ 13,014</u>

Assets of 3S that have indications of impairment on the reporting date are tested for impairment on the basis of individual assets or their CGUs. According to the test for impairment for 2024 and 2023, the recoverable amount for an asset or a CGU is the higher than its book value. Therefore, 3S did not recognize any impairment loss on right-of-use assets.

B. Lease liabilities

	December 31, 2024	December 31, 2023
Carrying amount:		
Current	\$ 8,569	\$ 7,354
Non-current	4,074	1,593
	<u>\$ 12,643</u>	<u>\$ 8,947</u>

Range of discount rate for lease liabilities was as follows:

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

C. Material lease activities and terms

3S 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.

12. 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
Write-off	(7,262)	(5,655)	(12,917)
Balance as of December 31, 2024	<u>\$ 10,106</u>	<u>\$ 15,241</u>	<u>\$ 25,347</u>
Accumulated amortization:			
Balance as of January 1, 2024	\$ 9,166	\$ 13,819	\$ 22,985
Amortization for the period	6,222	1,697	7,919
Write-off	(7,262)	(5,655)	(12,917)
Balance as of December 31, 2024	<u>\$ 8,126</u>	<u>\$ 9,861</u>	<u>\$ 17,987</u>
Book value:			
Balance as of December 31, 2024	<u>\$ 1,980</u>	<u>\$ 5,380</u>	<u>\$ 7,360</u>
	Computer software	Patent and technology license fee	Total
Cost:			
Balance as of January 1, 2023	\$ 27,664	\$ 24,591	\$ 52,255
Additions	5,915	-	5,915
Write-off	(22,448)	(3,695)	(26,143)
Balance as of December 31, 2023	<u>\$ 11,131</u>	<u>\$ 20,896</u>	<u>\$ 32,027</u>
Accumulated amortization:			
Balance as of January 1, 2023	\$ 24,267	\$ 13,811	\$ 38,078
Amortization for the period	7,347	3,703	11,050
Write-off	(22,448)	(3,695)	(26,143)
Balance as of December 31, 2023	<u>\$ 9,166</u>	<u>\$ 13,819</u>	<u>\$ 22,985</u>
Book value:			
Balance as of December 31, 2023	<u>\$ 1,965</u>	<u>\$ 7,077</u>	<u>\$ 9,042</u>

Assets of 3S that have indications of impairment on the reporting date are tested for impairment on the basis of individual assets or their CGUs. According to the test for impairment for 2024 and 2023, the recoverable amount for an asset or a CGU is the higher than its book value. Therefore, 3S did not recognize any impairment loss on intangible assets.

3S's intangible assets mentioned above were not pledged as collateral.

13. Borrowings

A. Short-term borrowings

	December 31, 2024	December 31, 2023
Unsecured bank loans	\$ 23,833	\$ 34,170
Secured bank loans	10,000	-
Total	\$ 33,833	\$ 34,170
Unused credit line	\$ 35,167	\$ 26,834
Range of interest rates	2.64%~3.08%	2.21%~2.95%

B. Long-term borrowings

	December 31, 2024	December 31, 2023
Unsecured bank loans	\$ 29,994	\$ -
Less: Current portion of long-term borrowings	(6,805)	-
	\$ 23,189	\$ -
Unused credit line	\$ -	\$ -
Range of interest rates	2.22%	-%

3S asset-backed collateralization for bank loans, please refer to note 27.

14. Employee Benefit

A. Defined benefit plans

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 thousand, with its income distribution totaling \$198 thousand, recognized as “other income” in its individual statements of comprehensive income.

B. Defined contribution plans

3S allocates 6% of each employee’s monthly wages to the labor pension personal account at the Bureau of Labor Insurance, Ministry of Labor (hereinafter referred to as the Bureau of

Labor Insurance) in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, 3S allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

3S's pension costs under the defined contribution method were \$5,846 and \$6,543 for the years ended December 31, 2024 and 2023, respectively. Payment was made to the Bureau of Labor Insurance.

15. Capital and Other Equity Interest

A. Ordinary share capital

	December 31, 2024	December 31, 2023
Number of authorized shares (in thousands)	120,000	120,000
Amount of authorized shares	\$ 1,200,000	\$ 1,200,000
Number of issued and fully paid shares (in thousands)	72,966	56,966
Issued share capital	\$ 729,659	\$ 569,659

In order to appeal to strategic investors for the purpose of strengthening 3S's stockholder structure and improving competitiveness, on August 8, 2008, based on the resolution of a special stockholders' meeting, the Board of Directors approved the proposal to raise \$100,205 through private placement of 5,726 thousand common stock at a premium price of \$17.5 dollars per share. The premium amounted to \$42,945 and was recognized as capital surplus-additional paid-in capital. The effective date of the capital increase was August 25, 2008, and the required registration process was completed on September 8, 2008.

In order to appeal to strategic investors for the purpose of strengthening 3S's stockholder structure and improving competitiveness, on June 4, 2013, based on the resolution of a special stockholders' meeting, the Board of Directors approved the proposal, to raise \$144,000 through private placement of 7,500 thousand common stock at a premium price of \$19.2 dollars per share on November 13, 2013. The premium amounted to \$69,000 and was recognized as capital surplus-additional paid-in capital. The effective date of the capital increase was November 27, 2013, and the required registration process was completed on December 25, 2013.

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 3S 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. As of the report date, the abovementioned restriction had not yet been lifted.

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 3S 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 3S, 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.

On October 14, 2024, based on the resolution of a Board of Directors meeting, to increase 3S's capital by issuing 16,000 thousand common shares with a par value of NT\$10 per share. The initial issue price is NT\$22 per share. The issuance registration with the FSC, under registration No. 1130361038, became effective on November 21, 2024. The effective date of the capital increase was December 31, 2024, and the relevant statutory registration procedures had already been completed on February 8, 2025.

In order to appeal to strategic investors for the purpose of strengthening 3S's stockholder structure and improving competitiveness, on May 29, 2024, based on the resolution of a stockholders' meeting, the Board of Directors resolved to conduct the private placement within 20,000 thousand common stock. However, as the one-year term is approaching its expiration and considering overall funding situation, the plan will not be conducted upon expiration. Additionally, on February 20, 2025, the Board of Directors resolved to conduct the private placement of common shares within the 20,000 thousand shares limit. The application is pending for approval by the stockholders' meeting on May 27, 2025.

B. Capital surplus

3S's capital surplus was as follows:

	December 31, 2024	December 31, 2023
Capital increase	\$ 190,979	\$ 76,464
Other- expird stock option	6	-
	<u>\$ 190,985</u>	<u>\$ 76,464</u>

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. Retained earnings

(a) Legal reserve

When a company incurs no loss, it may distribute the amount of the legal reserve that exceeds 25% of issued common stock either by capitalizing its legal reserve and distributing the new shares as stock dividend to its original stockholders in proportion to the number of shares held by each of them or by distributing a cash dividend.

(b) Special reserve

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of current period earnings and undistributed prior period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should equal the current period total net reduction of other stockholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other stockholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other stockholders' equity shall qualify for additional distributions.

(c) Distribution of earnings/deficit compensation

3S's articles of incorporation require that after-tax earnings shall first be offset against any deficit, and 10% of the remaining balance shall be set aside as legal reserve. The appropriation for legal reserve is discontinued when the balance of the legal reserve equals the total authorized capital. Special reserve may be appropriated for operations or to meet regulations. The remaining earnings, if any, may be appropriated according to the proposal presented in the annual stockholders' meeting by the Board of Directors.

In consideration of financial planning, distribution of profits shall be appropriated by means of stock dividends or cash dividends, or both. The cash dividends should not be lower than 10% of the total dividends.

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.

16. Share-based payment plan

A. Capital increase by cash reserved for employee share options

On October 14, 2024, 3S's Board of Directors resolved a cash offering of new shares; 10% of the new shares, equivalent to 1,600 thousand shares, shall be reserved for subscription by the qualified employees in compliance with Company Act. The date of grant was based on the date of confirmation of the number of shares subscribed by the employees.

The date of grant was December 12, 2024. The total newly issued shares for this capital increase by cash were 16,000 thousand shares and 1,600 thousand shares were reserved for the employees' subscription. The actual number of shares subscribed by the employees was 737 thousand shares. The abovementioned cash offering of new shares was issued at NT\$22 per share and the effective date of the capital increase was set at December 31, 2024. The relevant information was as follows:

Agreement type	Date of grant	Subscribed shares (in thousands)	Actual number of shares subscribed (in thousands)	Contract period	Vested condition
Reserved for employee share options	2024/12/12	746	737	-	Vested immediately

The fair value of employee share options was as follow:

Agreement type	Date of grant	Exercise price	Fair value (per unit)
Reserved for employee share options	2024/12/12	\$ 22	\$ 0.65

The compensation costs recognized amounted to \$485 for the year ended December 31, 2024.

17. Earnings Per Share

A. Basic earnings (loss) per share

Basic earnings per share amounts for the years ended December 31, 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 year ended December 31,	
	2024	2023
Net loss attributable to 3S's stockholders	(\$ 181,153)	(\$ 220,015)
Weighted average common stocks outstanding (thousand shares)	57,010	50,654
Basic EPS (TWD)	(\$ 3.18)	(\$ 4.34)

There were no dilutive potential ordinary shares for the period.

18. Revenue

A. The analysis of the revenue generated by 3S in the current year is as follows:

	For the year ended December 31,	
	2024	2023
Primary geographical markets		
China	\$ 106,929	\$ 80,185
Taiwan	64,996	48,758
North-east Asia	48,989	20,467
America	18,196	126,231
	<u>\$ 239,110</u>	<u>\$ 275,641</u>
Major products		
Revenue from IC	\$ 237,328	\$ 238,101
Service revenue	1,782	37,540
	<u>\$ 239,110</u>	<u>\$ 275,641</u>

19. Non-operating Income and Expenses

A. Interest income

	For the year ended December 31,	
	2024	2023
Interest income from bank deposits	\$ 1,417	\$ 726
Other interest income	41	40
	<u>\$ 1,458</u>	<u>\$ 766</u>

B. Other gains and losses

	For the year ended December 31,	
	2024	2023
Gains on disposals of property, plant and equipment	\$ 2,884	\$ 285
Recognition of impairment losses on property, plant and equipment	-	(14,658)
Foreign exchange gains (losses), net	2,590	(269)
Others	1,683	1,878
	<u>\$ 7,157</u>	<u>(\$ 12,764)</u>

C. Financial costs

	For the years ended December 31,	
	2024	2023
Interest expense-borrowings and others	\$ 1,405	\$ 1,552
Interest expense-lease liabilities	203	228
	<u>\$ 1,608</u>	<u>\$ 1,780</u>

20. 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 years ended December 31, 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.

21. Income Tax

A. The income tax (benefit) expense recognized in profit or loss consists of the following:

	For the years ended December 31,	
	2024	2023
Deferred tax expense		
Origination and reversal of temporary differences	\$ -	(\$ 1,718)
Income tax (benefit) expense	<u>\$ -</u>	<u>(\$ 1,718)</u>

The reconciliation of income before income tax (benefit) and income tax expense recognized in profit or loss was as follows:

	For the years ended December 31,	
	2024	2023
Loss before tax	(\$ 181,153)	(\$ 221,733)
Income tax using the 3S's domestic tax rate	(\$ 36,231)	(\$ 44,347)
Fictional income in accordance with tax laws	-	1,698
Expenses that are not deductible for tax purposes	-	6
Changes in unrecognized tax losses	38,900	37,852
Change in unrecognized deductible temporary differences	(2,669)	3,073
Income tax expense	\$ -	(\$ 1,718)

B. Deferred income tax assets and liabilities

	January 1, 2024	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2024
<u>Deferred tax liabilities</u>				
Deductible temporary differences				
Defined benefit plans	\$ -	\$ -	\$ -	\$ -
	January 1, 2023	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2023
<u>Deferred tax liabilities</u>				
Deductible temporary differences				
Defined benefit plans	\$ 1,718	(\$ 1,718)	\$ -	\$ -

C. Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2024	December 31, 2023
Tax effect of deductible temporary differences	\$ 26,827	\$ 28,766
Tax losses	227,575	213,187
	\$ 254,402	\$ 241,953

The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes.

The deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which 3S can utilize the benefits therefrom.

As of December 31, 2024, the unused operating loss carry forwards were as described below:

Unused operating loss Carry forwards	Expiration years
\$ 195,249	2025
37,349	2026
70,214	2027
22,429	2028
110,711	2029
138,247	2030
20,024	2031
148,864	2032
200,289	2033
194,499	2034
<u>\$ 1,137,875</u>	

D. Income tax assessments

The income tax returns of 3S through 2022 have been assessed by the tax authorities.

22. Financial Instruments

A. Categories of financial instruments

	December 31, 2024	December 31, 2023
<u>Financial assets</u>		
Financial assets measured at amortized cost:		
Cash and cash equivalents	\$ 430,667	\$ 141,727
Accounts receivable (including receivables from related parties)	25,064	26,000
Refundable deposits	6,852	6,810
	<u>\$ 462,583</u>	<u>\$ 174,537</u>
<u>Financial liabilities</u>		
Financial liabilities measured at amortized cost:		
Short-term borrowings	\$ 33,833	\$ 34,170
Accounts payable	7,979	1,282
Accrued payroll and bonus	12,340	13,120
Other accrued expenses	16,367	14,886
Lease liabilities (included in current and non-current)	12,643	8,947
Long-term borrowings (included in current and non-current)	29,994	-
Guarantee deposits received	628	618
	<u>\$ 113,784</u>	<u>\$ 73,023</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 December 31, 2024 and 2023, were \$462,583 and \$174,537, respectively.

b. Situation of concentrated credit risk

3S's potential credit risk is derived primarily from cash and cash equivalents and receivable (including accounts receivable and receivables from related parties). 3S maintains its cash and cash equivalents in various creditworthy financial institutions. 3S monitors its exposure with these financial institutions; therefore, 3S considers that there is no concentration of credit risk in regard to cash and cash equivalents.

3S's sales to individual clients constituting over 10% of total sales revenue for the years ended December 31, 2024 and 2023, were 49% and 59%, respectively, of the total sales revenues. To reduce the concentration of credit risk, 3S 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 years ended December 31, 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 expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(6).

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>December 31, 2024</u>				
Non-derivative financial liabilities				
Short-terms borrowing	\$ 33,833	\$ 34,021	\$ 34,021	\$ -
Accounts payable	7,979	7,979	7,979	-
Accrued payroll and bonus	12,340	12,340	12,340	-
Other accrued expenses	16,367	16,367	16,367	-
Lease liabilities (included in current and non-current)	12,643	12,866	8,765	4,101
Long-term borrowings (included in current and non-current)	29,994	31,458	7,402	24,056
Guarantee deposits received	628	628	-	628
	<u>\$ 113,784</u>	<u>\$ 115,659</u>	<u>\$ 86,874</u>	<u>\$ 28,785</u>

	Carrying amount	Contractual cash flows	Within 1 years	1~5 years
<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>

D. Currency risk

a. Exposure to currency risk

3S's financial assets and liabilities exposed to exchange rate risk were as follows:

December 31, 2024

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 1,225	32.78 (USD : TWD)	<u>\$ 40,156</u>
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	\$ 334	32.78 (USD : TWD)	<u>\$ 10,949</u>

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>
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	\$ 175	30.68 (USD : TWD)	<u>\$ 5,369</u>

b. Sensitivity analysis

3S'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 December 31, 2024 and 2023, would have decreased or increased the net loss by \$234 and \$221, respectively. This analysis is based on foreign currency exchange rate variances that 3S 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

3S' 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:

	December 31, 2024				
	Carrying Amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 430,667	\$ -	\$ -	\$ -	\$ -
Accounts receivable (including receivables from related parties)	25,064	-	-	-	-
Refundable deposits	6,852	-	-	-	-
	<u>\$ 462,583</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Financial liabilities measured at amortized cost					
Short-terms borrowing	\$ 33,833	\$ -	\$ -	\$ -	\$ -
Accounts payable	7,979	-	-	-	-
Accrued payroll and bonus	12,340	-	-	-	-
Other accrued expenses	16,367	-	-	-	-
Lease liabilities (included in current and non-current)	12,643	-	-	-	-
Long-term borrowings (included in current and non-current)	29,994	-	-	-	-
Guarantee deposits received	628	-	-	-	-
	<u>\$ 113,784</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	December 31, 2023				
	Carrying Amount	Fair value			Total
		Level 1	Level 2	Level 3	
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>

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.

23. Financial Risk Management

A. Overview

3S is exposed to the following risks due to usage of financial instruments:

- (a) Credit risk
- (b) Liquidity risk
- (c) Market risk

This note presents information about 3S's exposure to each of the above risks, 3S's objectives, policies, and processes for measuring and managing risk, and 3S's management of capital. Further quantitative disclosures are included throughout these individual financial statements.

B. Objectives and policies for managing risk

The core business departments are responsible for the management of operational risk. 3S has established appropriate procedures based on the nature of business. Before entering into transactions involving risk, the approval policy must be carried out based on related procedures. Significant contracts are approved by the general counsel, and the potential risks of operations are assessed by the Internal Audit Office as a reference for drafting its annual audit plan.

3S regularly monitors risks faced by 3S in accordance with 3S's risk management policies and procedures to reflect changes in market conditions and 3S's activities. There are three monitoring mechanisms:

- (a) The department or employee responsible establishes a risk management mechanism that can effectively recognize, evaluate, supervise and control risk.
- (b) In addition to the risks approved by the related department or team, the general counsel assists the president to seek improvements of laws and risks.
- (c) The Internal Audit Office monitors risk, as overseen by the directors.

C. Credit risk

The credit risk information on cash and cash equivalents and receivables is disclosed in Note 22. According to 3S's policy, 3S could only provide financial guarantees for the entities in which it has business relationship with and demand short-term financing support from 3S. As of December 31, 2024 and 2023, 3S did not provide any financial guarantees for any such entities.

D. Liquidity risk

Liquidity risk is the risk that 3S will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. 3S's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to 3S's reputation.

Liquidity risk of 3S is monitored through its corporate treasury department which tracks the development of the actual cash flow position for 3S and uses input from a number of sources in order to forecast the overall liquidity position both on a short- and long-term basis. Corporate treasury invests surplus cash in money market deposits and short-term investments with appropriate maturities to ensure sufficient liquidity is available to meet liabilities when due. 3S manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. As of December 31, 2024 and 2023, 3S has unused short-term bank facilities of \$35,167 and \$26,834, respectively.

E. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, will affect 3S's income or the value of its holdings of financial instruments. The objective of market risk

management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

3S buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Board of Directors and are subject to the monitor from internal audit office. Generally 3S seeks to apply hedge accounting in order to manage volatility in profit or loss.

3S is exposed to currency risks on foreign currency denominated financial assets and liabilities arising from its operating, financing and investing activities.

3S is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of 3S's entities, primarily the TWD. The currencies used in these transactions are denominated in TWD, USD, and JPY.

In respect of the valuation of other monetary assets and liabilities denominated in foreign currencies, 3S hedges 50 percent of its net exposure (net cash flows) expected in three months, subject to the situation of which the rate may be adjusted to an acceptable level by buying or selling foreign currencies at spot rates, when there is necessary to address short-term imbalances. 3S uses forward exchange contracts to hedge, with a maturity of less than three months from the reporting date, and therefore, hedge accounting is not applied in these circumstances.

24. 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 3S. 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:

	December 31, 2024	December 31, 2023
Total liabilities	\$ 124,455	\$ 82,827
Total equity	\$ 595,940	\$ 426,108
Debt-to-capital ratio	20.88%	19.44%

3S approach to capital management for the year ended December 31, 2024, was the same as that in 2023.

25. 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	81,644	35,000	-	-	116,644
Repayments of borrowings	(81,981)	(5,006)	-	-	(86,987)
Payment of lease liabilities	-	-	(10,824)	-	(10,824)
Interest paid	-	-	(203)	-	(203)
Increase in guarantee deposits	-	-	-	10	10
Non-cash flow:					
Increase in lease liabilities	-	-	14,520	-	14,520
Interest expense	-	-	203	-	203
Balance as of December 31, 2024	<u>\$ 33,833</u>	<u>\$ 29,994</u>	<u>\$ 12,643</u>	<u>\$ 628</u>	<u>\$ 77,098</u>
Balance as of January 1, 2023	\$ 66,019	\$ -	\$ 18,780	\$ 618	\$ 85,417
Cash flows:					
Proceeds from borrowings	184,605	-	-	-	184,605
Repayments of borrowings	(216,454)	-	-	-	(216,454)
Payment of lease liabilities	-	-	(11,025)	-	(11,025)
Interest paid	-	-	(228)	-	(228)
Non-cash flow:					
Increase in lease liabilities	-	-	1,192	-	1,192
Interest expense	-	-	228	-	228
Balance as of December 31, 2023	<u>\$ 34,170</u>	<u>\$ -</u>	<u>\$ 8,947</u>	<u>\$ 618</u>	<u>\$ 43,735</u>

26. 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 individual financial statements.

Name of related parties	Relationship with 3S
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 3S during the period covered in the financial statements.

a. Sales and service revenue from related parties

	For the year ended December 31,	
	2024	2023
KDIL	\$ -	\$ 126,231
KIC	32,107	10,710
	<u>\$ 32,107</u>	<u>\$ 136,941</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

	December 31, 2024	December 31, 2023
KDIL	\$ -	\$ 10,040
KIC	2,055	2,071
	<u>\$ 2,055</u>	<u>\$ 12,111</u>

c. Transactions with key management personnel

Key management compensation for the years ended December 31, 2024 and 2023 were as follows:

	For the years ended December 31,	
	2024	2023
Short-term employee benefits	\$ 11,158	\$ 10,293
Post-employment benefits	324	1,762
	<u>\$ 11,482</u>	<u>\$ 12,055</u>

27. Pledged Assets

The carrying values of 3S's pledged assets are as follows:

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

28. 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.

29. Losses Due to Major Disasters: None.

30. Subsequent Events: None.

31. Others

A. 3S incurred a net loss amounting to \$324,704 as of December 31, 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) Plan to issue of new common shares for cash in private placement, in order to have sound financial structure and enrich working capital.
- (c) 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, is as follows:

By function By item	For the year ended December 31, 2024			For the year ended December 31, 2023		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits						
Salary	\$ 7,373	\$ 118,923	\$ 126,296	\$ 14,530	\$ 129,600	\$ 144,130
Labor and health insurance	486	9,438	9,924	415	10,847	11,262
Pension	274	5,572	5,846	220	6,323	6,543
Remuneration of directors	-	1,492	1,492	-	1,236	1,236
Others	419	6,042	6,461	472	5,188	5,660
Depreciation	4,112	20,302	24,414	9,462	23,130	32,592
Amortization	-	7,919	7,919	-	11,050	11,050

The number of employees and employee benefits for the years ended December 31, 2024 and 2023, is as follows:

	For the years ended December 31,	
	2024	2023
The number of employees	112	125
The number of directors who were not holding as a position of employee	5	5
The Average of employee benefits	\$ 1,388	\$ 1,397
The Average of Salaries	\$ 1,180	\$ 1,201
The Average of salary adjust rate	(2%)	
The remuneration to supervisors (note)	\$ -	\$ -

Note: 3S set up an audit committee in place of a supervisor. Therefore, no remuneration to supervisor was accrued.

The information of 3S's salaries and remunerations policy (including director, executive officers and employees) is as follow:

3S inspects, and compares with, its peers or talent competitors annually to ensure the competitiveness of its employee remuneration, so as to achieve the purpose of seeking, motivating and retaining talents. 3S's remuneration is divided into two parts: fixed and variable. The manager's performance target incentive reward is set, and consequently, it seeks to fully reflect the performance of the individual and the team.

The procedures of 3S's remuneration to directors and managers are determined using 3S's board performance evaluation method and employee performance appraisal. In addition to referring to 3S's operating performance, future risks, development strategies and industrial trends, 3S also considers the individual's contribution to 3S's performance to give reasonable remuneration. The performance evaluation and distribution of remuneration are reviewed and approved by the remuneration committee and the board of directors in accordance with the regulations. 3S will review the remuneration distribution policy in a timely manner according to the overall environment and business strategy, so as to take into account 3S's sustainable operation and the interests of its stakeholders. The remuneration of independent directors is fixed and is paid on a monthly basis.

32. 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 3S:

- Loans to other parties: None.
- Guarantees and endorsements for other parties: None.
- Securities held as of December 31, 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.
- B. Information on investees:
- Information on investees for the years ended December 31, 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.

33. Segment Information

A. General information and segment information

3S 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 individual financial statements. For sales to other than the individual entities and income before income tax, please see statements of comprehensive income. For assets, please see the balance sheets.

B. Products and services information

Please refer to note 18 on information regarding products and services for the years ended December 31, 2024 and 2023.

C. Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers, and segment assets are based on the geographical location of the assets.

	December 31, 2024	December 31, 2023
Non-current assets:		
Taiwan	\$ 48,958	\$ 50,172

Please refer to note 18 for the revenues from external customers for the years ended December 31, 2024 and 2023.

D. Major customer information

The amounts of sales to customers representing greater than 10% of the revenues were as follows:

	For the years ended December 31,	
	2024	2023
H Company	\$ 56,232	\$ 36,235
KIC	32,107	10,710
B Company	29,212	13,248
KDIL	18,170	126,231
	\$ 135,721	\$ 186,424

Solid State System Co., Ltd.
INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 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 : On October 14, 2024, based on the resolution of a Board of Directors meeting, to increase 3S's capital by issuing 16,000 thousand common stocks, the new shares have not yet been delivered as of December 31, 2024.

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.

The Contents of Statements of Major Accounting Items

Item	Index
Major accounting items in assets, liabilities, and equity:	
Statement of cash and cash equivalents	1
Statement of accounts receivable, net	2
Statement of inventories	3
Statement of short-term loans	4
Statement of accounts payable	5
Statement of other accrued expenses payable	6
Statement of long-term loans	7
Statement of lease liabilities	8
Major accounting items in income statement:	
Statement of net operating revenue	9
Statement of operating costs	10
Statement of operating expenses	11

Solid State System Co., Ltd.
1. Statement of cash and cash equivalents
December 31, 2024
(Expressed in Thousands of New Taiwan Dollars)
(Foreign Currencies Dollars)

Item	Description	Amount
Cash on hand and petty cash		\$ 147
	NTD 414,257,048	
	USD 466,805.38	
Demand deposits and Check Deposit	YEN 2,587,668	430,520
	CNY 93,325.8	
Total		<u>\$ 430,667</u>

Note: The exchange rates of foreign currencies are converted into New Taiwan Dollars at the balance sheet date is as follows:

USD : 32.78

YEN : 0.21005

CNY : 4.477

Solid State System Co., Ltd.
2. Statement of accounts receivable, net
December 31, 2024
(Expressed in Thousands of New Taiwan Dollars)

Name of Customer	Amount
Accounts receivable not from related parties:	
A Company	\$ 6,130
B Company	6,061
C Company	2,011
D Company	1,944
E Company	1,729
F Company	1,388
G Company	1,248
Others (note)	2,510
Total	23,021
Less: Loss allowance	(12)
Accounts receivable, net	\$ 23,009

Note: The individual amount does not exceed 5% of the account balance

Solid State System Co., Ltd.

3. Statement of inventories

December 31, 2024

(Expressed in Thousands of New Taiwan Dollars)

Item	Amount	
	Cost	Net Realizable Value
Finished goods	\$ 186,385	
Less: provision for inventory devaluation loss	(63,383)	
Subtotaled	123,002	\$ 176,919
Work in progress	100,336	
Less: provision for inventory devaluation loss	(38,947)	
Subtotaled	61,389	118,159
Raw materials	11,600	
Less: provision for inventory devaluation loss	(11,207)	
Subtotaled	393	415
Merchandises inventory	8,013	
Less: provision for inventory devaluation loss	(8,013)	
Subtotaled	-	2
	\$ 184,784	\$ 295,495

Solid State System Co., Ltd.
4. Statement of short-term loans
December 31, 2024
(Expressed in Thousands of New Taiwan Dollars)

Type of Loan	Description	Ending Balance	Term of Contract	Range of Interest rate	Financing amount	Mortgage or guarantee
Unsecured loan	Taiwan Land Bank	\$ -	113.12-114.12	-	\$ 20,000	None
Unsecured loan	Taishin International Bank	23,833	113.07-114.04	2.64%~2.67%	39,000	None
Secured loan	Chang Hwa Bank	10,000	113.10-114.01	3.08%	10,000	Time Deposit
		<u>\$ 33,833</u>			<u>\$ 69,000</u>	\$2,000

Solid State System Co., Ltd.
5. Statement of accounts payable
December 31, 2024
(Expressed in Thousands of New Taiwan Dollars)

Item	Amount
Supplier A	\$ 7,979

Solid State System Co., Ltd.

6. Statement of other accrued expenses payable

December 31, 2024

(Expressed in Thousands of New Taiwan Dollars)

Item	Amount
Manufacturing overhead payable	\$ 12,241
Retirement payable	1,258
Insurance payable	1,049
Others (the individual amount does not exceed 5% of the account balance)	1,819
	<u>\$ 16,367</u>

Solid State System Co., Ltd.
7. Statement of long-term loans
December 31, 2024
(Expressed in Thousands of New Taiwan Dollars)

Creditor	Type of Loan	Ending Balance	Term of Contract	Interest rate (%)	Financing amount	Guarantee	Note
First Commercial Bank	Unsecured loan	\$ 29,994	113.03-118.03	2.22%	\$ 35,000	None	
Subtotaled		29,994			<u>\$ 35,000</u>		
Less: Current portion of long-term borrowings		(6,805)					
Total		<u>\$ 23,189</u>					

Solid State System Co., Ltd.
8. Statement of lease liabilities
December 31, 2024
(Expressed in Thousands of New Taiwan Dollars)

Item	Description	Term of Lease	Discount Rate (%)	Ending Balance	Note
Buildings	Office and Parking Space	1~5 Years	1.40%-2.64%	<u>\$ 12,643</u>	

Solid State System Co., Ltd.

9. Statement of net operating revenue

For the years ended December 31, 2024

(Expressed in Thousands of New Taiwan Dollars)

Item	Quantity	Amount
Controller IC	4,275,000	\$ 48,496
Audio IC and others	61,222,349	188,832
Service revenue	1	1,782
		<u>\$ 239,110</u>

Solid State System Co., Ltd.
10. Statement of operating costs
For the years ended December 31, 2024
(Expressed in Thousands of New Taiwan Dollars)

Item	Amount
Beginning balance of raw material	\$ 40,119
Add: Purchase	43,266
Movement of expenses between departments	950
Less: Ending balance of raw materials	11,600
Scrapped from inventory	9,179
Raw materials used	63,556
Manufacturing overhead	14,519
Manufacturing overhead expense	82,532
Manufacturing costs	160,607
Add: Beginning balance of work-in-process	130,506
Less: Ending balance of work-in process	100,336
Movement of expenses between departments	34
Scrapped from inventory	2,779
Cost of finished goods	187,964
Add: Beginning balance of finished goods	210,328
Less: Ending balance of finished goods	186,385
Movement of expenses between departments	564
Scrapped from inventory	4,358
Cost of finished goods	206,985
Others	
Add: Other operating costs	1,750
Provision for inventory devaluation loss	17,483
Revenue from sale of scrap	(297)
Cost of goods sold	225,921
Beginning balance of merchandise inventory	8,013
Add: Movement of expenses between departments	3
Less: Ending balance of merchandise inventory	8,013
Cost of merchandise inventory	3
Operating costs	\$ 225,924

Solid State System Co., Ltd.

11. Statement of operating expenses

For the years ended December 31, 2024

(Expressed in Thousands of New Taiwan Dollars)

Item	Selling expenses	General and administrative expenses	Research and development expenses	Total
Salary	\$ 30,005	\$ 26,227	\$ 64,183	\$ 120,415
Depreciation	4,011	2,648	13,643	20,302
Insurance expense	3,900	3,026	6,202	13,128
Amortization	50	31	7,838	7,919
Professional service fees	2	6,471	1,322	7,795
Research expense	-	-	6,360	6,360
Others (Note)	11,162	5,825	8,440	25,427
Total	<u>\$ 49,130</u>	<u>\$ 44,228</u>	<u>\$ 107,988</u>	<u>\$ 201,346</u>

Note: The individual amount does not exceed 5% of the account balance