

# Handbook for the 2025 Annual Meeting of Shareholders of Solid State System Co., Ltd.(“3S”; the “Company”) (Translation)

MEETING TIME : May 27, 2025

PLACE : 2F, No. 26, Taiyuen Street, Zhubei City , Hsinchu County.  
(Conference hall on the second floor of the park hall)

The Meeting will be held by means of physical shareholders  
meeting

(This document is prepared in accordance with the Chinese version and is for  
reference only. In the event of any inconsistency between the English version and  
the Chinese version, the Chinese version shall prevail.)

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# **I.Meeting Procedure**

- 1.Call the Meeting to order
- 2.Chairperson Remarks
- 3.Management Presentation
- 4.Proposals matters
- 5.Discussion matters
- 6.Election
- 7.Other Matters
- 8.Questions and Motions
- 9.Adjournment

## II.Meeting Agenda

Time : 10:00 AM. on Tuesday, May 27, 2025

Place : 2F, No. 26, Taiyuen Street, Zhubei City, Hsinchu County

(Conference hall on the second floor of the park hall)

Held : The Meeting will be held by means of physical shareholders meeting

Chairperson : Jeffrey Lin

1.Call the Meeting to Order

2.Chairperson Remarks

3.Management Presentation

(1).The 2024 business report

(2).The review report of the Audit Committee

(3).The status report on the cash capital increase in private placements of common shares

(4).The status report on the execution of the sound operation plan for the 2023 capital reduction to offset the deficit

(5).The status report on the execution of the sound operation plan for the 2024 cash capital raising plan

(6).The report on 2024 remuneration to Directors

4. Proposals matters:

(1).To accept the 2024 Business Report and Financial Statements

(2).To accept the deficit compensation statement for year 2024

5.Discussion matters

(1).To approve the revisions to the "Articles of Association "of the Company

(2).To approve the capital increase plan through the private placement of common shares of the Company

6. Elections:

(1).To elect one succeeding Director for the tenth-term Board of Directors of the Company

Polling for each of the above ratification and discussion items, and Election of Director

7.Other Matters :

- (1).To release the Director and their representative elected from non-competition restrictions

Voting on this motion

8.Questions and Motions

9.Adjournment

- 1.Call the Meeting to order
- 2.Chairperson Remarks
- 3.Management Presentation

**Report No. 1:**The 2024 business report.

**Explanation:**

The 2024 Business Report is attached as Attachment1(page10~11).

**Report No. 2:**The review report of the Audit Committee.

**Explanation:**

The 2024 Audit Committee's Review Report is attached as Attachment2(page12).

**Report No. 3:**The status report on the cash capital increase in private placements of common shares.

**Explanation:**

- (1) By the resolution adopted at the regular shareholders' meeting dated May 29, 2024, the Board of Directors of 3S was authorized to conduct such private placement of common shares in the total amount of no more than 20,000,000 common shares in one or two rounds at the appropriate time.
- (2) According to the paragraph 7 of Article 43-6 of the Securities and Exchange Act, the private placement of securities may be carried out in one or several rounds with one year after the date of the resolution of the shareholders' meeting.
- (3) Such private placement of securities was not carried out until now. The issuance period will end on May 29, 2025. Due to the overall funding considerations, it is hereby proposed not to conduct such private placement of securities during the remaining issuance period.

**Report No. 4:**The status report on the execution of the sound operation plan for the 2023 capital reduction to offset the deficit.

**Explanation:**

In accordance with the letter of Securities and Futures Investors Protection Center No. 1120000704, the implementation of the sound operation plan will be reported to the shareholders' meeting. Please refer to the Attachment 3 (page13-14) of the Chinese version of the Handbook for the 2025 Annual Shareholders' Meeting about 2023 such status report .

**Report No. 5:**The status report on the execution of the sound operation plan for the 2024 cash capital raising plan.

**Explanation:**

In accordance with the letter of Financial Supervisory Commission No. 1130361038, the

implementation of the sound operation plan will be reported to the shareholders' meeting. Please refer to the Attachment 4 (page15-17) of the Chinese version of the Handbook for the 2025 Annual Shareholders' Meeting about such 2024 status report .

## Report No. 6: The report on 2024 remuneration to Directors.

### Explanation:

- (1) The Company will not distribute such remuneration to Directors due to the net loss in 2024.
- (2) Remuneration policies, systems, standards, and structure for Independent Directors, as well as the linkage between remuneration and factors such as responsibilities, risks, and time commitment: The fixed remuneration for Independent Directors is proposed by the Compensation Committee with reference to industry standards and submitted to the Board of Directors for resolution. Independent Directors do not participate in the distribution of directors' compensation derived from annual profits. As for the remuneration of the Company's directors, the Board of Directors determines the amount based on the authority granted in the Articles of Incorporation, taking into consideration each director's level of participation in company operations and their contribution, as well as benchmarking against domestic and international industry standards. If the Company generates profits, the Board will resolve the amount of Directors' remuneration in accordance with the Articles of Incorporation.
- (3) Report on 2024 remuneration to Directors is as follows:

Title <sup>(1)</sup>	Name <sup>(2)</sup>	Remuneration Paid to Directors <sup>(3)</sup>								Sum of A+B+C+D and Ratio to Net Income <sup>(4)</sup>		Relevant Remuneration Received by Directors who Are Also Employees <sup>(5)</sup>								Sum of A+B+C+D+E+F+G and Ratio to Net Income <sup>(6)</sup>		Remuneration from Invested Companies Other than Subsidiaries or the Parent Company <sup>(7)</sup>
		Base Compensation (A) <sup>(2)</sup>		Retirement Allowance (B)( Note 1) <sup>(2)</sup>		Director Remuneration (C) <sup>(2)</sup> (Note 2) <sup>(2)</sup>		Allowances (D) <sup>(2)</sup>				Salary, Bonus, and Allowance (E) <sup>(2)</sup>		Retirement Allowance(F)( Note 1) <sup>(2)</sup>		Employee Compensation (G)( Note 2) <sup>(2)</sup>						
		The Company	All Companies in Consolidated Financial Statements <sup>(2)</sup>	The Company	All Companies in Consolidated Financial Statements <sup>(2)</sup>	The Company	All Companies in Consolidated Financial Statements <sup>(2)</sup>	The Company	All Companies in Consolidated Financial Statements <sup>(2)</sup>	The Company	All Companies in Consolidated Financial Statements <sup>(2)</sup>	The Company	All Companies in Consolidated Financial Statements <sup>(2)</sup>	The Company	All Companies in Consolidated Financial Statements <sup>(2)</sup>	The Company		All Companies in Consolidated Financial Statements <sup>(2)</sup>				
																Cash	Stock	Cash	Stock			
Chairman	Jeffrey Lin <sup>(2)</sup>	0	0	0	0	0	0	24	24	24 <sup>(4)</sup> -0.01% <sup>(4)</sup>	24 <sup>(4)</sup> -0.01% <sup>(4)</sup>	2,780	2,780	0	0	0	0	0	0	2804 <sup>(4)</sup> -1.55% <sup>(4)</sup>	2804 <sup>(4)</sup> -1.55% <sup>(4)</sup>	0
Director	Tim Hu <sup>(2)</sup>	0	0	0	0	0	0	24	24	24 <sup>(4)</sup> -0.01% <sup>(4)</sup>	24 <sup>(4)</sup> -0.01% <sup>(4)</sup>	2,676	2,676	108	108	0	0	0	0	2808 <sup>(4)</sup> -1.55% <sup>(4)</sup>	2808 <sup>(4)</sup> -1.55% <sup>(4)</sup>	0
Director	KIOXIA Corporation <sup>(2)</sup> Representative: Hatanaka Kojiro <sup>(2)</sup>	0	0	0	0	0	0	24	24	24 <sup>(4)</sup> -0.01% <sup>(4)</sup>	24 <sup>(4)</sup> -0.01% <sup>(4)</sup>	0	0	0	0	0	0	0	0	24 <sup>(4)</sup> -0.01% <sup>(4)</sup>	24 <sup>(4)</sup> -0.01% <sup>(4)</sup>	0
Director	Kingston Technology Corporation <sup>(2)</sup> Representative: Albert Yang (Note 1) <sup>(2)</sup>	0	0	0	0	0	0	9	9	9 <sup>(4)</sup> -0.00% <sup>(4)</sup>	9 <sup>(4)</sup> -0.00% <sup>(4)</sup>	0	0	0	0	0	0	0	0	9 <sup>(4)</sup> -0.00% <sup>(4)</sup>	9 <sup>(4)</sup> -0.00% <sup>(4)</sup>	0
Independent Director	Ken Lin <sup>(2)</sup> (Note 1) <sup>(2)</sup>	148	148	0	0	0	0	12	12	160 <sup>(4)</sup> -0.08% <sup>(4)</sup>	160 <sup>(4)</sup> -0.08% <sup>(4)</sup>	0	0	0	0	0	0	0	0	160 <sup>(4)</sup> -0.08% <sup>(4)</sup>	160 <sup>(4)</sup> -0.08% <sup>(4)</sup>	0
Independent Director	Chenwu Huang <sup>(2)</sup>	360	360	0	0	0	0	30	30	390 <sup>(4)</sup> -0.21% <sup>(4)</sup>	390 <sup>(4)</sup> -0.21% <sup>(4)</sup>	0	0	0	0	0	0	0	0	390 <sup>(4)</sup> -0.21% <sup>(4)</sup>	390 <sup>(4)</sup> -0.21% <sup>(4)</sup>	0
Independent Director	James Hou <sup>(2)</sup>	360	360	0	0	0	0	33	33	393 <sup>(4)</sup> -0.22% <sup>(4)</sup>	393 <sup>(4)</sup> -0.22% <sup>(4)</sup>	0	0	0	0	0	0	0	0	393 <sup>(4)</sup> -0.22% <sup>(4)</sup>	393 <sup>(4)</sup> -0.22% <sup>(4)</sup>	0
Independent Director	Ker Jer Huang <sup>(2)</sup> (Note 2) <sup>(2)</sup>	213	213	0	0	0	0	21	21	234 <sup>(4)</sup> -0.13% <sup>(4)</sup>	234 <sup>(4)</sup> -0.13% <sup>(4)</sup>	0	0	0	0	0	0	0	0	234 <sup>(4)</sup> -0.13% <sup>(4)</sup>	234 <sup>(4)</sup> -0.13% <sup>(4)</sup>	0
Independent Director	YU-HSIA CHAN (Note 2) <sup>(2)</sup>	213	213	0	0	0	0	21	21	234 <sup>(4)</sup> -0.13% <sup>(4)</sup>	234 <sup>(4)</sup> -0.13% <sup>(4)</sup>	0	0	0	0	0	0	0	0	234 <sup>(4)</sup> -0.13% <sup>(4)</sup>	234 <sup>(4)</sup> -0.13% <sup>(4)</sup>	0

Note 1: All Directors were re-elected on May 29, 2024, and did not continue their terms.

Note 2: All Directors were re-elected on May 29, 2024, and newly elected.

## 4. Proposals matters

**Proposal 1:** To accept the 2024 Business Report and Financial Statements.

(Proposed by the board of directors)

**Explanation:**

- 1.The 2024 Individual Financial Statements of the Company, were audited by independent auditors, Mr. JHAN,DING-SYUN and Ms. HUANG, PEI-HUA of LAN-JAI .Also the Business Report and Financial Statements have been approved by the Board and examined by the Audit Committee of the Company. The details are attached as Attachments 5(page 18-24).
- 2.The 2024 Business Report is attached as Attachments 1 (page 10-11).

**Resolution:**

**Proposal 2:** To approve the deficit compensation statement for year 2024.

**Explanation:**

- 1.The net loss of the Company for year 2024 is in the amount of NT\$181,153,028, and the accumulated deficit is in the amount of NT\$324,704,606. It is also planned to use capital surplus to cover accumulated deficit of NT\$190,984,900, and the Accumulated deficit to be made up at end of year 2024 is NT\$133,719,706.
- 2.The following deficit compensation statement for year 2024 is prepared in accordance with Company Law and the Articles of Incorporation of the Company.

### Solid State System Co., Ltd.

#### The deficit compensation statement for year 2024

Currency: NTD

Item	Amount
Accumulated deficit at the beginning of year 2024	(143,551,578)
Plus: Loss after tax for year 2024	(181,153,028)
Accumulated deficit to be made up	(324,704,606)
Plus: Capital surplus to cover accumulated deficit	190,984,900
Accumulated deficit to be made up at end of year 2024	(133,719,706)
Chairman: Jeffrey Lin      CEO: Tim Hu      Accounting Officer: Joepye Tseng	

**Resolution:**



## 5. Discussion matters

**Proposal 1:** To approve the revisions to the "Articles of Association" of the Company.

(Proposed by the board of directors)

**Explanation:**

To cope with the amendment of the Securities and Exchange Act and for the practical operation needs of the Company, it is proposed to revise some articles of the Company's "Articles of Association". For the revision comparison table, please refer to the Attachment 6 (page 25-28) of the Chinese version of the Handbook for the 2025 Annual Shareholders' Meeting about such opinion.

**Resolution:**

**Proposal 2:** To approve the capital increase plan through the private placement of common shares of the Company. (Proposed by the board of directors)

**Explanation:**

1. For the purpose of supplementing the working capital and bringing in the long-term strategic partner, it is hereby proposed to raise the capital of the Company through the private placement of common shares which shall not exceed 20,000,000 shares at par value NT\$10 each share, and to authorize the Board of Directors by the resolution adopted at the shareholders' meeting to conduct such private placement of securities in one or two rounds based on the status of the capital market and the practical needs of the Company. The main purpose of such private placement of securities each round is to supplement the working capital.
2. The basis and rationality of the pricing of private placement:
  - (1) The issue price of the privately-placed common shares shall not be lower than 80% of the higher price calculated on the following two bases before the price determination date:
    - ① The simple average closing price of the common shares of the Company for either the one, three, or five business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends or capital reduction.
    - ② The simple average closing price of the common shares of the Company for the thirty business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends, or capital reduction.
    - ③ The actual issue price shall be determined under the above-mentioned rule. It is hereby proposed to authorize the Board of Directors by the resolution adopted at the shareholders' meeting to determine the issue price based on the situation of specific persons and the market conditions.
  - (2) The rationality of the pricing of the private placement:
    - ① The rationality of the method for the determination of the pricing of the private placement: Since such method refers to the market price of the common shares of the Company and is in line with the practices of the issue market, the pricing of the privately-placed common shares shall be reasonable.

- ②The rationality of the applicable regulation for the pricing of the private placement: Since such method complies with Directions for Public Companies Conducting Private Placements of Securities, the pricing of the privately-placed common shares shall be reasonable.
- (3) The impact on the shareholders' equity:  
If the actual issue price is lower than the par value of the shares, the accumulated deficit will be increased accordingly. Such deficit will be eliminated depending on the market status and the Company's operating conditions, either by the profits or surplus generated in the future, the capital reduction or the other statutory methods.
3. Method, purpose, necessity and expected benefit of selecting the specific persons:  
The Company has yet to select any subscriber, and will select the subscriber(s) in accordance with Article 43-6, Security and Exchange Act. Such subscriber(s) shall be the strategic investors meeting the conditions prescribed by the competent authority. It is hereby proposed to authorize the Board of Directors by the resolution adopted at the shareholders' meeting to review the qualification certificates of such strategic investors. In addition, such strategic investors shall meet the following conditions:
- (1) Method and purpose of selecting the subscribers:  
For the purpose of strengthening the competitiveness of the Company, the selected subscribers shall be able to help the Company expand the market of the new products and educate the sales personnel, and explore the sales channels for the new products.
- (2) Necessity and expected benefit:  
Due to the changes in the market demand for the new products of the Company in recent years, it is hereby proposed to select the strategic investors, who are beneficial to the future product promotion and the market development of the Company, in order to enhance the competitiveness of the Company. To select such strategic investors will enhance technologies, improve the quality, enhance the efficiency and expand the market of the Company.
4. The reasons necessitating the private placement:
- (1) The reasons for not taking a public offering: Considering the lower cost of the capital, the effectiveness of the funding process, the Company desires to raise the capital through the private placement of securities. In addition, if the Board of Directors is authorized to conduct the private placement of securities according to the actual operational needs of the Company, it will be helpful for the Company to increase the mobility and flexibility of the fundraising. In short, it is indeed necessary to raise the capital through the private placement of securities.
- (2) The capital usage plan of private placement each round: to supplement the working capital
- (3) The projected benefits of private placement each round: The projected benefits of such private placement each round are to meet the needs of the business development in the future, improve the financial structure, strengthen the

long-term competitiveness of the Company, and bring in the strategic partners.

5. This privately-placed new shares adopt a non-physical issuance, and the rights and obligations of such new shares are the same as the original issued common shares, provided that the transfer of such new shares should be governed by Article 43-8 of the Securities and Exchange Act.
6. When the period of restriction of transfer of the privately-placed securities of this year has elapsed, the Company may file a listing application only after first applying to the TPEx for a letter of approval and, on the basis of such letter, completing issuance examination and approval procedures with the competent authority in accordance with Article 15 of Taipei Exchange Rules Governing the Review of Securities for Trading on the TPEx.
7. If the main content of the private placement plan, including the number of shares, the issue price, conditions for issuance, fundraising amount, and the other related matters should be changed or amended due to the changes in applicable laws and regulations, the instruction of the competent authority, the business status review, or the changes in the objective circumstances, it is hereby proposed to authorized the Board of Directors by the resolution adopted at the regular shareholders' meeting to adjust them based on the status of the capital market.
8. For the rights and obligations of privately placed common shares, or any matter regarding the private placement but not included above, it is hereby proposed to authorize the Board of Directors by the resolution adopted at the shareholders' meeting to handle all matters according to the instructions from the competent authority or the newly-amended laws and regulations.
9. According to Article 43-6, Security and Exchange Act, the main content of this proposal for the private placement of securities of the Company should be accessed at the website of Market Observation Post System (<https://mops.twse.com.tw/mops/web/t116sb01>, please visit: MOPS-Investment section/Private placement section/Data search for private placement) and the official website of the Company([http://www. 3system.com.tw](http://www.3system.com.tw)).
10. The Company engaged a securities underwriter to provide an assessment opinion on the necessity and reasonableness for conducting the private placement in accordance with the applicable laws and regulations. Please refer to the Attachment 7 (page29-35) of the Chinese version of the Handbook for the 2025 Annual Shareholders' Meeting about such opinion..

**Resolution:**

## 6.Election

**Proposal 1:** To elect one succeeding Director for the tenth-term Board of Directors of the Company. (Proposed by the board of directors)

**Explanation:**

1. Due to the vacancy on the Board of Directors, it is hereby proposed to elect one succeeding Director Due to a vacancy in the Board of Directors of the Company, it is hereby proposed to elect one succeeding Director at this general meeting of shareholders.
2. The tenure of such succeeding Director shall begin on the election date at such general shareholders' meeting (May 29, 2025) and end on the expiration date of the tenth-term Board of Directors (May 28, 2027).
3. According to the Articles of Association of the Company, the Company adopts a candidate nomination system for the election of Directors. The roster of Director candidates has been reviewed and approved by the Board of Directors on February 20, 2025. Please refer to the Attachment 8 (page36) of the Chinese version of the Handbook for the 2025 Annual Shareholders' Meeting about such roster.

## 7.Other Matters

**Proposal 1:** To release the Directors and their representatives elected from non-competition restrictions. (Proposed by the board of directors)

**Explanation:**

1. According to Article 209 of Company Law, any Director conducting business for himself/herself or on another's behalf that is within the scope of the company's business shall explain at the shareholders' meeting the essential contents of such conduct and obtain the approval from shareholders at such meeting.
2. Some Directors and their representatives of the Company may invest or conduct business in companies of the same or similar business scope as the Company and act as directors. To serve the practical needs of the Company and without the detriment to the interest of the Company, it is hereby proposed to submit a proposal for the release of the board directors and their representatives from the non-competition restriction to the shareholders' meeting for approval as required by law.
3. Details for Release of the New Directors from Non Competition Restrictions

Name	Positions of other company	Business items
CHIAO-SUNG,YANG	Firmware Engineer, Hong ling Technology Co., Ltd.	Wholesale of electronic equipment, general merchandise, and information service agency

## 8.Questions and Motions

## 9.Adjournment

# III.Attachment

【 Attachment 1 】

## Solid State System Co., Ltd. 2024 Business Report

In 2024, the Company recorded revenue of NT\$239,110,000. Due to inventory write-downs and intense price competition across various product lines, the overall gross margin was around 6%, resulting in a net loss after tax of NT\$181,153,000. Looking back at 2024, the Company faced a challenging market environment. The global semiconductor industry experienced a downturn, end-user demand weakened, and supply chain costs increased, all of which adversely impacted the Company's operations and led to financial results falling short of expectations. Nevertheless, despite short-term challenges, the Company continued to invest in R&D, optimize its product portfolio, and adjust business strategies to prepare for the next wave of growth.

The Company continued development of USB 3.0 controller ICs compatible with next-generation TLC/QLC 3D NAND Flash from multiple vendors. Notably, support for QLC 3D NAND Flash has become more comprehensive, enabling broader promotion of QLC solutions to new customers. In 2025, R&D will focus on developing a cost-competitive USB 3.2 Gen 1 controller ASIC with enhanced error correction capabilities and faster I/O interfaces to meet the evolving demands of high-speed 3D NAND. This development is expected to reduce production costs and improve product margins. For SSD solutions, in addition to the existing SATA SSD products, the Company is developing PCIe SSD solutions for advanced 3D NAND, aiming to expand into a wider solid-state drive (SSD) market. Long-term product development will leverage company strengths and market trends to support customers' strategies and ensure steady progress.

In the second half of 2024, inventory clearance of USB Audio product at the client side was largely completed. However, due to ongoing US-China trade tensions, customers maintained conservative "zero inventory" and restocking policies. Additionally, other consumer USB Audio product brands were still clearing their own inventories, resulting in price disruption in the low-end market, which affected sales recovery of the Company's low-end USB Audio products. In 2025, the Company will continue supporting client-side needs by offering tailored application software and Taiwan-made mass production services to enhance the competitiveness of customers' exported USB Audio products. Since internal inventory accumulated over the past two years was completely sold in 2024, the Company began a new production and stocking cycle in Q4 2024. The redesigned products also entered mass production in Q4 2024. While international brand clients require 1–2 quarters for rigorous testing and validation, new product growth is expected starting Q3 of 2025. Due to China's domestic chip strategy and emerging competition, the Company will continue reducing production costs and improving margins. R&D efforts for USB Audio in 2025 will focus on new audio quality

and application technologies to deliver high-performance, cost-effective solutions for clients.

In 2024, the Company successfully developed and mass-produced UV-resistant MEMS sensors for hearing aids and high-SNR MEMS sensors for AI applications. For accompanying PreAmp ASICs, both analog differential and high-SNR digital interface versions were developed and mass-produced. The Company will continue to develop digital MEMS microphones with high AOP and SNR to enter advanced application markets. In market development, MEMS microphones have gained initial reputation in TWS earbuds, ANC headphones, smart TVs, security systems, and smart home devices. Additionally, MEMS microphones that meet automotive AEC-Q103 standards (both analog and digital) have successfully entered the automotive market. Future development will focus on application-specific features, such as AI detection. Beyond existing customers, the Company will intensify engagement with similar clients to respond to the expected recovery in demand and proactively expand into new markets for growth opportunities.

In 2024, the Company began evaluating HBM market entry and related technologies. By year-end, it completed fundraising and plans to invest in the development of high-bandwidth memory modules required for AI computing starting in 2025. HBM, a critical component in AI due to bandwidth bottlenecks, is in a high-growth and high-profit phase. The Company will collaborate with domestic DRAM manufacturers and leverage Taiwan's efficient wafer-level packaging supply chain to develop competitive high-bandwidth memory solutions that meet the high-performance and power-efficiency demands of the AI era.

2024 was a year full of challenges. Although the Company faced strong headwinds, it responded positively and is now prepared to return to the growth track in 2025. We understand shareholders' expectations and trust, and will continue to operate prudently while pursuing innovation, dedicating ourselves fully to creating long-term value for shareholders.

We sincerely thank all shareholders for their support and patience. Looking forward, we will continue striving together to seize the next wave of growth.

Chairman Jeffrey Lin

President Tim Hu

## The review report of the Audit Committee

The Audit Committee approved the financial statements of the Company for the year 2024, which had been approved by the Board of Directors, and was also audited and attested by LAN-JAI Taiwan appointed by the Board of Directors, with an audit report issued.

In addition, the Company's annual business report and loss recovery proposal prepared by the Board of Directors have been reviewed by the Audit Committee and found to be in conformity with the relevant provisions of the Company Act. The Audit Committee hereby reported in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act as above.

Please review.

Sincerely,

2025 General Shareholders' Meeting, Solid State System Co., Ltd.

Convener of the Audit Committee: James Hou

February 20, 2025

## 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	%
<b>Current Assets:</b>					<b>Current liabilities:</b>				
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
<b>Non-current assets:</b>					<b>Non-current liabilities:</b>				
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					
					<b>Equity (note 15):</b>				
					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
<b>Total assets</b>	<b>\$ 720,395</b>	<b>100</b>	<b>\$ 508,935</b>	<b>100</b>	<b>Total liabilities and equity</b>	<b>\$ 720,395</b>	<b>100</b>	<b>\$ 508,935</b>	<b>100</b>

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.

**Roster of Director Candidates**  
**Solid State System Co., Ltd.**

<b>Title</b>	<b>Name</b>	<b>Education</b>	<b>Current Position(s)</b>	<b>The name of the government or legal entity represented.</b>	<b>Number of shares held as of March 19, 2025 (Shares)</b>
Director	Mr. CHIAO -SUNG,YANG	Department of Engineering Science and Ocean Engineering, National Taiwan University, Product Manager , Aiabei Technology Co., Ltd. Firmware Engineer, Guang Rui Co., Ltd.	Firmware Engineer, Hong ling Technology Co., Ltd.		0



## IV. Appendix

【Appendix1】

### Shareholding of Directors

1. According to Article 26 of Securities and Exchange Act and Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies:

(1).The paid-in capital of the Company outstanding shares are 72,965,934 shares.

(2).The minimum shareholding of all Directors of the Company is 5,837,275 shares.

2. As of the book closure date of this annual shareholders' meeting, the shareholding of all Directors in the shareholders book, are as follows:

Title	Name	Current shareholding	Shareholding ratio
Chairman	Mr. Jeffrey Lin	2,097,722	2.87%
Director	Mr. Kojiro Hatanaka Representative of Kioxia	3,375,480	4.63%
Director	Mr. Tim Hu	364,212	0.50%
Independent Director	Mr. Cheermore Huang	135,810	0.19%
Independent Director	Mr. James Hou	0	0.00%
Independent Director	Mr. Ker Jer Huang	0	0.00%
Independent Director	Ms. YU-HSIA CHAN	0	0.00%
Total Shares of All Directors		5,973,224	8.19%
Total Shares of non-Independent Directors		5,837,414	8.00%

Note : The closing date of the regular shareholders' meeting is from March 29, 2025 to May 27, 2025.