

Handbook for the 2024 Annual Meeting of Shareholders of Solid State System Co., Ltd.(“3S”; the “Company”)

(Translation)

MEETING TIME : May 29, 2024

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 29, 2024

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 2023 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 report on 2023 employees' compensation and remuneration to Directors

4. Proposals matters:

(1). To accept the 2023 Business Report and Financial Statements

(2). To accept the deficit compensation statement for year 2023

5.Discussion matters

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

6. Elections:

(1). To elect the tenth Directors (eight (8) seats including four (4) seats of Independent Directors) of the Company

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

7.Other Matters

(1). To release the Directors and their representatives elected from non-competition restrictions

Votign 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 2023 business report.

Explanation:

The 2023 Business Report is attached as Attachment1(page10~11).

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

Explanation:

The 2023 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. Please refer to the Attachment 3 (page13) of the Chinese version of the Handbook for the 2024 Annual Shareholders' Meeting about such status report.
2. 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 4 (page14-22) of the Chinese version of the Handbook for the 2024 Annual Shareholders' Meeting about such opinion.

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 Financial Supervisory Commission No. 1090349138, the implementation of the sound operation plan will be reported to the shareholders' meeting. The status report on the execution of the sound operation plan Please refer to the Attachment 5 (page23-24) of the Chinese version of the Handbook for the 2024 Annual Shareholders' Meeting about such status report .

Report No. 5:Report on 2023 employees' compensation and remuneration to Directors

Explanation:

- (1) According to Article 21 of the Company's Articles of Incorporation, in case of the accumulated losses, certain profits shall first be reserved to cover the accumulated losses, and then the Company shall allocate no less than 10% of the profit as employees' compensation and at a maximum of 2% of the profit as

remuneration to Directors.

- (2) The Company will not distribute such employees' compensation and remuneration to Directors due to the net loss in 2023.
- (3) Independent Directors' remuneration policies, procedures, standards and structure, as well as the linkage to responsibilities, risks and time spent: The remuneration paid to Independent Director is paid at the fixed amount and excluded from the Company's allocation of the remuneration to Directors in accordance of the Company's Articles of Incorporation. The proposal for Independent Director's remuneration, taking into account the standards of the industry, will be prepared and submitted by the Compensation Committee to the Board of Directors for review and approval.
- (4) Report on 2023 remuneration to Directors is as follows:

Title	Name	Remuneration Paid to Directors								Sum of A+B+C+D and Ratio to Net Income		Relevant Remuneration Received by Directors who Are Also Employees								Sum of A+B+C+D+E+F+G and Ratio to Net Income	Remuneration from Invested Companies Other than Subsidiaries or the Parent Company
		Base Compensation(A)		Retirement Allowance (B) (Note 1)		Director Remuneration(C) (Note 2)		Allowances(D)				Salary, Bonus, and Allowance (E)		Retirement Allowance(F) (Note 1)		Employee Compensation (Note 2)					
		The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements			The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements		
		Cash	Stock	Cash	Stock																
Chairman	Jeffrey Lin	0	0	0	0	0	0	21	21	0	0	2,777	2,777	0	0	0	0	0	0	0	0
Director	Tim Hu	0	0	0	0	0	0	21	21	0	0	2,258	2,258	108	108	0	0	0	0	0	0
Director	KIOXIA Corporation Representative: Hatanaka Kojiro	0	0	0	0	0	0	18	18	0	0	0	0	0	0	0	0	0	0	0	0
Director	Kingston Technology Corporation Representative: Albert Yang	0	0	0	0	0	0	15	15	0	0	0	0	0	0	0	0	0	0	0	0
Independent Director	Ken Lin	360	360	0	0	0	0	24	24	0	0	0	0	0	0	0	0	0	0	0	0
Independent Director	Cheermore Huang	360	360	0	0	0	0	30	30	0	0	0	0	0	0	0	0	0	0	0	0
Independent Director	James Hou	360	360	0	0	0	0	27	27	0	0	0	0	0	0	0	0	0	0	0	0

4. Proposals matters:

Proposal 1: To accept the 2023 Business Report and Financial Statements.

(Proposed by the board of directors)

Explanation:

The 2023 Financial Statements of the Company, including the Consolidated Financial Statements, were audited by independent auditors, Ms. Lu Qian-Hui and

Mr. Yu Wan-Yuan of KPMG. Also the Business Report and Financial Statements have been

approved by the Board and examined by the Audit Committee of the Company. Financial Statements are attached as Attachment 3 and 4 (page 14-30).

2023 Business Report is attached as Attachment 1 (page 11-12).

Resolution:

Proposal 2: To approve the deficit compensation statement for year 2023.

Explanation:

1. The net loss of the Company for year 2023 is in the amount of NT\$220,015,573, and the accumulated deficit is in the amount of NT\$220,015,578.
2. The following deficit compensation statement for year 2023 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 2023

Currency: NTD

Item	Amount
Accumulated deficit at the beginning of year 2023	(249,217,085)
Plus: Capital reduction to cover accumulated deficit	249,217,080
Plus: Loss after tax for year 2023	(220,015,573)
Accumulated deficit to be made up	(220,015,578)
Plus: Capital surplus to cover accumulated deficit	76,464,000
Accumulated deficit to be made up at end of year 2023	(143,551,578)
Chairman: Jeffrey Lin CEO: Tim Hu Accounting Officer: Joepye Tseng	

Resolution:

5. Discussion matters

Proposal 1: To approve the matter on the capital increase through the private placement of the common shares of the Company

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.
- ② The 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>).

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 8 (page41-48) of the Chinese version of the Handbook for the 2024 Annual Shareholders' Meeting about such opinion..

Resolution:

6.Election

Proposal 1: To elect the tenth Directors (eight (8) seats including four (4) seats of Independent Directors) of the Company

Explanation:

- 1.The tenure of the ninth Directors shall expire on July 7, 2024. It is hereby proposed to elect the tenth Directors at the shareholders' meeting. The ninth Directors shall resign from their offices upon the election date of the tenth Directors.
- 2.It is hereby proposed to elect eight (8) Directors (four (4) independent Directors included) for the tenth Directors in accordance with the Articles of Incorporation of the Company. The new Directors shall take office immediately after the election at the 2024 regular shareholders' meeting. The tenure of the new Directors shall be three years, starting on May 29, 2024, and ending on May 28, 2027.
3. The Company adopted a candidates nomination system for the election of the Directors (Independent Directors included) in accordance with the Articles of Incorporation of the Company. The roster of the Director candidates was examined and approved by the Board of Directors on February 22, 2024. Independent Directors and non-independent Directors shall be elected at the same time and the number of elected Directors shall be counted separately. Please refer to the Attachment 9 (page49) of the Chinese version of the Handbook for the 2024 Annual Shareholders' Meeting about such roster.

7.Other Matters

Proposal 1:To release the Directors elected from non-competition restrictions

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 NonCompetition Restrictions

Name	Positions of other company	Business items
Trusted Investment Account of KIOXIA Corporation by First Bank	KIOXIA Semiconductor Taiwan Corporation, Director KIOXIA Taiwan Corporation, Director MicroTops Design Corporation, Director Phison Electronics Corporation, Director	NAND NAND System integration NAND module
DAI, JIANG-HUAI	ENERGY RESOURCES INTERNATIONAL CO., LTD., Manager	X-ray tube 、 Handheld X-ray machine

8. Questions and Motions

9. Adjournment

III.Attachment

【 Attachment 1 】

Solid State System Co., Ltd. 2023 Business Report

The company's revenue for the year 2023 was NT\$275,641 thousand dollars, with an overall gross margin of approximately 6% and net loss after tax of NT\$220,015 thousand dollars. Looking back on 2023, for the inflation and geopolitics, the demand of the end consumer market sharp dropped from 2022, The overall revenue has decreased by 32% compared with 2022, and the overall gross profit margin has also decreased by 23% compared with 2022.

In terms of NAND Flash controller IC, the company will continue supporting new generation 3D NAND on the existing USB 3.2 Gen I BCH 及 LDPC controller IC, and launch a new generation cost-competitive USB3.2 Gen I controller IC to support the specification requirements of future advanced generations of 3D NAND. Except Mass Production SATA interface SSD solution, the company develops to support advanced generations of 3D NAND on PCIe interface SSD solution, and plans to expand into a wider SSD application market. In terms of long term product development and planning for the NAND Flash application market, the company will will utilize the company's strengths and the market trend to match the customer's product and marketing strategies, and make steady progress.

In terms of Audio IC, the inventory depletion of the Company's products at the customer end has improved significantly in the second half of 2023. Since the US-China trade issue is not over, the client is still in a conservative state of zero inventory and no stocking in 2024. Also, the stock depletion of other consumer Audio products of the original manufacturers has not yet been completed, and some products have disrupted the market at low prices. The above factors have affected the pace of recovery of the company's product sales. In 2024, the company will continue to strengthen its support for customers by providing application software and mass production services that fulfill the needs of different customers, in order to enhance the competitiveness of customers' USB AUDIO end-products.

In terms of MEMS microphone ICs, the company has successfully develop a UV-resistant MEMS sensor for hearing aids and a high SNR MEMS sensor for AI in 2023. The company has also successfully developed analog differential interface ASICs for PreAmp ASICs and digital interface ASICs that support high SNR. Analog and

digital MEMS microphones that meet the AEC-Q103 specification for automobiles have also successfully entered the automotive market. In the future, the company will continue to introduce digital microphones with high AOP and high SNR to enter other high-end application markets. In terms of marketing, MEMS microphones have gained good reputation in TWS headphones, ANC headphones, smart TVs, security and environmental monitoring, smart home and in-vehicle applications. In addition to continuing to optimize the performance of MEMS Sensor ICs and PreAmp ASIC ICs, the company will also introduce products with higher price/performance ratios and a variety of application-oriented features in response to the market demand, such as hearing aids, for which the company has already begun sampling. In the existing product application areas, in addition to deepening the cultivation of existing customers, the company will strengthen the cultivation of the same type of customers, in order to proactively respond to the gradual recovery of the market demand in the future.

Since the global outbreak of the COVID 19 epidemic in 2020, it has had a huge impact on human daily life. Epidemic prevention and isolation and the rise of China have brought geopolitical impacts, unexpected market demand changes, and the Ukraine-Russia war has worsened inflation, which has also brought a huge impact on semiconductor-related industries, causing the supply chain to be cut off, and the market demand to change drastically. In the post-epidemic 2023, destocking and grasping the recovery of various application markets are challenges that all companies must face. The consumer market of the IC industry is still at the bottom of the valley, and the recovery of market demand is not yet obvious. Prudent production and marketing control and timely expansion of the market are the key goals of the company in 2024. With the efforts of all colleagues in the company and the support of shareholders, the company will strive to grow in 2024 and create maximum benefits for shareholders.

Finally, thank you again for your support and encouragement. Thank you!

Chairman Jeffrey Lin
President Tim Hu

The Audit Committee's Review Report

The Audit Committee approved the financial statements of the Company for the year 2023, which had been approved by the Board of Directors, and was also audited and attested by KPMG 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,

2024 General Shareholders' Meeting, Solid State System Co., Ltd.

Convener of the Audit Committee: Cheermore Huang

February 22, 2024

Representation Letter

【 Attachment 3 】

The entities that are required to be included in the combined financial statements of Solid State System Co., Ltd. as of and for the year ended December 31, 2023 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10, "Consolidated Financial Statements", endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Solid State System Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Solid State System Co., Ltd.
Chairman: Jeffrey Lin
Date: February 22, 2024.

Independent Auditors' Report

To the Board of Directors of
Solid State System Co., Ltd.:

Opinion

We have audited the consolidated financial statements of Solid State System Co., Ltd. (“3S”) and its subsidiaries (“the Company”), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2023 and 2022, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated 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 Consolidated Financial Statements section of our report. We are independent of the Company 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 consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Based on our judgment, the key audit matters should be reflected in our report are as follow:

1. Valuation of inventories

Please refer to Note 4(8) “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 6(3) “Explanation of Significant Accounts—Inventories” to the consolidated financial statements.

Description of key audit matter:

The Company'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 the Company 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 audit procedures included: 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 the company disclosures in the accounts.

2. Impairment assessment on non-financial assets

Please refer to Note 4(12) "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 6(4), (5) and (6) "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 consolidated financial statements.

Description of key audit matter:

The Company 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 audit procedures included: Assessing whether there are impairment indications for Solid State System Co., Ltd.'s related assets; understanding and assessing the appropriateness of the valuation model used by the management in the impairment assessment and the significant assumptions used to determine related assets' future cash flows projection, useful lives, and weighted-average cost of capital; retrospectively reviewing the accuracy of assumptions used in prior-period estimates and performing a sensitivity analysis of key assumptions and results; in addition to the above audit procedures, appointing specialists to evaluate the appropriateness of the weighted-average cost of capital used; performing an inquiry of the management and identifying any event after the balance sheet date if able to affect the results of the impairment assessment; obtaining the subsequent financial information to assess the rationality of the evaluation of impairment.

Other Matter

Solid State System Co., Ltd. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2023 and 2022, on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRIC or 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company'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 the Company 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 the Company's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 the Company'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 the Company'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 consolidated 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 the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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 consolidated 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 Chien-Hui Lu and Wan-Yuan Yu.

KPMG

Taipei, Taiwan (Republic of China)
February 22, 2024

Solid State System Co., Ltd. and Subsidiaries
Consolidated Balance Sheets
December 31, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

Assets		112.12.31		111.12.31				112.12.31		111.12.31	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:											
1100	Cash and cash equivalents (note 6(1))	\$ 141,727	28	65,952	10						
1170	Accounts receivable, net (note 6(2))	13,889	3	13,591	2	2100	Short term borrowings (note 6(7))	\$ 34,170	7	66,019	10
1180	Accounts receivable from related parties, net (notes 6(2) and 7)	12,111	2	40,643	6	2170	Accounts payable	1,282	-	1,936	-
130X	Inventories (note 6(3))	268,581	53	390,453	62	2201	Accrued payroll and bonus	13,120	3	17,122	3
1479	Other current assets (note 8)	15,645	3	8,203	2	2209	Other accrued expenses	14,886	3	19,614	3
		451,953	89	518,842	82	2280	Current lease liabilities (note 6(8))	7,354	1	10,033	2
						2399	Other current liabilities	9,804	2	6,324	1
Non-current assets:								80,616	16	121,048	19
1600	Property, plant and equipment (note 6(4))	29,352	6	57,785	9		Non current liabilities:				
1755	Right-of-use assets (note 6(5))	11,778	2	23,600	4	2570	Deferred tax liabilities (note 6(10))	-	-	1,718	-
1780	Intangible assets (note 6(6))	9,042	2	14,177	2	2580	Non current lease liabilities (note 6(8))	1,593	-	8,747	2
1920	Refundable deposits (note 8)	6,810	1	6,779	1	2645	Guarantee deposits received	618	-	618	-
1975	Net defined benefit asset, non-current (note 6(9))	-	-	8,490	2			2,211	-	11,083	2
1990	Other non-current assets	-	-	117	-		Total liabilities	82,827	16	132,131	21
		56,982	11	110,948	18		Equity (note 6(11)):				
						3110	Common stock	569,659	112	746,877	119
						3200	Capital surplus	76,464	15	-	-
						3300	Accumulated deficits	(220,015)	(43)	(249,218)	(40)
							Total equity	426,108	84	497,659	79
Total assets		\$ 508,935	100	629,790	100		Total liabilities and equity	\$ 508,935	100	629,790	100

Solid State System Co., Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2023 and 2022

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

		For the year ended December 31,			
		2023		2022	
		Amount	%	Amount	%
4000	Operating revenues (notes 6(13) and 7)	\$ 275,641	100	402,605	100
5000	Operating costs (notes 6(3) and 12)	260,326	94	286,176	71
	Gross profit	15,315	6	116,429	29
6000	Operating expenses (notes 7 and 12):				
6100	Selling	57,140	21	67,713	17
6200	General and administrative	43,120	16	35,932	9
6300	Research and development	123,010	44	133,920	33
	Total operating expenses	223,270	81	237,565	59
	Net operating loss	(207,955)	(75)	(121,136)	(30)
7000	Non-operating income and expenses (note 6(15)):				
7100	Interest income	766	-	565	-
7020	Other gains and losses	(12,764)	(5)	(5,456)	(1)
7050	Finance costs (note 6(8))	(1,780)	-	(667)	-
	Total non-operating income and expenses	(13,778)	(5)	(5,558)	(1)
7900	Loss before income tax	(221,733)	(80)	(126,694)	(31)
7950	Income tax (profit) expenses (note 6(10))	(1,718)	-	29,865	8
	Net loss for the period	(220,015)	(80)	(156,559)	(39)
	Other comprehensive income:				
8310	Items that may not be reclassified subsequently to profit or loss				
8311	Remeasurements of defined benefit plans (note 6(9))	-	-	4,265	1
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note 6(10))	-	-	853	-
	Total items that may not be reclassified subsequently to profit or loss	-	-	3,412	1
8300	Other comprehensive income for the period (after tax)	-	-	3,412	1
8500	Total comprehensive income for the period	\$ (220,015)	(80)	(153,147)	(38)
	Earnings per share (New Taiwan Dollars) (note 6(12))				
9750	Basic earnings per share	<u><u>\$ (4.34)</u></u>		<u><u>(3.15)</u></u>	
9850	Diluted earnings per share	<u><u>\$ (4.34)</u></u>		<u><u>(3.15)</u></u>	

Solid State System Co., Ltd. and Subsidiaries
Consolidated Statements of Changes in Equity
For the years ended December 31, 2023 and 2022

	Common stock	Capital surplus	Accumulate d deficits	Total equity
Balance as of January 1, 2022	<u>\$ 746,877</u>	<u>176,995</u>	<u>(273,066)</u>	<u>650,806</u>
Net loss for the period	-	-	(156,559)	(156,559)
Other comprehensive income for the period	-	-	3,412	3,412
Total comprehensive income for the period	-	-	(153,147)	(153,147)
Capital surplus used to offset accumulated deficits	-	(176,995)	176,995	-
Balance as of December 31, 2022	<u>746,877</u>	<u>-</u>	<u>(249,218)</u>	<u>497,659</u>
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	<u><u>\$ 569,659</u></u>	<u><u>76,464</u></u>	<u><u>(220,015)</u></u>	<u><u>426,108</u></u>

Solid State System Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
For the years ended December 31, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31,	
	2023	2022
Cash flows from operating activities:		
Loss before income tax	\$ (221,733)	(126,694)
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation	32,592	36,580
Amortization	11,050	13,072
Expected credit loss (gain)	4	(38)
Interest expense	1,780	667
Interest income	(766)	(565)
Gain on disposal of property, plant and equipment	(285)	(1,680)
Impairment loss on non-financial assets	14,658	12,819
Provision for inventory devaluation loss	56,101	30,341
Others	735	20
Total adjustments to reconcile profit (loss)	115,869	91,216
Changes in operating assets and liabilities:		
Changes in operating assets:		
Accounts receivable	(302)	8,090
Accounts receivable from related parties	28,532	18,131
Inventories	65,771	(85,946)
Other operating assets	1,247	1,300
Total changes in operating assets	95,248	(58,425)
Changes in operating liabilities:		
Accounts payable	(654)	(23,864)
Other operating liabilities	(5,553)	(29,301)
Total changes in operating liabilities	(6,207)	(53,165)
Total changes in operating assets and liabilities	89,041	(111,590)
Total adjustments	204,910	(20,374)
Cash flows used in operations	(16,823)	(147,068)
Interest received	680	522
Interest paid	(1,791)	(594)
Income taxes paid	(28)	(2)
Income taxes refund	2	-
Net cash flows used in operating activities	(17,960)	(147,142)
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(6,194)	(9,435)
Proceeds from disposal of property, plant and equipment	285	2,124
Decrease (increase) in refundable deposits	(31)	316
Acquisition of intangible assets	(5,915)	(6,962)
Net cash flows used in investing activities	(11,855)	(13,957)
Cash flows from financing activities:		
Proceeds from borrowings	184,605	141,019
Repayments of borrowings	(216,454)	(75,000)
Payment of lease liabilities	(11,025)	(10,739)
Proceeds from issuing shares	148,464	-
Net cash flows from financing activities	105,590	55,280
Net increase (decrease) in cash and cash equivalents for the period	75,775	(105,819)
Cash and cash equivalents at beginning of period	65,952	171,771
Cash and cash equivalents at end of period	\$ 141,727	65,952

Independent Auditors' Report

To the Board of Directors of
Solid State System Co., Ltd.:

Opinion

We have audited the parent-company-only financial statements of Solid State System Co., Ltd., which comprise the balance sheets as of December 31, 2023 and 2022, and the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2023 and 2022, and notes to the parent-company-only financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the parent-company-only financial position of Solid State System Co., Ltd. as of December 31, 2023 and 2022, and its parent-company-only financial performance and its parent-company-only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

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 Financial Statements section of our report. We are independent of the Company 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 parent-company-only financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the parent-company-only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Based on our judgment, the key audit matters should be reflected in our report are as follow:

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 6(3) "Explanation of Significant Accounts — Inventories" to the parent-company-only financial statements.

Description of key audit matter:

Solid State System Co., Ltd.’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 Solid State System Co., Ltd. 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 audit procedures included: 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 Solid State System Co., Ltd.’s disclosures in the accounts.

2. Impairment assessment on non-financial assets

Please refer to Note 4(12) “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 6(5), (6) and (7) “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 parent-company-only financial statements.

Description of key audit matter:

Solid State System Co., Ltd. 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 audit procedures included: Assessing whether there are impairment indications for Solid State System Co., Ltd.’s related assets; understanding and assessing the appropriateness of the valuation model used by the management in the impairment assessment and the significant assumptions used to determine related assets’ future cash flows projection, useful lives, and weighted-average cost of capital; retrospectively reviewing the accuracy of assumptions used in prior-period estimates and performing a sensitivity analysis of key assumptions and results; in addition to the above audit procedures, appointing specialists to evaluate the appropriateness of the weighted-average cost of capital used; performing an inquiry of the management and identifying any event after the balance sheet date if able to affect the results of the impairment assessment; obtaining the subsequent financial information to assess the rationality of the evaluation of impairment.

Responsibilities of Management and Those Charged with Governance for the Parent-Company-Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent-company-only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent-company-only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent-company-only financial statements, management is responsible for assessing Solid State System Co., Ltd.'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 Solid State System Co., Ltd. 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 Solid State System Co., Ltd.'s financial reporting process.

Auditor's Responsibilities for the Audit of the Parent-company-only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent-company-only 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 parent-company-only 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 parent-company-only 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 Solid State System Co., Ltd.'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 Solid State System Co., Ltd.'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 parent-company-only 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 Solid State System Co., Ltd. to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent-company-only financial statements, including the disclosures, and whether the parent-company-only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in entities accounted for using equity method to express an opinion on the parent-company-only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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 parent-company-only 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 Chien-Hui Lu and Wan-Yuan Yu.

KPMG

Taipei, Taiwan (Republic of China)
February 22, 2024

Solid State System Co., Ltd.
Balance Sheets
December 31, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2023		December 31, 2022		Liabilities and Equity		December 31, 2023		December 31, 2022	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(1))	\$ 141,727	28	64,616	10	2100	Short-term borrowings (note 6(8))	\$ 34,170	7	66,019	10
1170	Accounts receivable, net (note 6(2))	13,889	3	13,532	2	2170	Accounts payable	1,282	-	1,936	-
1180	Accounts receivable from related parties, net (notes 6(2) and 7)	12,111	2	40,643	6	2201	Accrued payroll and bonus	13,120	3	17,122	3
130X	Inventories (note 6(3))	268,581	53	390,453	62	2209	Other accrued expenses	14,886	3	19,614	3
1479	Other current assets (note 8)	<u>15,645</u>	<u>3</u>	<u>9,538</u>	<u>2</u>	2280	Current lease liabilities (note 6(9))	7,354	1	10,033	2
		<u>451,953</u>	<u>89</u>	<u>518,782</u>	<u>82</u>	2399	Other current liabilities	<u>9,804</u>	<u>2</u>	<u>6,264</u>	<u>1</u>
Non-current assets:								<u>80,616</u>	<u>16</u>	<u>120,988</u>	<u>19</u>
1600	Property, plant and equipment (note 6(5))	29,352	6	57,785	9	Non-current liabilities:					
1755	Right-of-use assets (note 6(6))	11,778	2	23,600	4	2570	Deferred tax liabilities (note 6(11))	-	-	1,718	-
1780	Intangible assets (note 6(7))	9,042	2	14,177	2	2580	Non-current lease liabilities (note 6(9))	1,593	-	8,747	2
1920	Refundable deposits (note 8)	6,810	1	6,779	1	2645	Guarantee deposits received	<u>618</u>	<u>-</u>	<u>618</u>	<u>-</u>
1975	Net defined benefit asset, non-current (note 6(10))	-	-	8,490	2			<u>2,211</u>	<u>-</u>	<u>11,083</u>	<u>2</u>
1990	Other non-current assets	<u>-</u>	<u>-</u>	<u>117</u>	<u>-</u>	Total liabilities		<u>82,827</u>	<u>16</u>	<u>132,071</u>	<u>21</u>
		<u>56,982</u>	<u>11</u>	<u>110,948</u>	<u>18</u>	Equity (note 6(12)):					
						3110	Common stock	569,659	112	746,877	119
						3200	Capital surplus	76,464	15	-	-
						3300	Accumulated deficits	<u>(220,015)</u>	<u>(43)</u>	<u>(249,218)</u>	<u>(40)</u>
						Total equity		<u>426,108</u>	<u>84</u>	<u>497,659</u>	<u>79</u>
Total assets		<u><u>\$ 508,935</u></u>	<u><u>100</u></u>	<u><u>629,730</u></u>	<u><u>100</u></u>	Total liabilities and equity		<u><u>\$ 508,935</u></u>	<u><u>100</u></u>	<u><u>629,730</u></u>	<u><u>100</u></u>

Solid State System Co., Ltd.
Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

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

		For the year ended December 31,			
		2023		2022	
		Amount	%	Amount	%
4000	Operating revenues (notes 6(14) and 7)	\$ 275,641	100	402,537	100
5000	Operating costs (notes 6(3) and 12)	260,326	94	286,118	71
	Gross profit	15,315	6	116,419	29
5910	Realized profit or loss from sales	-	-	7	-
	Realized gross profit	15,315	6	116,426	29
6000	Operating expenses (notes 7 and 12):				
6100	Selling	57,140	21	67,702	17
6200	General and administrative	43,120	16	35,860	9
6300	Research and development	123,010	44	133,920	33
	Total operating expenses	223,270	81	237,482	59
	Net operating loss	(207,955)	(75)	(121,056)	(30)
7000	Non-operating income and expenses (note 6(16)):				
7100	Interest income	766	-	561	-
7020	Other gains and losses	(12,764)	(5)	(5,456)	(1)
7050	Finance costs (note 6(9))	(1,780)	-	(667)	-
7070	Share of profit (loss) of associates and joint ventures accounted for using equity method, net (note 6(4))	-	-	(76)	-
	Total non-operating income and expenses	(13,778)	(5)	(5,638)	(1)
7900	Loss before income tax	(221,733)	(80)	(126,694)	(31)
7950	Income tax (Profit) expenses (note 6(11))	(1,718)	-	29,865	8
	Net loss for the period	(220,015)	(80)	(156,559)	(39)
	Other comprehensive income:				
8310	Items that may not be reclassified subsequently to profit or loss				
8311	Remeasurements of defined benefit plans (note 6(10))	-	-	4,265	1
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note 6(11))	-	-	853	-
	Total items that may not be reclassified subsequently to profit or loss	-	-	3,412	1
8300	Other comprehensive income for the period (after tax)	-	-	3,412	1
8500	Total comprehensive income for the period	\$ (220,015)	(80)	(153,147)	(38)
	Earnings per share (New Taiwan Dollars) (note 6(13))				
9750	Basic earnings per share	\$ (4.34)		(3.15)	
9850	Diluted earnings per share	\$ (4.34)		(3.15)	

Solid State System Co., Ltd.

Statements of Changes in Equity

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	Common stock	Capital surplus	Accumulat ed deficits	Total equity
Balance as of January 1, 2022	<u>\$ 746,877</u>	<u>176,995</u>	<u>(273,066)</u>	<u>650,806</u>
Net loss for the period	-	-	(156,559)	(156,559)
Other comprehensive income for the period	-	-	3,412	3,412
Total comprehensive income for the period	-	-	(153,147)	(153,147)
Capital surplus used to offset accumulated deficits	-	(176,995)	176,995	-
Balance as of December 31, 2022	<u>746,877</u>	<u>-</u>	<u>(249,218)</u>	<u>497,659</u>
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	<u><u>\$ 569,659</u></u>	<u><u>76,464</u></u>	<u><u>(220,015)</u></u>	<u><u>426,108</u></u>

Solid State System Co., Ltd.

Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	<u>For the year ended December 31,</u>	
	2023	2022
Cash flows from operating activities:		
Loss before income tax	\$ (221,733)	(126,694)
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation	32,592	36,580
Amortization	11,050	13,072
Expected credit loss (gain)	4	(38)
Interest expense	1,780	667
Interest income	(766)	(561)
Share of loss of subsidiaries accounted for using equity method	-	76
Realized loss (profit) from sales	-	(7)
Gain on disposal of property, plant and equipment	(285)	(1,680)
Impairment loss on non-financial assets	14,658	12,819
Provision for inventory devaluation loss	56,101	30,341
Others	735	20
Total adjustments to reconcile profit (loss)	<u>115,869</u>	<u>91,289</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Accounts receivable	(361)	8,143
Accounts receivable from related parties	28,532	18,131
Inventories	65,771	(86,003)
Other operating assets	474	1,286
Total changes in operating assets	<u>94,416</u>	<u>(58,443)</u>
Changes in operating liabilities:		
Accounts payable	(654)	(23,864)
Other operating liabilities	(5,493)	(29,319)
Total changes in operating liabilities	<u>(6,147)</u>	<u>(53,183)</u>
Total changes in operating assets and liabilities	<u>88,269</u>	<u>(111,626)</u>
Total adjustments	<u>204,138</u>	<u>(20,337)</u>
Cash flows used in operations	(17,595)	(147,031)
Interest received	680	518
Interest paid	(1,791)	(594)
Income taxes paid	(28)	(2)
Income taxes refund	2	-
Net cash flows used in operating activities	<u>(18,732)</u>	<u>(147,109)</u>
Cash flows from investing activities:		
Proceeds from disposal of subsidiaries	2,108	-
Acquisition of property, plant and equipment	(6,194)	(9,435)
Proceeds from disposal of property, plant and equipment	285	2,124
Decrease (increase) in refundable deposits	(31)	316
Acquisition of intangible assets	(5,915)	(6,962)
Net cash flows used in investing activities	<u>(9,747)</u>	<u>(13,957)</u>
Cash flows from financing activities:		
Proceeds from borrowings	184,605	141,019
Repayments of borrowings	(216,454)	(75,000)
Payment of lease liabilities	(11,025)	(10,739)
Proceeds from issuing shares	148,464	-
Net cash flows from financing activities	<u>105,590</u>	<u>55,280</u>
Net increase (decrease) in cash and cash equivalents for the period	<u>77,111</u>	<u>(105,786)</u>
Cash and cash equivalents at beginning of period	<u>64,616</u>	<u>170,402</u>
	<u>\$ 141,727</u>	<u>64,616</u>

IV. Appendix

【Appendix1】

Shareholding of Directors

1. According to Article 26 of Securities and Exchange Act:
 - (1).The paid-in capital of the Company outstanding shares are 56,965,934 shares.
 - (2).The company minimum shareholding of all of the directors is 4,557,275shares.
2. As of the book closure date of this annual shareholders' meeting, the shareholding of all of directors in the shareholders book, are as follows:

Title	Name	Current shareholding	Shareholding ratio
Chairman	Mr. Jeffrey Lin	1,697,971	2.98%
Director	Mr. Kojiro Hatanaka Representative of Kioxia	3,375,480	5.93%
Director	Mr. Tim Hu	336,161	0.59%
Director	Mr. Albert Yang Representatvie of KTC	3,485,652	6.12%
Independent Director	Mr. Cheermore Huang	160,810	0.28%
Independent Director	Mr. Ken Lin	55,177	0.10%
Independent Director	Mr. James Hou	0	0.00%
Total Shares of All Directors		9,111,251	18.57%
Total Shares of non-Independent Directors		8,895,264	17.88%

Note : The closing date of the regular shareholders' meeting is from March 31, 2024 to May 29, 2024.