

Solid State System Co., Ltd. and Subsidiaries
Consolidated Financial Statements
With Independent Auditors' Review Report
For the Nine Months Ended September 30, 2023 and 2022

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

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Independent Auditors' Review Report

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Solid State System Co., Ltd. ("3S") and its subsidiaries (together referred to as the "Company") as of September 30, 2023 and 2022, and the related consolidated statements of comprehensive income for the three and nine months ended September 30, 2023 and 2022, as well as the changes in equity and cash flows for the nine months ended September 30, 2023 and 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. The management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard ("IASs") 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Company as of September 30, 2023 and 2022, and of its consolidated financial performance for the three and nine months ended September 30, 2023 and 2022, as well as its consolidated cash flows for the nine months ended September 30, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IASs 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Chien-Hui Lu and Wan-Yuan Yu.

KPMG

Taipei, Taiwan (Republic of China)
November 2, 2023

Notes to Readers

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

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

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

Solid State System Co., Ltd. and Subsidiaries

Consolidated Balance Sheets

September 30, 2023, December 31 and September 30, 2022

(Expressed in Thousands of New Taiwan Dollars)

	September 30, 2023		December 31, 2022		September 30, 2022			September 30, 2023		December 31, 2022		September 30, 2022	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
Assets							Liabilities and Equity						
Current assets:							Current liabilities:						
Cash and cash equivalents (note 6(1))	\$ 43,901	9	65,952	10	89,261	13	Short-term borrowings (notes 6(7))	\$ 69,940	15	66,019	10	51,019	7
Accounts receivable, net (note 6(2))	18,421	4	13,591	2	12,030	2	Accounts payable	1,766	-	1,936	-	16,757	2
Accounts receivable from related parties, net (notes 6(2) and 7)	16,463	4	40,643	6	38,228	5	Accrued payroll and bonus	9,481	2	17,122	3	14,905	2
Inventories (note 6(3))	299,047	63	390,453	62	400,175	57	Other accrued expenses	20,436	4	19,614	3	25,056	4
Other current assets (note 8)	16,331	3	8,203	2	8,058	1	Current lease liabilities (note 6(8))	9,344	2	10,033	2	10,235	1
	<u>394,163</u>	<u>83</u>	<u>518,842</u>	<u>82</u>	<u>547,752</u>	<u>78</u>	Other current liabilities	4,189	1	6,324	1	6,193	1
								<u>115,156</u>	<u>24</u>	<u>121,048</u>	<u>19</u>	<u>124,165</u>	<u>17</u>
Non-current assets:							Non-current liabilities:						
Property, plant and equipment (note 6(4))	45,867	10	57,785	9	73,649	10	Deferred tax liabilities	1,718	-	1,718	-	861	-
Right-of-use assets (note 6(5))	15,041	3	23,600	4	26,808	4	Non-current lease liabilities (note 6(8))	2,385	1	8,747	2	11,230	2
Intangible assets (note 6(6))	11,019	2	14,177	2	17,209	2	Guarantee deposits received	618	-	618	-	618	-
Deferred tax assets	-	-	-	-	29,860	4		<u>4,721</u>	<u>1</u>	<u>11,083</u>	<u>2</u>	<u>12,709</u>	<u>2</u>
Refundable deposits (note 8)	6,955	2	6,779	1	6,818	1	Total liabilities	<u>119,877</u>	<u>25</u>	<u>132,131</u>	<u>21</u>	<u>136,874</u>	<u>19</u>
Net defined benefit asset, non-current (note 6(9))	-	-	8,490	2	4,205	1	Equity (notes 6(11)):						
Other non-current assets	-	-	117	-	193	-	Common stock	497,659	105	746,877	119	746,877	106
	<u>78,882</u>	<u>17</u>	<u>110,948</u>	<u>18</u>	<u>158,742</u>	<u>22</u>	Accumulated deficits	(144,491)	(30)	(249,218)	(40)	(177,257)	(25)
							Total equity	<u>353,168</u>	<u>75</u>	<u>497,659</u>	<u>79</u>	<u>569,620</u>	<u>81</u>
Total assets	<u>\$ 473,045</u>	<u>100</u>	<u>629,790</u>	<u>100</u>	<u>706,494</u>	<u>100</u>	Total liabilities and equity	<u>\$ 473,045</u>	<u>100</u>	<u>629,790</u>	<u>100</u>	<u>706,494</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)
Solid State System Co., Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
For the three and nine months ended September 30, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

	For the three months ended September 30,				For the nine months ended September 30,			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
Operating revenues (notes 6(13) and 7)	\$ 56,006	100	89,275	100	221,159	100	302,979	100
Operating costs (notes 6(3), (8) and 12)	<u>61,933</u>	<u>110</u>	<u>66,491</u>	<u>74</u>	<u>187,696</u>	<u>85</u>	<u>210,625</u>	<u>70</u>
Gross profit (loss)	<u>(5,927)</u>	<u>(10)</u>	<u>22,784</u>	<u>26</u>	<u>33,463</u>	<u>15</u>	<u>92,354</u>	<u>30</u>
Operating expenses (notes 6(8), 7 and 12):								
Selling	15,663	28	16,898	19	46,046	21	52,201	17
General and administrative	10,600	19	8,630	10	32,167	15	26,163	9
Research and development	<u>36,885</u>	<u>66</u>	<u>34,418</u>	<u>39</u>	<u>100,502</u>	<u>45</u>	<u>103,027</u>	<u>34</u>
Total operating expenses	<u>63,148</u>	<u>113</u>	<u>59,946</u>	<u>68</u>	<u>178,715</u>	<u>81</u>	<u>181,391</u>	<u>60</u>
Net operating loss	<u>(69,075)</u>	<u>(123)</u>	<u>(37,162)</u>	<u>(42)</u>	<u>(145,252)</u>	<u>(66)</u>	<u>(89,037)</u>	<u>(30)</u>
Non-operating income and expenses (note 6(15)):								
Interest income	95	-	136	-	413	-	389	-
Other gains and losses	1,654	3	2,465	3	1,730	2	7,698	3
Finance costs (note 6(8))	<u>(424)</u>	<u>(1)</u>	<u>(138)</u>	<u>-</u>	<u>(1,382)</u>	<u>(1)</u>	<u>(236)</u>	<u>-</u>
Total non-operating income and expenses	<u>1,325</u>	<u>2</u>	<u>2,463</u>	<u>3</u>	<u>761</u>	<u>1</u>	<u>7,851</u>	<u>3</u>
Loss before income tax	(67,750)	(121)	(34,699)	(39)	(144,491)	(65)	(81,186)	(27)
Income tax Profit expenses (note 6(10))	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net loss for the period	<u>(67,750)</u>	<u>(121)</u>	<u>(34,699)</u>	<u>(39)</u>	<u>(144,491)</u>	<u>(65)</u>	<u>(81,186)</u>	<u>(27)</u>
Other comprehensive income for the period (after tax)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the period	<u>\$ (67,750)</u>	<u>(121)</u>	<u>(34,699)</u>	<u>(39)</u>	<u>(144,491)</u>	<u>(65)</u>	<u>(81,186)</u>	<u>(27)</u>
Earnings per share (New Taiwan Dollars) (note 6(12))								
Basic earnings per share	<u>\$ (1.36)</u>		<u>(0.70)</u>		<u>(2.90)</u>		<u>(1.63)</u>	
Diluted earnings per share	<u>\$ (1.36)</u>		<u>(0.70)</u>		<u>(2.90)</u>		<u>(1.63)</u>	

See accompanying notes to consolidated financial statements.

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

Solid State System Co., Ltd. and Subsidiaries

Consolidated Statements of Changes in Equity

For the nine months ended September 30, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	<u>Common stock</u>	<u>Capital surplus</u>	<u>Accumulated deficits</u>	<u>Total equity</u>
Balance as of January 1, 2022	\$ 746,877	176,995	(273,066)	650,806
Net loss for the period	-	-	(81,186)	(81,186)
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	(81,186)	(81,186)
Capital surplus used to offset accumulated deficits	-	(176,995)	176,995	-
Balance as of September 30, 2022	<u>\$ 746,877</u>	<u>-</u>	<u>(177,257)</u>	<u>569,620</u>
Balance as of January 1, 2023	\$ 746,877	-	(249,218)	497,659
Net loss for the period	-	-	(144,491)	(144,491)
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	(144,491)	(144,491)
Capital reduction to offset accumulated deficits	(249,218)	-	249,218	-
Balance as of September 30, 2023	<u>\$ 497,659</u>	<u>-</u>	<u>(144,491)</u>	<u>353,168</u>

See accompanying notes to consolidated financial statements.

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

Solid State System Co., Ltd. and Subsidiaries

Consolidated Statements of Cash Flows

For the nine months ended September 30, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30,	
	2023	2022
Cash flows from operating activities:		
Loss before income tax	\$ (144,491)	(81,186)
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation	24,425	27,296
Amortization	8,724	10,040
Expected credit loss (gain)	15	(44)
Interest expense	1,382	236
Interest income	(413)	(389)
Gain on disposal of property, plant and equipment	-	(1,072)
Impairment loss on non-financial assets	714	-
Provision for inventory devaluation loss	33,963	19,067
Others	608	-
Total adjustments to reconcile profit (loss)	<u>69,418</u>	<u>55,134</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Accounts receivable	(4,845)	9,657
Accounts receivable from related parties	24,180	20,546
Inventories	57,443	(84,394)
Other operating assets	481	1,394
Total changes in operating assets	<u>77,259</u>	<u>(52,797)</u>
Changes in operating liabilities:		
Accounts payable	(170)	(9,043)
Other operating liabilities	(7,965)	(25,629)
Total changes in operating liabilities	<u>(8,135)</u>	<u>(34,672)</u>
Total changes in operating assets and liabilities	<u>69,124</u>	<u>(87,469)</u>
Total adjustments	<u>138,542</u>	<u>(32,335)</u>
Cash flows used in operations	(5,949)	(113,521)
Interest received	417	364
Interest paid	(1,375)	(197)
Income taxes paid	(10)	-
Income taxes refund	2	-
Net cash flows used in operating activities	<u>(6,915)</u>	<u>(113,354)</u>
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(5,072)	(6,952)
Proceeds from disposal of property, plant and equipment	-	1,516
Decrease (increase) in refundable deposits	(176)	277
Acquisition of intangible assets	(5,566)	(6,962)
Net cash flows used in investing activities	<u>(10,814)</u>	<u>(12,121)</u>
Cash flows from financing activities:		
Proceeds from borrowings	149,894	51,019
Repayments of borrowings	(145,973)	-
Payment of lease liabilities	(8,243)	(8,054)
Net cash flows (used in) from financing activities	<u>(4,322)</u>	<u>42,965</u>
Net decrease in cash and cash equivalents for the period	<u>(22,051)</u>	<u>(82,510)</u>
Cash and cash equivalents at beginning of period	<u>65,952</u>	<u>171,771</u>
Cash and cash equivalents at end of period	<u>\$ 43,901</u>	<u>89,261</u>

See accompanying notes to consolidated financial statements.

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

Solid State System Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

For the nine months ended September 30, 2023 and 2022

**(Expressed in Thousands of New Taiwan Dollars,
Except for Earnings Per Share Information and Unless Otherwise Specified)**

1. Company History

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

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

2. Approval Date and Procedures of the Consolidated Financial Statements

The consolidated financial statements were authorized for issue by the Board of Directors on November 2, 2023.

3. New Standards, Amendments and Interpretations Adopted

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

The Company has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2023:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The Company has initially adopted the following new amendment, which do not have a significant impact on its consolidated financial statements, from May 23, 2023.

- Amendments to IAS 12 “International Tax Reform – Pillar Two Model Rules”

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

The Company assesses that the adoption of the (following) new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”

Solid State System Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
 - Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”
- (3) The impact of IFRS issued by IASB but not yet endorsed by the FSC

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IAS 21 “Lack of Exchangeability”

4. Summary of Material Accounting Policies

(1) Statement of compliance

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

Except as described in the following paragraph, the Company’s material accounting policies are applied consistently with the consolidated financial statements for the year ended December 31, 2022. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2022.

(2) Basis of consolidation

The principle of preparation of the consolidated financial statements is consistent with those of the consolidated financial statements for the year ended December 31, 2022. For related information, please refer to note 4(3) of the consolidated financial statements for the year ended December 31, 2022.

Solid State System Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

A. List of subsidiaries in the consolidated financial statements

Name of investor	Subsidiary	Main activities	Percentage of ownership (%)		
			September 30, 2023	December 31, 2022	September 30, 2022
3S	ViCHIP Corporation Limited (ViCHIP)	Operating electronic components manufacturing, wholesaling, sales and product design business	100 %	100 %	100 %

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

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

(3) Employee benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the reporting date of the prior fiscal year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

(4) Income tax

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

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

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

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

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

The preparation of the consolidated financial statements, the major sources of accounting judgments, estimations and assumptions of uncertainty are applied consistently with note 5 to the consolidated financial statements for the year ended December 31, 2022.

Solid State System Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

6. Explanation of Significant Accounts

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2022. Please refer to Note 6 of the 2022 annual consolidated financial statements.

(1) Cash and cash equivalents

	September 30, 2023	December 31, 2022	September 30, 2022
Cash on hand and petty cash	\$ 67	53	53
Checking and savings accounts	30,334	29,899	19,508
Time deposits	13,500	36,000	69,700
	\$ 43,901	65,952	89,261

Please refer to note 6(16) for the disclosure of credit risk and currency risk of the financial assets and liabilities of the Company.

(2) Accounts receivable (including receivables from related parties)

	September 30, 2023	December 31, 2022	September 30, 2022	January 1, 2022
Accounts receivable (including receivables from related parties)	\$ 34,915	54,250	50,268	80,471
Less: loss allowance	(31)	(16)	(10)	(54)
	\$ 34,884	54,234	50,258	80,417
Accounts receivable, net	\$ 18,421	13,591	12,030	21,643
Accounts receivable from related parties, net	\$ 16,463	40,643	38,228	58,774

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

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

Solid State System Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

	December 31, 2022		
	Gross carrying amount	Weighted-average loss rate	Expected loss allowance
Not past due	\$ 53,866	0.030 %	16
Past due 1~89 days	384	-	-
Total	\$ 54,250		16
	September 30, 2022		
	Gross carrying amount	Weighted-average loss rate	Expected loss allowance
Not past due	\$ 49,583	0.020 %	10
Past due 1~89 days	685	-	-
Total	\$ 50,268		10

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

	For the nine months ended September 30,	
	2023	2022
Beginning balance	\$ 16	54
Impairment loss (reversed) recognized	15	(44)
Ending balance	\$ 31	10

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

(3) Inventories

	September 30, 2023	December 31, 2022	September 30, 2022
Raw materials	\$ 30,544	21,248	10,541
Work in process	124,701	161,552	166,808
Finished goods	143,802	207,653	222,780
Merchandise inventory	-	-	46
Total	\$ 299,047	390,453	400,175

Solid State System Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

The details of operating costs were as follows:

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Cost of goods sold	\$ 50,356	53,493	153,391	186,763
Technical service cost	-	492	310	492
Provision for inventory devaluation loss	11,508	10,869	33,963	19,067
Unallocated production overheads	69	1,637	820	5,120
Revenue from sale of scrap	-	-	(788)	(817)
Total	\$ 61,933	66,491	187,696	210,625

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

(4) Property, plant and equipment

	Machinery and	Office and	Total
	equipment	other equipment	
Cost:			
Balance as of January 1, 2023	\$ 117,202	45,291	162,493
Additions	1,332	2,746	4,078
Disposal and write-off	(312)	-	(312)
Reclassification	(329)	(279)	(608)
Balance as of September 30, 2023	\$ 117,893	47,758	165,651
Balance as of January 1, 2022	\$ 131,245	39,819	171,064
Additions	4,959	2,481	7,440
Disposal and write-off	(1,192)	-	(1,192)
Balance as of September 30, 2022	\$ 135,012	42,300	177,312
Accumulated depreciation and impairment loss:			
Balance as of January 1, 2023	\$ 76,920	27,788	104,708
Depreciation for the period	8,310	6,364	14,674
Impairment loss	-	714	714
Disposal and write-off	(312)	-	(312)
Balance as of September 30, 2023	\$ 84,918	34,866	119,784
Balance as of January 1, 2022	\$ 65,600	21,072	86,672
Depreciation for the period	13,009	4,730	17,739
Disposal and write-off	(748)	-	(748)
Balance as of September 30, 2022	\$ 77,861	25,802	103,663

Solid State System Co., Ltd. and Subsidiaries
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	<u>Machinery and equipment</u>	<u>Office and other equipment</u>	<u>Total</u>
Book value:			
Balance as of January 1, 2023	\$ <u>40,282</u>	<u>17,503</u>	<u>57,785</u>
Balance as of September 30, 2023	\$ <u>32,975</u>	<u>12,892</u>	<u>45,867</u>
Balance as of January 1, 2022	\$ <u>65,645</u>	<u>18,747</u>	<u>84,392</u>
Balance as of September 30, 2022	\$ <u>57,151</u>	<u>16,498</u>	<u>73,649</u>

A. Impairment loss

For the nine months ended September 30, 2023, the Company assessed the impairment loss on reticle masks, with no future economic benefits to be \$714, recognized as “Other gains and losses” in the consolidated statement of comprehensive income.

B. Collateral

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

(5) Right-of-use assets

	<u>Buildings</u>
Cost:	
Balance as of January 1, 2023	\$ 40,326
Additions	1,192
Decreases	<u>(971)</u>
Balance as of September 30, 2023	<u>\$ 40,547</u>
Balance as of January 1, 2022	\$ 39,754
Additions	14,518
Decreases	<u>(13,946)</u>
Balance as of September 30, 2022	<u>\$ 40,326</u>
Accumulated Depreciation:	
Balance as of January 1, 2023	\$ 16,726
Depreciation for the period	9,751
Decreases	<u>(971)</u>
Balance as of September 30, 2023	<u>\$ 25,506</u>
Balance as of January 1, 2022	\$ 17,907
Depreciation for the period	9,557
Decreases	<u>(13,946)</u>
Balance as of September 30, 2022	<u>\$ 13,518</u>

Solid State System Co., Ltd. and Subsidiaries
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	Buildings
Book value:	
Balance as of January 1, 2023	\$ <u>23,600</u>
Balance as of September 30, 2023	\$ <u>15,041</u>
Balance as of January 1, 2022	\$ <u>21,847</u>
Balance as of September 30, 2022	\$ <u>26,808</u>

(6) Intangible assets

	Computer software	Patent and technology license fee	Total
Cost:			
Balance as of January 1, 2023	\$ 27,664	24,591	52,255
Additions	<u>5,566</u>	<u>-</u>	<u>5,566</u>
Balance as of September 30, 2023	\$ <u>33,230</u>	<u>24,591</u>	<u>57,821</u>
Balance as of January 1, 2022	\$ 24,973	34,711	59,684
Additions	<u>6,962</u>	<u>-</u>	<u>6,962</u>
Balance as of September 30, 2022	\$ <u>31,935</u>	<u>34,711</u>	<u>66,646</u>
Accumulated amortization:			
Balance as of January 1, 2023	\$ 24,267	13,811	38,078
Amortization for the period	<u>5,794</u>	<u>2,930</u>	<u>8,724</u>
Balance as of September 30, 2023	\$ <u>30,061</u>	<u>16,741</u>	<u>46,802</u>
Balance as of January 1, 2022	\$ 19,835	19,562	39,397
Amortization for the period	<u>6,648</u>	<u>3,392</u>	<u>10,040</u>
Balance as of September 30, 2022	\$ <u>26,483</u>	<u>22,954</u>	<u>49,437</u>
Book value:			
Balance as of January 1, 2023	\$ <u>3,397</u>	<u>10,780</u>	<u>14,177</u>
Balance as of September 30, 2023	\$ <u>3,169</u>	<u>7,850</u>	<u>11,019</u>
Balance as of January 1, 2022	\$ <u>5,138</u>	<u>15,149</u>	<u>20,287</u>
Balance as of September 30, 2022	\$ <u>5,452</u>	<u>11,757</u>	<u>17,209</u>

The Company's intangible assets mentioned above were not pledged as collateral.

(7) Short-term borrowings

	September 30, 2023	December 31, 2022	September 30, 2022
Unsecured bank loans	\$ <u>69,940</u>	<u>66,019</u>	<u>51,019</u>
Unused credit lines	<u>40,060</u>	<u>43,981</u>	<u>58,981</u>
Range of interest rates	<u>2.21%~2.95%</u>	<u>2.075%~2.825%</u>	<u>1.77%~2.58%</u>

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(8) Lease liabilities

The carry amounts of lease liabilities were as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
Current	<u>\$ 9,344</u>	<u>10,033</u>	<u>10,235</u>
Non-current	<u>\$ 2,385</u>	<u>8,747</u>	<u>11,230</u>

For the maturity analysis, please refer to note 6(16) of the financial instruments.

The amounts recognized in profit or loss were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Interest on lease liabilities	<u>\$ 52</u>	<u>73</u>	<u>188</u>	<u>163</u>

The amounts recognized in the statement of cash flows by the Company were as follows:

	For the nine months ended September 30,	
	2023	2022
Total cash outflow for leases	<u>\$ 8,431</u>	<u>8,217</u>

Information of lease

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

(9) Employee benefit

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

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

For the information related to the Company's pension costs for the nine months ended September 30, 2023 and 2022, please refer to note 12.

Solid State System Co., Ltd. and Subsidiaries
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(10) Income tax

A. The amount income tax expense were as follows:

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Current tax expense	\$ -	-	-	-

B. 3S 's income tax returns had been assessed by the tax authorities through 2021.

(11) Capital and other equity interest

Except as described in the following paragraph, there were no significant changes in the Company's capital and other equity for the nine months ended September 30, 2023 and 2022. For related information about the stockholders' equity, please refer to note 6(11) of the consolidated financial statements for the year ended December 31, 2022.

A. Common stock

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

According to 3S's articles of Incorporation, the authorized capital each amounted to \$1,200,000 thousand as of September 30, 2023, December 31 and September 30, 2022, of which, \$100,000 thousand has been appropriated as employee stock option; and the paid-in capital amounted to \$497,659, \$746,877 and \$746,877 thousand, respectively, with par value of \$10 per share.

Company's outstanding shares reconciliation (expressed in thousands of stocks):

	Common stocks	
	For the nine months ended	
	September 30,	
	2023	2022
Number of outstanding shares on January 1	74,688	74,688
Deduct: capital reduction to offset accumulated deficits	(24,922)	-
Number of outstanding shares on September 30	49,766	74,688

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B. Capital surplus

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

C. Distribution of earnings/deficit compensation

A resolution was approved during the stockholders' meeting held on May 16, 2023. For 3S to use its the capital reduction to offset its accumulated deficits in 2022 at the amount of \$249,218, was consistent with those of the resolution approved by the Board of Directors. A resolution was approved during the stockholder' meeting held on June 21, 2022 for 3S to use it's the capital surplus to offset its accumulated deficits in 2021 at the amount of 176,995, was consistent with those of the resolution approved by the Board of Directors.

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

(12) Earnings per share

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Basic and diluted earnings per share:				
Net loss attributable to 3S's stockholders	\$ <u>(67,750)</u>	<u>(34,699)</u>	<u>(144,491)</u>	<u>(81,186)</u>
Weighted average common stocks outstanding (thousand shares)	<u>49,766</u>	<u>74,688</u>	<u>49,766</u>	<u>74,688</u>
Basic and diluted EPS (TWD) \$	<u>(1.36)</u>	<u>(0.47)</u>	<u>(2.90)</u>	<u>(1.09)</u>
Basic and diluted EPS—retroactive adjustment (TWD)		\$ <u>(0.70)</u>		<u>(1.63)</u>

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The deficit compensation has been retroactively adjusted when calculating the EPS, with the date of capital reduction set on June 15, 2023. The changes in basic and diluted EPS due to retroactive adjustment for 2022 were as follow:

	<u>For the three months ended September 30, 2022</u>		<u>For the nine months ended September 30, 2022</u>	
	<u>Before retroactive adjustment</u>	<u>After retroactive adjustment</u>	<u>Before retroactive adjustment</u>	<u>After retroactive adjustment</u>
Net loss attributable to 3S's stockholders	\$ <u>(34,699)</u>	<u>(34,699)</u>	<u>(81,186)</u>	<u>(81,186)</u>
Weighted average common Stocks outstanding (thousand shares)	\$ <u>74,688</u>	<u>49,766</u>	<u>74,688</u>	<u>49,766</u>
Basic and diluted EPS (TWD)	\$ <u>(0.47)</u>	<u>(0.70)</u>	<u>(1.09)</u>	<u>(1.63)</u>

Since 3S incurred a net loss for the nine months ended September 30, 2023 and 2022, there were no dilutive potential ordinary shares for the period.

(13) Revenue from contracts with customers

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Primary geographical markets				
America	\$ 14,174	46,281	115,934	141,257
China	24,024	14,646	54,718	45,505
Taiwan	10,881	9,203	36,735	29,704
North-east Asia	6,927	18,767	13,772	80,961
Others	-	378	-	5,552
	<u>\$ 56,006</u>	<u>89,275</u>	<u>221,159</u>	<u>302,979</u>
Major products				
Revenue from IC	\$ 56,006	83,688	192,170	290,475
Technical Service Income	-	5,587	28,989	12,504
	<u>\$ 56,006</u>	<u>89,275</u>	<u>221,159</u>	<u>302,979</u>

(14) Compensation of employees and directors

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

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Because 3S incurred a net loss for the nine months ended September 30, 2023 and 2022, compensation to employees and directors were not accrued.

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

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

(15) Non-operating income and expenses

A. Interest income

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Interest income from bank deposits	\$ 95	132	411	377
Other interest income	-	4	2	12
	<u>\$ 95</u>	<u>136</u>	<u>413</u>	<u>389</u>

B. Other gains and losses

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Gain on disposals of property, plant and equipment	\$ -	-	-	1,072
Recognition of impairment losses on property, plant and equipment	-	-	(714)	-
Foreign exchange gains, net	1,384	2,200	1,374	5,669
Others	270	265	1,070	957
	<u>\$ 1,654</u>	<u>2,465</u>	<u>1,730</u>	<u>7,698</u>

C. Finance costs

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Interest expense — short-term borrowings and other	\$ 372	65	1,194	73
Interest expense — lease liabilities	52	73	188	163
	<u>\$ 424</u>	<u>138</u>	<u>1,382</u>	<u>236</u>

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(16) Financial instruments

Except as described in the following paragraph, there were no significant changes in the Company's fair value of financial instruments exposed to credit risk, liquidity risk and market risk. For related information about the fair value of financial instruments, please refer to note 6(17) of the consolidated financial statements for the year ended December 31, 2022.

A. Credit risk

The carrying amount of financial assets and contract assets represents the maximum amount exposed to credit risk.

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

The Company's sales to individual clients constituting over 10% of total sales revenue for the nine months ended September 30, 2023 and 2022, were 65% and 69%, respectively, of the total sales revenues. To reduce the concentration of credit risk, the Company continuously evaluates the credit status of its customers and the collectability of accounts receivable, and provides for its ECL. It is management's belief that such concentration of credit risk is under control. For the details of aging and ECL, please refer to note 6(2).

No impairment loss was recognized for the nine months ended September 30, 2023 and 2022. All of these financial assets are considered to have low risk and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(7) of the consolidated financial statements for the year ended December 31, 2022.

B. Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 years</u>	<u>1~5 years</u>
September 30, 2023				
Non-derivative financial liabilities				
Short-terms borrowing	\$ 69,940	70,367	70,367	-
Accounts payable	1,766	1,766	1,766	-
Accrued payroll and bonus	9,481	9,481	9,481	-
Other accrued expenses	20,436	20,436	20,436	-
Lease liabilities (included in current and non-current)	11,729	11,836	9,439	2,397
Guarantee deposits received	618	618	-	618
	<u>\$ 113,970</u>	<u>114,504</u>	<u>111,489</u>	<u>3,015</u>

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	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 years</u>	<u>1~5 years</u>
December 31, 2022				
Non-derivative financial liabilities				
Short-term borrowings	\$ 66,019	66,508	66,508	-
Accounts payable	1,936	1,936	1,936	-
Accrued payroll and bonus	17,122	17,122	17,122	-
Other accrued expenses	19,614	19,614	19,614	-
Lease liabilities (included in current and non-current)	18,780	19,063	10,250	8,813
Guarantee deposits received	618	618	-	618
	<u>\$ 124,089</u>	<u>124,861</u>	<u>115,430</u>	<u>9,431</u>
September 30, 2022				
Non-derivative financial liabilities				
Short-term borrowings	\$ 51,019	51,338	51,338	-
Accounts payable	16,757	16,757	16,757	-
Accrued payroll and bonus	14,905	14,905	14,905	-
Other accrued expenses	25,056	25,056	25,056	-
Lease liabilities (included in current and non-current)	21,465	21,829	10,494	11,335
Guarantee deposits received	618	618	-	618
	<u>\$ 129,820</u>	<u>130,503</u>	<u>118,550</u>	<u>11,953</u>

The Company does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

C. Currency risk

(a) Exposure to currency risk

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

	<u>September 30, 2023</u>			<u>December 31, 2022</u>			<u>September 30, 2022</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	\$ 1,362	32.28	43,965	1,851	30.72	56,863	1,842	31.75	58,484
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	\$ 300	32.28	9,684	151	30.72	4,639	485	31.75	15,399

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(b) Sensitivity analysis

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

A 1% depreciation or appreciation of the TWD against the USD as of September 30, 2023 and 2022, would have decreased or increased the net loss by \$274 and \$345, respectively. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the reporting date. The analysis assumes that all other variables remain constant.

The Company's realized and unrealized foreign exchange gains (losses) on the foreign currency monetary items using the functional currency were as follows:

	For the three months ended				For the nine months ended			
	September 30,				September 30,			
	2023		2022		2023		2022	
	Foreign exchange gains (losses)	Average rate	Foreign exchange gains (losses)	Average rate	Foreign exchange gains (losses)	Average rate	Foreign exchange gains (losses)	Average rate
NTD	\$ 1,384	-	2,200	-	1,374	-	5,669	-

D. Fair value of financial instruments

(a) Categories of financial instruments and fair value

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

	Carrying Amount	September 30, 2023			
		Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 43,901	-	-	-	-
Accounts receivable (including receivables from related parties)	34,884	-	-	-	-
Refundable deposits	6,955	-	-	-	-
	\$ 85,740	-	-	-	-

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	September 30, 2023				
	Carrying Amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 69,940	-	-	-	-
Accounts payable	1,766	-	-	-	-
Accrued payroll and bonus	9,481	-	-	-	-
Other accrued expenses	20,436	-	-	-	-
Lease liabilities (included in current and non-current)	11,729	-	-	-	-
Guarantee deposits received	618	-	-	-	-
	<u>\$ 113,970</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
December 31, 2022					
	Carrying Amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 65,952	-	-	-	-
Accounts receivable (including receivables from related parties)	54,234	-	-	-	-
Refundable deposits	6,779	-	-	-	-
	<u>\$ 126,965</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 66,019	-	-	-	-
Accounts payable	1,936	-	-	-	-
Accrued payroll and bonus	17,122	-	-	-	-
Other accrued expenses	19,614	-	-	-	-
Lease liabilities (included in current and non-current)	18,780	-	-	-	-
Guarantee deposits received	618	-	-	-	-
	<u>\$ 124,089</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Solid State System Co., Ltd. and Subsidiaries
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	September 30, 2022				
	Carrying Amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 89,261	-	-	-	-
Accounts receivable (including receivables from related parties)	50,258	-	-	-	-
Refundable deposits	6,818	-	-	-	-
	\$ 146,337	-	-	-	-
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 51,019	-	-	-	-
Accounts payable	16,757	-	-	-	-
Accrued payroll and bonus	14,905	-	-	-	-
Other accrued expenses	25,056	-	-	-	-
Lease liabilities (included in current and non-current)	21,465	-	-	-	-
Guarantee deposits received	618	-	-	-	-
	\$ 129,820	-	-	-	-

(b) Valuation techniques for financial instruments not measured at fair value

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

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

(17) Financial risk management

Except as described in the following paragraph, there were no significant changes in the Company's objectives and policies applied in the financial risk management from those in note 6(18) of the consolidated financial statement for the year ended December 31, 2022.

(18) Capital management

The Company's objectives, policies and processes for capital management were consistent with the consolidated financial statements for the year ended December 31, 2022. There were no significant changes in quantified factors of capital management from those in the consolidated financial statement for the year ended December 31, 2022. For related information about the capital management, please refer to note 6(19) of the consolidated financial statements for the year ended December 31, 2022.

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(19) Financing activities not affecting current cash flow

Reconciliation of liabilities arising from financing activities were as follows:

	<u>Short-term borrowings</u>	<u>Lease liabilities</u>	<u>Guarantee deposits received</u>	<u>Total liabilities from financing activities</u>
Balance as of January 1, 2023	\$ 66,019	18,780	618	85,417
Cash flows:				
Proceeds from borrowings	149,894	-	-	149,894
Repayments of borrowings	(145,973)	-	-	(145,973)
Payment of lease liabilities	-	(8,243)	-	(8,243)
Interest paid	-	(188)	-	(188)
Non-cash flow:				
Increase in lease liabilities	-	1,192	-	1,192
Interest expense	-	188	-	188
Balance as of September 30, 2023	<u>\$ 69,940</u>	<u>11,729</u>	<u>618</u>	<u>82,287</u>
Balance as of January 1, 2022	\$ -	15,001	618	15,619
Cash flows:				
Proceeds from borrowings	51,019	-	-	51,019
Payment of lease liabilities	-	(8,054)	-	(8,054)
Interest paid	-	(163)	-	(163)
Non-cash flow:				
Increase in lease liabilities	-	14,518	-	14,518
Interest expense	-	163	-	163
Balance as of September 30, 2022	<u>\$ 51,019</u>	<u>21,465</u>	<u>618</u>	<u>73,102</u>

7. Related-Party Transactions

(1) Names and relationship with related parties

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

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

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(2) Significant transactions with related parties

A. Sales and service revenue from related parties

<u>Related Party Category</u>	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Other related-parties:				
KDIL	\$ 14,174	46,281	115,934	141,257
KIC	4,855	15,903	5,447	66,288
	<u>\$ 19,029</u>	<u>62,184</u>	<u>121,381</u>	<u>207,545</u>

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

B. Accounts receivable from related parties

<u>Related Party Category</u>	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Other related-parties:			
KDIL	\$ 14,332	40,635	32,255
KIC	2,131	8	5,973
	<u>\$ 16,463</u>	<u>40,643</u>	<u>38,228</u>

(3) Transactions with key management personnel

Key management personnel compensation comprised:

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 2,606	2,662	7,700	8,965
Post-employment benefits	81	81	1,681	243
	<u>\$ 2,687</u>	<u>2,743</u>	<u>9,381</u>	<u>9,208</u>

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8. Pledged Assets

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

<u>Assets</u>	<u>Purpose of Pledged</u>	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Time deposits (recorded in other current assets)	Customs duty guarantee	\$ 900	900	900
Time deposits (recorded in other current assets)	Inventory guarantee (TSMC)	10,000	-	-
Refundable deposits	Warranty guarantee	3,976	4,000	4,036
		<u>\$ 14,876</u>	<u>4,900</u>	<u>4,936</u>

9. Commitments and Contingencies

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

10. Losses Due to Major Disasters: None.

11. Subsequent Events:

The Company's Board of Directors resolved to issue 7,200 thousand new common stock on November 2, 2023, through private placement, with the total amount of \$148,464, to be subscribed by specific individuals in cash.

12. Others

(1) 3S incurred a net loss amounting to \$144,491 as of September 30, 2023. 3S intends to adopt the following countermeasures to maintain its operation:

A. Marketing plans

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

B. Financial structure improvement plans

- (a) Enforce inventory management, analyze the sales status and adjust inventory levels when necessary, and close out the slow-moving inventory in order to reduce the stock risk and capital lying idle.
- (b) Propose to dispose the assets in order to enrich working capital.

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- (c) Plan to issue of new common shares for cash in private placement, in order to have sound financial structure and enrich working capital.
- (d) Control the labor expenditure, as well as review and improve the daily expenses of 3S in order to avoid unnecessary expenses at all costs.
- (2) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By function	For the three months ended September 30, 2023			For the three months ended September 30, 2022		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
By item						
Employee benefits						
Salary	1,027	36,731	37,758	1,294	38,097	39,391
Labor and health insurance	104	2,666	2,770	87	2,875	2,962
Pension	55	1,560	1,615	45	1,730	1,775
Others	56	1,286	1,342	56	1,564	1,620
Depreciation	2,401	5,698	8,099	3,876	5,437	9,313
Amortization	-	3,102	3,102	-	3,115	3,115

By function	For the nine months ended September 30, 2023			For the nine months ended September 30, 2022		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
By item						
Employee benefits						
Salary	3,389	109,337	112,726	2,928	111,332	114,260
Labor and health insurance	311	8,299	8,610	255	8,730	8,985
Pension	165	4,831	4,996	133	5,169	5,302
Others	186	4,114	4,300	171	4,718	4,889
Depreciation	7,008	17,417	24,425	11,440	15,856	27,296
Amortization	-	8,724	8,724	-	10,040	10,040

Solid State System Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

13. Other disclosures

(1) Information on Significant Transactions:

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

- A. Loans to other parties: None.
- B. Guarantees and endorsements for other parties: None.
- C. Securities held as of September 30, 2023 (excluding investment in subsidiaries, associates and joint ventures): None.
- D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- E. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- F. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- G. Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock:

Name of Company	Related Party	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sales	Amount	Percentage of Total Purchases/Sales	Payment Terms	Unit Price	Payment Terms	Ending Balance	Percentage of Total Notes/Accounts Receivable (Payable)	
3S	KDIL	The subsidiary of its director	Sales and miscellaneous	115,934	52 %	30~45 days	Note	30~45 days	14,332	41%	

Note: The prices of the products sold to related parties, which were determined by the products' specifications and fair market value, have no significant differences as compare to those of the other parties.

- H. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None.
- I. Trading in derivative instruments: None.
- J. Business relationships and significant intercompany transactions: None.

(2) Information on Investees:

The following is the information on investees for the nine months ended September 30, 2023 (excluding information on investees in Mainland China):

Name of Investor	Name of Investee	Location	Main Businesses and Products	Original Investment Amount		Balance as of September 30, 2023			Net Income (Losses) of Investee	Share of Profits/Losses of Investee	Note
				September 30, 2023	December 31, 2022	Shares	Percentage of Ownership	Carrying Value			
3S	ViCHIP	Hsin chu	Operating electronic components manufacturing, wholesaling, sales and product design business	52,400	52,400	500	100 %	-	-	-	Note 1 and 2

Note 1: The intercompany transactions and balances had been eliminated in the consolidated financial report.

Note 2: 3S liquidated its subsidiary, ViCHIP, on November 3, 2022. All related statutory registration procedures had already been completed on October 24, 2023.

(3) Information on Investment in Mainland China:

- A. The names of investees in Mainland China, the main businesses and products, and other information: None
- B. Limitation on investment in Mainland China: None
- C. Significant transactions: None

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(4) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
TA YU CHEN		3,827,646	7.69 %
Kingston Digital International Ltd		3,485,652	7.00 %
KIOXIA Corporation		3,375,480	6.78 %
CHIH LIANG TSAO		2,740,826	5.50 %

Note:

1. The information on major shareholders, which is provided by the Taiwan Depository & Clearing Corporation, summarized the shareholders who held over 5% of the total non physical common stocks and preferred stocks (including treasury stocks) on the last business date of each quarter. The registered non physical stocks may be different from the capital stocks disclosed in the financial statement due to different calculations basis.
2. In the case of the above information, if the shareholder delivers the shares to the trust, the shares will be disclosed as a personal account under the trust account of the principal opened by the trustee. As for the shareholders' declaration of more than 10% of the insider's shareholdings under the Securities and Exchange Act, the shareholders' stocks should be included in their own shareholdings, plus, the shares delivered to the trust, wherein the shareholders have the right of decision on using the trust property. For information on insider's equity declaration, please refer to market observation post system.

14. Segment Information

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