Solid State System Co., Ltd. and Subsidiaries

Consolidated Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2020 and 2019

The independent auditors' 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' report and consolidated financial statements, the Chinese version shall prevail.

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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. and its subsidiaries ("the Group"), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2020 and 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, 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 audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in 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 Certified Public Accountants Code of Professional Ethics in Republic of China (" the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. 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, 2020. 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) "Major Sources of Accounting Judgments, Estimations and Assumptions of Uncertainty－Valuation of inventories", and Note 6(3) "Description of Significant Accounts－Inventories" of the consolidated financial statements.

Description of key audit matters:

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: Obtaining the inventory ageing report and checking the accuracy with the general ledger; testing the accuracy of the ageing of inventory based on the available documents of the last valid transaction. Inspecting the inventory ageing report and analyzing the difference in the inventory aging in comparison to prior periods. Understanding and evaluating the management' s judgment on the calculation of the net realizable value, and testing the relevant documents to assess the rationality for ageing inventories under 6 months; as well as challenging the management's assumptions on the completeness of inventory provisions, making an assessment of their adequacy for ageing inventories exceeding 6 months of age and/or obsolescence of inventory, and assessing the reasonableness and accuracy of the provisioning methodology; Testing 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'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) "Major Sources of Accounting Judgments, Estimations and Assumptions of Uncertainty— — Impairment Assessment on non-financial assets", and Notes 6(5), (6) and (7) "Description of Significant Accounts— Property, plant and equipment", "Description of Significant Accounts— Right-of-use assets" and "Description of Significant Accounts— Intangible assets", respectively, of the consolidated financial statements.

Description of key audit matters:

The Group 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 the methodology and assumptions used by management to determine whether the assets are impaired. Conducting retrospective testing to compare the historical forecast cash flows with actualities if there is significant difference. Performing sensitivity analysis for the key assumptions which are used in the impairment model with reference to historical forecast cash flows. Consulting with our internal valuation specialist to evaluate the appropriateness of the weighted average cost of capital applied, and obtaining the subsequent financial information to assess the rationality of the evaluation of impairment.

Other Matter

Solid State System Co., Ltd. has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2020 and 2019, on which we have issued an unqualified opinion.

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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 auditing standards generally accepted in 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 auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain 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 Group'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 auditor's 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 group 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)
March 11, 2021

Notes to Readers

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

The independent auditors' 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' 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

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2020		December 31, 2019	
Assets	**Amount**	**%**	**Amount**	**%**
Current assets:				
Cash and cash equivalents (note 6(1))	$ 94,242	17	59,573	11
Current contract assets (note 6(14))	1,413	-	4,347	1
Accounts receivable, net (note 6(2))	13,937	3	22,364	4
Accounts receivable from related parties, net (notes 6(2) and 7)	49,117	9	54,782	10
Inventories (note 6(3))	191,348	34	155,178	27
Other current financial assets (notes 6(4) and 8)	1,455	-	1,943	-
Other current assets	8,118	1	7,813	1
	359,630	64	306,000	54
Non-current assets:				
Property, plant and equipment (notes 6(5) amd 8)	95,330	17	186,218	33
Right-of-use assets (note 6(6))	32,360	6	4,126	1
Intangible assets (note 6(7))	26,437	5	30,114	5
Deferred tax assets (note 6(11))	29,860	5	29,860	5
Refundable deposits (note 8)	8,264	2	7,979	1
Net defined benefit asset, non-current (note 6(10))	3,545	1	1,150	-
Other non-current financial assets (note 6(4))	1,382	-	2,945	1
	197,178	36	262,392	46
Total assets	**$ 556,808**	**100**	**568,392**	**100**

	December 31, 2020		December 31, 2019	
Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
Current liabilities:				
Short-term borrowings (notes 6(8) and 8)	$ 34,416	6	43,000	8
Current contract liabilities (note 6(14))	4,204	1	1,174	-
Accounts payable	51,241	9	16,983	3
Accrued payroll and bonus	17,170	3	13,756	2
Other accrued expenses	45,742	8	29,292	5
Current lease liabilities (note 6(9))	9,069	2	4,158	1
Other current liabilities	6,808	1	10,080	2
	168,650	30	118,443	21
Non-current liabilities:				
Deferred tax liabilities (note 6(11))	729	-	249	-
Non-current lease liabilities (note 6(9))	14,367	3	-	-
Guarentee deposits received	927	-	1,050	-
	16,023	3	1,299	-
Total liabilities	184,673	33	119,742	21
Equity (note 6(12)):				
Common stock	646,877	116	808,596	142
Accumulated deficits	(274,742)	(49)	(359,946)	(63)
Total equity	372,135	67	448,650	79
Total liabilities and equity	**$ 556,808**	**100**	**568,392**	**100**

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 years ended December 31, 2020 and 2019

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

	For the years ended December 31,				
	2020		2019		
		Amount	%	Amount	%
Operating revenues (notes 6(14) and 7)	$	650,504	100	633,419	100
Operating costs (notes 6(3), (9), and (10))		504,388	77	456,336	72
Gross profit		146,116	23	177,083	28
Operating expenses (notes 6(9), 7, and 12):					
Selling		77,008	12	75,564	12
General and administrative		39,198	6	37,796	6
Research and development		170,205	26	182,712	29
Total operating expenses		286,411	44	296,072	47
Net operating loss		(140,295)	(21)	(118,989)	(19)
Non-operating income and expenses (note 6(16)):					
Interest income		292	-	467	-
Other income		1,693	-	1,337	-
Other gains and losses		65,511	10	(1,629)	-
Finance costs (note 6(9))		(904)	-	(1,371)	-
Total non-operating income and expenses		66,592	10	(1,196)	-
Loss before tax		(73,703)	(11)	(120,185)	(19)
Income tax expenses (benefits) (note 6(11))		4,652	1	(7)	-
Net loss for the period		(78,355)	(12)	(120,178)	(19)
Other comprehensive income:					
Item that may not be reclassified subsequently to profit or loss					
Remeasurements of defined benefit plans (note 6(10))		2,300	-	257	-
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note 6(11))		460	-	51	-
Total items that may not be reclassified subsequently to profit or loss		1,840	-	206	-
Other comprehensive income for the period (after tax)		1,840	-	206	-
Total comprehensive income for the period	$	**(76,515)**	**(12)**	**(119,972)**	**(19)**
Earnings per share (New Taiwan Dollars) (note 6(13))					
Basic earnings per share	$		**(1.21)**		**(1.86)**
Diluted earnings per share	$		**(1.21)**		**(1.86)**

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 years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	Common stock	Accumulated deficits	Total equity
Balance as of January 1, 2019	$ 808,596	(239,974)	568,622
Net loss for the period	-	(120,178)	(120,178)
Other comprehensive income for the period	-	206	206
Total comprehensive income for the period	-	(119,972)	(119,972)
Balance as of December 31, 2019	808,596	(359,946)	448,650
Net loss for the period	-	(78,355)	(78,355)
Other comprehensive income for the period	-	1,840	1,840
Total comprehensive income for the period	-	(76,515)	(76,515)
Capital reduction to offset accumulated deficits	(161,719)	161,719	-
Balance as of December 31, 2020	**$ 646,877**	**(274,742)**	**372,135**

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 years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

		For the years ended December 31, 2020	2019
Cash flows from operating activities:			
Loss before tax	$	(73,703)	(120,185)
Adjustments:			
Adjustments to reconcile (profit) loss :			
Depreciation		40,514	39,555
Amortization		12,471	8,149
Expected credit loss (gain)		(164)	(159)
Interest expense		904	1,371
Interest income		(292)	(467)
Gain on disposal of property, plan and equipment		(72,451)	-
Loss on sale-leasebacks		10,401	-
Provision for inventory devaluation loss		62,561	45,990
Others		2,195	888
Total adjustments to reconcile profit (loss)		56,139	95,327
Changes in operating assets and liabilities:			
Changes in operating assets:			
Financial assets at fair value through profit or loss, mandatorily measured at fair value		-	45
Accounts receivable		8,591	4,729
Accounts receivable from related parties		5,665	47,661
Inventories		(98,731)	45,244
Other operating assets		4,571	1,505
Total changes in operating assets		(79,904)	99,184
Changes in operating liabilities:			
Accounts payable		34,258	(37,814)
Other operating liabilities		20,462	(4,618)
Total changes in operating liabilities		54,720	(42,432)
Total changes in operating assets and liabilities		(25,184)	56,752
Total adjustments		30,955	152,079
Cash flows (used in) from operations		(42,748)	31,894
Interest received		297	483
Interest paid		(904)	(1,377)
Income taxes paid		(4,632)	-
Income taxes refunded		9	5
Net cash flows (used in) from operating activities		(47,978)	31,005
Cash flows from investing activities:			
Acquisition of property, plant and equipment		(28,469)	(17,505)
Proceeds from disposal of property, plant and equipment		138,415	-
Increase in refundable deposits		(285)	(27)
Acquisition of intangible assets		(9,041)	(15,600)
Decrease in other current financial assets		-	63,500
Net cash flows from investing activities		100,620	30,368
Cash flows from financing activities:			
Proceeds from borrowings		178,359	176,492
Repayments of borrowings		(186,943)	(204,492)
(Decrease) increase in guarantee deposits received		(123)	1,050
Payment of lease liabilities		(9,266)	(8,749)
Net cash flows used in financing activities		(17,973)	(35,699)
Net increase in cash and cash equivalents for the period		34,669	25,674
Cash and cash equivalents at beginning of period		59,573	33,899
Cash and cash equivalents at end of period	$	**94,242**	**59,573**

See accompanying notes to consolidated financial statements.

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, Jubei 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 March 11, 2021.

3. New Standards, Amendments and Interpretations Adopted:

(a) 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 Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2020:

- Amendments to IFRS 3 "Definition of a Business"
- Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"
- Amendments to IAS 1 and IAS 8 "Definition of Material"
- Amendments to IFRS 16 "COVID-19-Related Rent Concessions"

(b) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its consolidated financial statements:

- Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform－Phase 2"

(Continued)

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 16 “Property, Plant and Equipmentt－Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts－Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

4. Summary of Significant Accounting Policies

The significant accounting policies applied in the preparation of these consolidated financial statements are summarized as follows. Except for those described individually, the significant accounting policies have been applied consistently to all periods presented in the consolidated financial statements.

(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 International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed by the FSC (hereinafter referred to as the “IFRSs endorsed by the FSC”).

(2) Basis of preparation

A. Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for the following material items in the balance sheet:

(a) Financial instruments at fair value through profit or loss (FVPTL) are measured at fair value (including derivative financial instruments);

(b) The net defined benefit assets are measured at fair value of the plan assets, less, the present value of the defined benefit obligation.

B. Functional and presentation currency

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

(3) Basis of consolidation

A. Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise 3S and the entities controlled by 3S (its subsidiaries). 3S controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its control over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

The financial statements of subsidiaries have been properly adjusted to bring its accounting policies in line with the accounting policies used by the Company.

B. List of subsidiaries in the consolidated financial statements

			Percentage of ownership (%)	
Name of investor	**Subsidiary**	**Main activities**	**December 31, 2020**	**December 31, 2019**
3S	ViCHIP Corporation Limited (ViCHIP)	Operating electronic components manufacturing, wholesaling, sales and product design business	100 %	100 %

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

(4) Foreign currencies

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

(Continued)

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

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

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

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

A. It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;

B. It holds the asset primarily for the purpose of trading;

C. It expects to realize the asset within twelve months after the reporting period; or

D. The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

A. It expects to settle the liability in its normal operating cycle;

B. It holds the liability primarily for the purpose of trading;

C. The liability is due to be settled within twelve months after the reporting period; or

D. It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash and cash equivalents

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

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

(7) Financial instruments

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

A. Financial assets

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

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

(a) Financial assets measured at amortized cost

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

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

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

(b) Financial assets at FVTPL

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

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

(Continued)

(c) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

(Continued)

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

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

(d) Derecognition of financial assets

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

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

B. Financial liabilities and equity instruments

(a) Classification of debt or equity

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

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

(b) Financial liabilities

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

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

(c) Derecognition of financial liabilities

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

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

(d) Offsetting of financial assets and liabilities

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

C. Derivative financial instruments and hedge accounting

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures.

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

(8) Inventories

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

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

(9) Property, plant and equipment

A. Recognition and measurement

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

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

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

(Continued)

B. Subsequent cost

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

C. Depreciation

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

Land is not depreciated.

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

(a) Building: 3 to 50 years

(b) Machinery and equipment: 2 to 10 years

(c) Office and other equipment: 3 to 10 years

(d) Buildings constitute mainly building facilities, mechanical and electrical power equipment, related engineering, laboratory engineering, etc. Each constituent is depreciated based on its useful life of 50 years, and 3 to 10 years.

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

(10) Leases

A. Identifying a lease

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

– the contract involves the use of an identified asset, and the supplier does not have a substantive right to substitute the asset; and

– the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

– the Company has the right to the direct use of the asset.

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

(Continued)

B. As a lessee

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

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

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

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

– fixed payments (including in-substance fixed payments);

– variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

– amounts expected to be payable under a residual value guarantee; and

– payments for purchase or termination options that are reasonably certain to be exercised.

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

– there is a change in future lease payments arising from the change in an index or rate; or

– there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or

– there is a change in the assessment regarding the purchase option; or

– there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or

– there are any lease modifications.

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

(Continued)

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

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

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

C. As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the Company applies IFRS 15 to allocate the consideration in the contract.

The Company recognize lease payments received under operating leases as income on a straight-line basis over the lease term as rental income.

(11) Intangible assets

A. Research and development

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

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

(Continued)

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

B. Subsequent expenditure

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

C. Amortization

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

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

(a) Software: 1 to 8 years

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

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

(12) Impairment of non-financial assets

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

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

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

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

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

(13) Provisions

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

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

(14) Revenue from contract with customers

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

A. Sale of goods

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

B. Rendering of services

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

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

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

(Continued)

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

C. Financing components

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

(15) Government grants

The Company recognizes an unconditional government grant related to COVID-19 in profit or loss as other income when the grant becomes receivable.

(16) Employee benefits

A. Defined contribution plans

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

B. Defined benefit plans

The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest income on the net defined benefit asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the defined benefit asset. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

C. Short-term employee benefits

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

(17) Income tax

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

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

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

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

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

A. The entity has the legal right to settle tax assets and liabilities on a net basis; and

B. the taxing of deferred tax assets and liabilities fulfills one of the scenarios below:

(a) Levied by the same taxing authority; or

(b) Levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

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

(Continued)

(18) Earnings per share

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

(19) Operating segment information

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

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

The preparation of the consolidated financial statements in conformity with the Regulations 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.

Management continues to monitor the accounting estimations and assumptions. Management recognizes any changes in accounting estimations during the period in which the estimates are revised and in any future periods affected.

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

(1) Valuation of inventories

Due to the rapid technological changes, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the reporting date, and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on the assumptions of future demand within a specific time horizon which might subject to significant fluctuations. Please refer to note 6(3) for further description of the valuation of inventories.

(2) Impairment assessment on non-financial assets

In the process of evaluating the potential assets, the Company is required to make subjective judgments in determining the independent cash flows, useful lives, expected future income and expenses related to the specific asset groups considering of the nature of the industry. Any changes in these estimates based on changed economic conditions or business strategies and could result in significant impairment charges or reversal in future years. Please refer to notes 6(5), (6) and (7) for further description of the impairment assessment on non-financial assets.

(Continued)

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

6. Explanation of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand and petty cash	$ 129	275
Checking and savings accounts	53,913	12,798
Time deposits	40,200	46,500
	$ 94,242	**59,573**

Please refer to note 6(17) 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)

	December 31, 2020	December 31, 2019	January 1, 2019
Accounts receivable (including receivables from related parties)	$ 63,091	77,347	129,737
Less: loss allowance	(37)	(201)	(360)
	$ 63,054	**77,146**	**129,377**
Accounts receivable, net	**$ 13,937**	**22,364**	**26,934**
Accounts receivable from related parties, net	**$ 49,117**	**54,782**	**102,443**

The Company applies the simplified approach to provide for its ECL, which permit the use of lifetime expected loss provision for all receivables. The ECL on accounts receivable by reference to past default experience of the customers and credit risk characteristics, as well as forward looking information, including macroeconomic and relevant industry information. The expected loss allowance for accounts receivable (including receivables from related parties) was determined as follows:

	December 31, 2020		
	Gross carrying amount	Weighted-average loss rate	Expected loss allowance
Not past due	$ 63,085	0.059 %	37
Past due 1~89 days	6	- %	-
Total	**$ 63,091**		**37**

(Continued)

Solid State System Co., Ltd. and Subsidiaries

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	December 31, 2019		
	Gross carrying amount	Weighted-average loss rate	Expected loss allowance
Not past due	$ 72,122	0.035 %	25
Past due 1~89 days	221	2.715 %	6
Past due 90~180 days	4,916	2.889 %	142
Past due more than 180 days	88	31.818 %	28
Total	**$ 77,347**		**201**

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

	For the years ended December 31,	
	2020	2019
Beginning balance	$ 201	360
Impairment loss reversed	(164)	(159)
Ending balance	**$ 37**	**201**

(3) Inventories

	December 31, 2020	December 31, 2019
Raw materials	$ 4,302	3,238
Work in process	139,519	97,874
Finished goods	47,469	50,266
Merchandise inventory	58	3,800
	$ 191,348	**155,178**

The details of operating costs were as follows:

	For the years ended December 31,	
	2020	2019
Cost of goods sold	$ 434,825	402,023
Technical service cost	2,447	5,737
Inventory devaluation loss	62,561	45,990
Unallocated production overheads	4,558	2,583
Revenue from sale of scrap	(28)	-
Physical inventory losses	25	3
	$ 504,388	**456,336**

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(4) Other current financial assets

	December 31, 2020	December 31, 2019
Pledged deposits	$ 300	300
Other receivables and Others	2,537	4,588
	$ 2,837	**4,888**

Please refer to note 8 for the details regarding deposit guarantee as of December 31, 2020 and 2019.

(5) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Office and other equipment	Total
Cost:					
Balance as of January 1, 2020	$ 34,271	73,851	156,288	17,592	282,002
Additions	-	-	11,633	15,996	27,629
Disposals and write-off	(34,271)	(73,851)	(23,154)	(150)	(131,426)
Reclassification	-	-	(4,448)	2,500	(1,948)
Balance as of December 31, 2020	**$ -**	**-**	**140,319**	**35,938**	**176,257**
Balance as of January 1, 2019	$ 34,271	73,357	150,208	16,858	274,694
Disposals and write-off	-	494	16,533	1,318	18,345
Reclassification	-	-	(10,453)	(584)	(11,037)
Balance as of December 31, 2019	**$ 34,271**	**73,851**	**156,288**	**17,592**	**282,002**
Accumulated depreciation:					
Balance as of January 1, 2020	$ -	20,703	66,632	8,449	95,784
Depreciation for the period	-	900	22,177	6,973	30,050
Disposals and write-off	-	(21,603)	(23,154)	(150)	(44,907)
Balance as of December 31, 2020	**$ -**	**-**	**65,655**	**15,272**	**80,927**
Balance as of January 1, 2019	$ -	18,667	53,050	4,330	76,047
Depreciation for the period	-	2,036	24,035	4,703	30,774
Disposals and write-off	-	-	(10,453)	(584)	(11,037)
Balance as of December 31, 2019	**$ -**	**20,703**	**66,632**	**8,449**	**95,784**
Book value:					
Balance as of December 31, 2020	**$ -**	**-**	**74,664**	**20,666**	**95,330**
Balance as of January 1, 2019	**$ 34,271**	**54,690**	**97,158**	**12,528**	**198,647**
Balance as of December 31, 2019	**$ 34,271**	**53,148**	**89,656**	**9,143**	**186,218**

(Continued)

Assets of the Company that have indications of impairment on the reporting date are tested for impairment on the basis of individual assets or their CGUs. According to the test for impairment for 2020 and 2019, the recoverable amount for an asset or a CGU is the higher than its book value. Therefore, the Company did not recognize any impairment loss on property, plant and equipment.

Please refer to note 8 for the details regarding facilities guarantee as of December 31, 2019.

The Company leased buildings as office under sale and leaseback arrangement in June, 2020. For the related information, please refer to note 6(9).

(6) Right-of-use assets

	Buildings
Cost of right of use assets:	
Balance as of January 1, 2020	$ 12,907
Additions	38,698
Decreases	(12,907)
Balance as of December 31, 2020	**$ 38,698**
Balance as of January 1, 2019	$ -
Effects of retrospective IFRS16 application	12,907
Balance as of December 31, 2019	**$ 12,907**
Accumulated Depreciation:	
Balance as of January 1, 2020	$ 8,781
Depreciation for the period	10,464
Decreases	(12,907)
Balance as of December 31, 2020	**$ 6,338**
Balance as of January 1, 2019	$ -
Depreciation for the period	8,781
Balance as of December 31, 2019	**$ 8,781**
Carrying amount:	
Balance as of December 31, 2020	**$ 32,360**
Balance as of January 1, 2019	**$ -**
Balance as of December 31, 2019	**$ 4,126**

Assets of the Company that have indications of impairment on the reporting date are tested for impairment on the basis of individual assets or their CGUs. According to the test for impairment for 2020 and 2019, the recoverable amount for an asset or a CGU is the higher than its book value. Therefore, the Company did not recognize any impairment loss on right-of-use assets.

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(7) Intangible assets

		Computer software	Patent and technology license fee	Total
Cost:				
Balance as of January 1, 2020	$	14,350	34,427	48,777
Additions		6,756	2,285	9,041
Write-off		(752)	(2,619)	(3,371)
Reclassification		-	(247)	(247)
Balance as of December 31, 2020	$	**20,354**	**33,846**	**54,200**
Balance as of January 1, 2019	$	10,473	28,095	38,568
Additions		4,361	11,146	15,507
Write-off		(484)	(3,926)	(4,410)
Reclassification		-	(888)	(888)
Balance as of December 31, 2019	$	**14,350**	**34,427**	**48,777**
Accumulated amortization:				
Balance as of January 1, 2020	$	6,306	12,357	18,663
Amortization for the period		7,412	5,059	12,471
Write-off		(752)	(2,619)	(3,371)
Balance as of December 31, 2020	$	**12,966**	**14,797**	**27,763**
Balance as of December 31, 2019	$	3,829	11,095	14,924
Amortization for the period		2,961	5,188	8,149
Write-off		(484)	(3,926)	(4,410)
Balance as of December 31, 2019	$	**6,306**	**12,357**	**18,663**
Book value:				
Balance as of December 31, 2020	$	**7,388**	**19,049**	**26,437**
Balance as of January 1, 2019	$	**6,644**	**17,000**	**23,644**
Balance as of December 31, 2019	$	**8,044**	**22,070**	**30,114**

Assets of the Company that have indications of impairment on reporting date are tested for impairment on the basis of individual assets or their CGUs. According to the test for impairment for 2020 and 2019, the recoverable amount for an asset or a CGU is the higher than its book value. Therefore, the Company did not recognize any impairment loss on intangible assets.

(8) Short-term borrowings

	December 31, 2020	December 31, 2019
Unsecured bank loans	$ 34,416	-
Secured bank loans	-	43,000
Total	**$ 34,416**	**43,000**
Unused credit lines	**$ 75,930**	**167,080**
Range of interest rates	**0.90%~1.37%**	**1.56%**

Please refer to note 8 for the details regarding facilities guarantee as of December 31, 2019.

(9) Lease liabilities

The carry amount of lease liabilities were as follows:

	December 31, 2020	December 31, 2019
Current	**$ 9,069**	**4,158**
Non-current	**$ 14,367**	**-**

For the maturity analysis, please refer to note 6(17) of the financial instruments.

The amounts recognized in profit or loss were as follows:

	For the year ended December 31, 2020	2019
Interest on lease liabilities	**$ 207**	**127**
Expenses relating to short-term leases	**$ 379**	**251**

The amounts recognized in the statement of cash flows was as follows:

	For the year ended December 31, 2020	2019
Total cash outflow for leases	**$ 9,852**	**9,127**

A. Rental Information

The Company leases buildings for its office space. The leases of office space typically run for a period of 1 to 5 years.

The parking space leased by the company is a short-term lease. Rather than recognize related right-of-use assets and lease liability, the company chooses to apply the exemption from recognition requirements.

B. Sale and leaseback

The Company sold its land, houses, buildings and offices on June 3, 2020 and leased back certain parts the offices, with the lease period of 5 years, wherein the leasehold right will be given priority upon maturity. The Company had recognized the lease liabilities of $15,655 at the beginning date of the lease contract and recognized the right-of-use assets of $25,809 according the percentage of leaseback.

(10) Employee benefit

A. Defined benefit plans

The present value of the defined benefit obligation and the fair value of the plan assets of the Company were reconciled as follows:

		December 31, 2020	December 31, 2019
Present value of the defined benefit obligations	$	(12,476)	(15,265)
Fair value of plan assets		16,021	16,415
Net defined benefit assets	**$**	**3,545**	**1,150**

The Company makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive an annual payment based on years of service and average salary for the six months prior to retirement.

(a) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor (hereinafter referred to as the Bureau of Labor Funds). Minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company' s Bank of Taiwan labor pension reserve account balance amounted to $16,021 as of December 31, 2020. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds.

(Continued)

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(b) Movements in present value of the defined benefit obligation

The movements in present value of the defined benefit obligation of the Company for the years ended December 31, 2020 and 2019 were as follows:

	For the years ended December 31, 2020	For the years ended December 31, 2019
Defined benefit obligation as of January 1	$ (15,265)	(14,818)
Current service costs and interest	(106)	(138)
Remeasurements of the net defined benefit assets		
- Actuarial loss (gain) arising from changes in financial assumptions	948	(458)
- Actuarial losses (gains) arising from experience adjustments	804	149
Benefit paid	1,143	-
Defined benefit obligation as of December 31	**$ (12,476)**	**(15,265)**

(c) Movements in fair value of the defined benefit plan assets

The movements in fair value of the defined benefit plan assets of the Company for the years ended December 31, 2020 and 2019 were as follows:

	For the years ended December 31, 2020	For the years ended December 31, 2019
Fair value of plan assets as of January 1	$ 16,415	15,702
Interest income	113	147
Remeasurements of the net defined benefit assets		
- Return on plan assets (excluding current interest)	548	566
Benefit paid	(1,055)	-
Fair value of plan assets as of December 31	**$ 16,021**	**16,415**

(d) Expenses (benefit) recognized in profit or loss

The Company' s expenses (benefit) recognized in profit or losses for the years ended December 31, 2020 and 2019, were as follows:

	For the years ended December 31, 2020	For the years ended December 31, 2019
Net interest on the net defined benefit assets	**$ (7)**	**(9)**

(Continued)

(e) Remeasurements of the net defined benefit assets recognized in other comprehensive income

The Company' s remeasurements of the net defined benefit assets recognized as accumulated in other comprehensive income for the years ended December 31, 2020 and 2019 were as follows:

	For the years ended December 31, 2020	2019
Cumulative amount as of January 1	$ 2,828	2,571
Recognized during the period	2,300	257
Cumulative amount as of December 31	**$ 5,128**	**2,828**

(f) Actuarial assumptions

The following are the Company's significant actuarial assumptions of the present value of the defined benefit obligation as of the reporting date:

	December 31, 2020	December 31, 2019
Discount rate	0.3531 %	0.6931 %
Future salary increases	2.0000 %	3.0000 %

The Company has been approved by the Bureau of Labor Funds to temporarily cease its contribution to the labor fund starting October 2014. Therefore, there were no expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after December 31, 2020.

The weighted-average duration of the defined benefit obligation is 11.6 years.

(g) Sensitivity analysis

If there is a change in the actuarial assumptions as of December 31, 2020 and 2019, the impact on the defined benefit obligation would be as follows:

	December 31, 2020		December 31, 2019	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
Discount rate	**$ (353)**	**366**	**(472)**	**491**
Future salary increase rate	**$ 356**	**(345)**	**474**	**(459)**

Analysis the affect of change single assumptions base on other assumptions remain unchanged according to the above sensitivity analysis, many changes of assumptions are Interrelated in practice. Sensitivity analysis is used the same methods as calculation of balance sheet net pension.

The methods and assumptions used in preparing sensitivity analysis in this period are the same as in the previous period.

B. Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance, Ministry of Labor (hereinafter referred to as the Bureau of Labor Insurance) in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

The Company's pension costs under the defined contribution method were $7,869 and $8,273 and for the years ended December 31, 2020 and 2019, respectively. Payment was made to the Bureau of Labor Insurance.

(11) Income tax

A. The amount income tax expense (benefits) were as follows:

The amount income tax expense (benefits) for the years ended December 31, 2020 and 2019 were as follows:

	For the years ended December 31,	
	2020	**2019**
Current tax expense (benefits)	$ 4,632	-
Deferred tax benefit		
Origination and reversal of temporary differences	20	(7)
Income tax expense (benefits)	**$ 4,652**	**(7)**

The amount of tax expense recognized in other comprehensive income for the years ended December 31, 2020 and 2019 was as follows:

	For the years ended December 31,	
	2020	**2019**
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of the defined benefit plans	**$ 460**	**51**

The reconciliation of income tax expense (benefits) and loss before tax for the years ended December 31, 2020 and 2019, is as follows:

	For the years end December 31, 2020	2019
Loss before tax	$ (73,703)	(120,185)
Income tax using the 3S's domestic tax rate	(14,741)	(24,037)
Recognized domestic investment losses under the equity methods	60	206
Tex-exempt income	(16,533)	-
Changes in unrecognized tax losses	28,493	22,506
Change in unrecognized deductible temporary differences	2,801	1,524
Over provision in prior periods and others	(60)	(206)
Land value increment tax	2,978	-
Overseas withholding tax	1,654	-
	$ 4,652	**(7)**

B. Deferred income tax assets and liabilities

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

	December 31, 2020	December 31, 2019
Tax effect of deductible Temporary Differences	$ 4,325	1,524
Tax losses	215,194	222,764
	$ 219,519	**224,288**

According to the R.O.C. Income Tax Act, the previous 10 years' losses of 3S and its domestic subsidiaries as assessed by the tax authorities can offset the current year's net income for income tax purposes.

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

(Continued)

As of December 31, 2020, the unused operating loss carry forwards were as described below:

Year loss occurred	Unused operating loss Carry forwards	Expiration year
2011 (assessed)	$ 189,248	2021
2012 (assessed)	119,127	2022
2013 (assessed)	62,056	2023
2014 (assessed)	125,017	2024
2015 (assessed)	195,333	2025
2016 (assessed)	37,418	2026
2017 (assessed)	70,744	2027
2018 (assessed)	22,817	2028
2019 (filed)	111,742	2029
2020 (estimated)	142,466	2030
	$ 1,075,968	

(b) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2020 and 2019 were as follows:

Deferred tax assets:

	January 1, 2019	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2019	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2020
Provision for inventory devaluation loss	$ 29,823	-	-	29,823	-	-	29,823
Others	37	-	-	37	-	-	37
	$ 29,860	**-**	**-**	**29,860**	**-**	**-**	**29,860**

Deferred tax liabilities:

	January 1, 2019	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2019	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2020
Defined benefit plans	$ 196	2	51	249	20	460	729
Others	9	(9)	-	-	-	-	-
	$ 205	**(7)**	**51**	**249**	**20**	**460**	**729**

(Continued)

B. 3S's income tax returns had been assessed by the tax authorities through 2018.

(12) Capital and other equity interest

In order to improve the financial structure of the Company, a resolution was passed during the stockholders' meeting held on June 18, 2020 for the capital reduction of $161,719 to compensate the deficit, the capital reduction ratio is 20%. The remaining balance after the reduction amounted to $646,877. The capital reduction has been approved by the FSC on the July 20,2020, and the date of capital reduction set on July 21, 2020. All related registration procedures had already been completed.

As of December 31, 2020 and 2019, the authorized capital are both $1,200,000 according to the 3S's articles of Incorporation (Among the authorized capital, the $100,000 thousand dollars is used for the issuance of employee stock option certificates), The paid-in capital amounted to $646,877 and $808,596 thousand dollars, respectively, and with par value of $10 per share.

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

	Common stocks	
	For the years end December 31,	
	2020	2019
Number of outstanding capitals on January 1	80,860	80,860
Deduct: capital reduction to offset accumulated deficits	(16,172)	-
Number of outstanding capitals on December 31	**64,688**	**80,860**

A. Common stock

(a) First private placement of common stock in 2008

In order to appeal to strategic investors for the purpose of strengthening 3S's stockholder structure and improving competitiveness, on August 8, 2008, based on the resolution of a special stockholders' meeting, the Board of Directors approved the proposal to raise $100,205 through private placement of 5,726 thousand common stock at a premium price of $17.5 dollars per share. The premium amounted to $42,945 and was recognized as capital surplus－additional paid-in capital. The effective date of the capital increase was August 25, 2008, and the required registration process was completed on September 8, 2008. Except for the restriction on trading as required by the Securities and Exchange Act and the requirement for a public offering could only be made three years after the issuance date whenever 3S meets the profitability requirement announced by the Taipei Exchange in Taiwan, the rights and obligations of participants in this private placement are identical to those of holders of current outstanding common stock. As of the report date, the abovementioned restriction had not yet been lifted.

(b) First private placement of common stock in 2013

In order to appeal to strategic investors for the purpose of strengthening 3S's stockholder structure and improving competitiveness, on June 4, 2013, based on the resolution of a special stockholders' meeting, the Board of Directors approved the proposal, to raise $144,000 through private placement of 7,500 thousand common stock at a premium price of $19.2 dollars per share on November 13, 2013. The premium amounted to $69,000 and was recognized as capital surplus－additional paid-in capital. The effective date of the capital increase was November 27, 2013, and the required registration process was completed on December 25, 2013. Except for the restriction on trading as required by the Securities and Exchange Act and the requirement for a public offering could only be made three years after the issuance date whenever 3S meets the profitability requirement announced by the Taipei Exchange in Taiwan, the rights and obligations of participants in this private placement are identical to those of holders of current outstanding common stocks. As of the report date, the above-mentioned restriction had not yet been lifted.

B. Retained earnings

(a) Legal reserve

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

(b) Special reserve

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

(c) Distribution of earnings/deficit compensation

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

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

The deficit compensation for 2019 and 2018 which was approved during the stockholders' meeting held on June 18, 2020 and June 24, 2019, respectively, was consistent with the resolution approved by the Board of Directors.

The information is available at the Market Observation Post System website.

The deficit compensation for 2020 was presented for a resolution in the Board of Directors' meeting on March 11, 2021, which are then to be approved in annual stockholders' meeting. The information will be available on the Market Observation Post System website.

(13) Earnings per share

The Company calculated the EPS as follows:

	For the years ended December 31, 2020	2019
Basic and diluted earnings per share:		
Net loss attributable to 3S's stockholders	$ (78,355)	(120,178)
Weighted average common stocks outstanding (thousand shares)	64,688	80,860
Basic and diluted EPS (TWD)	$ (1.21)	(1.49)
Basic and diluted EPS (TWD)－retroactive adjustment		$ (1.86)

Since 3S incurred a net loss for the year, there were no dilutive potential ordinary shares for the period.

The deficit compensation has been retroactively adjusted when calculating the EPS, with the date of capital reduction set on July 21,2020. The changes in basic and diluted EPS due to retroactive adjustment for 2019 were as follow:

	For the years ended December 31, 2019	
	Before retroactive adjustment	After retroactive adjustment
Net income (loss) attributable to 3S's stockholders	$ (120,178)	(120,178)
Weighted average common stocks outstanding (thousand shares)	80,860	64,688
Basic and diluted EPS (TWD)	$ (1.49)	(1.86)

(14) Revenue from contracts with customers

A. Disaggregation of revenue

		For the years ended December 31, 2020	2019
Primary geographical markets			
America	$	277,783	362,361
China		138,692	37,183
Taiwan		118,993	75,057
North-east Asia		94,257	134,909
Others		20,779	23,909
	$	**650,504**	**633,419**
Major products			
Revenue from IC	$	600,346	568,482
Technical Service Income		50,158	64,937
	$	**650,504**	**633,419**

B. Contract balances

		December 31, 2020	December 31, 2019	January 1, 2019
Contract asset:				
Contract asset-service income	**$**	**1,413**	**4,347**	**-**
Contract liabilities:				
Contract liabilities advance receipts	**$**	**4,204**	**1,174**	**788**

For details on notes and accounts receivable and loss allowance, please refer to note 6(2).

The change in the balance of contract assets and contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received.

The amounts of revenue recognized for the years ended December 31, 2020 and 2019 that were included in the contract liability balance at the beginning of the period were $58 and $788, respectively.

(15) 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.

(Continued)

Because 3S incurred a net loss for the years ended December 31, 2020 and 2019, 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.

(16) Non-operating income and expenses

A. Interest income

	For the years ended December 31,	
	2020	**2019**
Interest income from bank deposits	$ 219	379
Other interest income	73	88
	$ 292	**467**

B. Other income

	For the years ended December 31,	
	2020	**2019**
Retal income	**$ 1,693**	**1,337**

C. Other gains and losses

	For the years ended December 31,	
	2020	**2019**
Gain on disposals of property, plant and equipment	$ 72,451	-
Loss on sale-leasebacks	(10,401)	-
Foreign exchange (losses) gains, net	(3,881)	(1,348)
Losses on financial assets (liabilities) at fair value through profit or loss	-	(298)
Government grants	10,219	-
Others	(2,877)	17
	$ 65,511	**(1,629)**

D. Finance costs

	For the years ended December 31,	
	2020	**2019**
Interest expense－short-term borrowings and other	$ 697	1,244
Interest expense－lease liabilities	207	127
	$ 904	**1,371**

(Continued)

(17) Financial instruments

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 believes 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 years ended December 31, 2020 and 2019, were 72% and 85%, 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 years ended December 31, 2020 and 2019. All of these financial assets are considered to have low risk and thus, the impairment provision recognized during the period was limited to 12 months excepted losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(7).

B. Liquidity risk

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

	Carrying amount	Contractual cash flows	Within 1 years	1-5 years
December 31, 2020				
Non-derivative financial liabilities				
Short-term borrowings	$ 34,416	34,509	34,509	-
Accounts payable	51,241	51,241	51,241	-
Accured payroll and bonus	17,170	17,170	17,170	-
Other accrued expenses	45,742	45,742	45,742	-
Lease liabilities (included in current and non-current)	23,436	23,985	9,334	14,651
Guarantee deposits received	927	927	-	927
	$ 172,932	173,574	157,996	15,578

(Continued)

		Carrying amount	Contractual cash flows	Within 1 years	1-5 years
December 31, 2019					
Non-derivative financial liabilities					
Short-term borrowings	$	43,000	43,305	43,305	-
Accounts payable		16,983	16,983	16,983	-
Accured payroll and bonus		13,756	13,756	13,756	-
Other accrued expenses		29,292	29,292	29,292	-
Lease liabilities (included in current and non-current)		4,158	4,172	4,172	-
Guarantee deposits received		1,050	1,050	-	1,050
	$	**108,239**	**108,558**	**107,508**	**1,050**

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:

		December 31, 2020			December 31, 2019		
		Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets							
Monetary items							
USD	$	2,909	28.48	82,848	2,797	30.08	84,134
Financial liabilities							
Monetary items							
USD		2,979	28.48	84,842	705	30.08	21,206

(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 December 31, 2020 and 2019, would have decreased or increased the net loss by $16 and $503, 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 years ended December 31,			
	2020		2019	
	Foreign exchange gains (losses)	Average rate	Foreign exchange gains (losses)	Average rate
USD	$ (3,881)	-	(1,348)	-

D. Fair value of financial instruments

(a) Categories of financial instruments and fair value

The fair value of financial assets and liabilities at FVTPL is measured on a recurring basis. 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:

	December 31, 2020				
	Carrying Amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 94,242	-	-	-	-
Accounts receivable (including receivables from related parties)	63,054	-	-	-	-
Other current financial assets	1,455	-	-	-	-
Refundable deposits	8,264	-	-	-	-
Other non-current financial assets	1,382	-	-	-	-
	$ 168,397	-	-	-	-
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 34,416	-	-	-	-
Accounts payable	51,241	-	-	-	-
Accured payroll and bonus	17,170	-	-	-	-
Other accured expenses	45,742	-	-	-	-
Lease libilities (included in current and non-current)	23,436	-	-	-	-
Guarantee deposits received	927	-	-	-	-
	$ 172,932	-	-	-	-

	December 31, 2019				
	Carrying	Fair value			
	Amount	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 59,573	-	-	-	-
Accounts receivable (including receivables from related parties)	77,146	-	-	-	-
Other current financial assets	1,943	-	-	-	-
Refundable deposits	7,979	-	-	-	-
Other non-current financial assets	2,945	-	-	-	-
	$ 149,586	**-**	**-**	**-**	**-**
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 43,000	-	-	-	-
Accounts payable	16,983	-	-	-	-
Accured payroll and bonus	13,756	-	-	-	-
Other accured expenses	29,292	-	-	-	-
Lease libilities (included in current and non-current)	4,158	-	-	-	-
Guarantee deposits received	1,050	-	-	-	-
	$ 108,239	**-**	**-**	**-**	**-**

(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 are 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.

(c) Valuation techniques for financial instruments that are measured at fair value

Foreign currency forward contract is measured based on the current forward exchange rate.

(18) Financial risk management

A. Overview

The Company is exposed to the following risks due to usage of financial instruments:

(a) Credit risk

(b) Liquidity risk

(c) Market risk

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

B. Objectives and policies for managing risk

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

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

(a) The department or employee responsible establishes a risk management mechanism that can effectively recognize, evaluate, supervise and control risk.

(b) In addition to the risks approved by the related department or team, the general counsel assists the president to seek improvements of laws and risks.

(c) The Internal Audit Office monitors risk, as overseen by the directors.

C. Credit risk

The credit risk information on cash and cash equivalents and receivables is disclosed in Note 6(17). According to the Company's policy, the Company could only provide financial guarantees for the entities in which it has business relationship with and demand short term financing support from the Company. As of December 31, 2020 and 2019, the Company did not provide any financial guarantees for any such entities.

D. Liquidity risk

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

(Continued)

Liquidity risk of the Company is monitored through its corporate treasury department which tracks the development of the actual cash flow position for the Company and uses input from a number of sources in order to forecast the overall liquidity position both on a short- and long-term basis. Corporate treasury invests surplus cash in money market deposits and short-term investments with appropriate maturities to ensure sufficient liquidity is available to meet liabilities when due. The Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. As of December 31, 2020, the Company has unused short-term bank facilities of $75,930.

E. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

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

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

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

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

(19) Capital management

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

There were no changes in the Company's approach to capital management during the year ended December 31, 2020.

	December 31, 2020	December 31, 2019
Total liabilities	$ 184,673	119,742
Total equity	$ 372,135	448,650
Debt-to-capital ratio	49.63%	26.69%

(20) Financing activities not affecting current cash flow

Reconciliation of liabilities arising from financing activities were as follows:

	Short-term borrowings	Current lease liabilities	Guarantee deposits received	Total liabilities from financing activities
Balance as of January 1, 2020	$ 43,000	4,158	1,050	48,208
Cash flows:				
Proceeds from borrowings	178,359	-	-	178,359
Repayments of borrowings	(186,943)	-	-	(186,943)
Payment of lease liabilities	-	(9,266)	-	(9,266)
Interest paid	-	(207)	-	(207)
Increase in guarantee deposits received	-	-	(123)	(123)
Non-cash flows:				
Increase in lease liabilities	-	28,544	-	28,544
Interest expense	-	207	-	207
Balance as of December 31, 2020	$ 34,416	23,436	927	58,779
Balance as of January 1, 2019	$ 71,000	12,907	-	83,907
Cash flows:				
Proceeds from borrowings	176,492	-	-	176,492
Repayments of borrowings	(204,492)	-	-	(204,492)
Repayments of lease liabilities	-	(8,749)	-	(8,749)
Interest paid	-	(127)	-	(127)
Increase in guarantee deposits received	-	-	1,050	1,050
Non-cash flows:				
Interest expense	-	127	-	127
Balance as of December 31, 2019	$ 43,000	4,158	1,050	48,208

(Continued)

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

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.

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

Note: Toshiba Memory Corporation was renamed KIOXIA Corporation in October 2019.

(2) Significant transactions with related parties

A. Sales and service revenue from related parties

Related Party Category	For the years ended December 31, 2020	2019
Other related-parties:		
KDIL	$ 258,980	330,066
KIC	93,624	134,909
	$ 352,604	**464,975**

The collection terms for sales to related parties will be 30 to 45 days or after the month-end; the prices of products sold to related parties were determined by the product specifications and the situation regarding market supply and demand, and there was no obvious difference from those with non-related parties.

B. Accounts receivable from related parties

Related Party Category	December 31, 2020	December 31, 2019
Other related-parties:		
KDIL	$ 38,067	48,024
KIC	11,050	6,758
	$ 49,117	**54,782**

(Continued)

(3) Transactions with key management personnel

Key management personnel compensation comprised:

	For the years ended December 31, 2020	2019
Short-term employee benefits	$ 10,847	11,013
Post-employment benefits	324	324
	$ 11,171	11,337

8. Pledged Assets

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

Assets	Purpose of Pledged	December 31, 2020	December 31, 2019
Time deposits (recorded in other current financial assets)	Customs duty guarantee	$ 300	300
Property, plant and equipment	Loan commitments	-	87,419
Refundable deposits	Warranty guarantee	5,500	5,500
		$ 5,800	93,219

9. Significant Commitments and Contingencies

Except for notes 6(9) of the consolidated financial statements, 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. Significant Disaster Losses: None.

11. Significant Subsequent Events: None.

12. Others

(1) The Company incurred a net loss amounting to $274,742 as of December 31, 2020. The Company intends to adopt the following countermeasures to maintain the Company's 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 profits.

(Continued)

B. Financial structure improve plans

(a) Enforce inventory management, observe the sales status and adjust inventory levels when necessary and close out the slow-moving inventory in order to reduce the stock risk and capital lying idle.

(b) Propose to dispose the assets in order to enrich working capital.

(c) Plan to issue of new common shares for cash in private placement or public, in order to have sound financial structure and enrich working capital.

(d) Control the labor expenditure, and 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 year ended December 31, 2020			For the year ended December 31, 2019		
By item	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits						
Salary	1,846	162,936	164,782	1,789	162,888	164,677
Labor and health insurance	195	12,166	12,361	190	13,057	13,247
Pension	96	7,765	7,861	93	8,171	8,264
Others	146	6,480	6,626	144	6,664	6,808
Depreciation	18,304	22,210	40,514	18,567	20,988	39,555
Amortization	-	12,471	12,471	-	8,149	8,149

13. Segment Information

(1) General information and segment information

The Company is a single reportable segment. The Company is mainly engaged in the research, development, manufacture and sale of integrated circuits (ICs). The operating segment information is consistent with the consolidated financial statements. Please refer to the consolidated statements of comprehensive income for net revenues from external customers and segment profit or loss, and refer to the consolidated balance sheets for segment assets.

Solid State System Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

(2) Products and services information

Please refer to note 6(14) on information regarding products and services for the years ended December 31, 2020 and 2019.

(3) Geographic information

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

	December 31, 2020	December 31, 2019
Non-current assets:		
Taiwan	$ 154,127	220,458

Please refer to note 6(14) for the revenues from external customers for the years ended December 31, 2020 and 2019.

(4) Major customer information

Sales to individual customers representing greater than 10% of the revenues were as follows:

	For the years ended December 31,	
	2020	2019
KDIL	$ 258,980	330,066
HTL	118,745	70,616
KIC	93,624	134,909
	$ 471,349	535,591