

Handbook for the 2022 Annual Meeting of Shareholders of Solid State System Co., Ltd. (“3S”; the “Company”)

(Translation)

MEETING TIME : JUNE 21, 2022

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

The Meeting will be held by means of physical shareholders meeting

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

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I.Meeting Procedure

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

II.Meeting Agenda

Time : 10:00 a.m. on Tuesday, JUNE 21, 2022

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

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

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

Chairperson : Jeffrey Lin

1.Call the Meeting to Order

2. Chairperson Remarks

3.Management Presentation

(1).The 2021 business report

(2).The review report of the Audit Committee

(3).The report on the revisions to the fundraising plan through the private placement of 3S common shares

(4).The status report on the execution of the sound operation plan for the 2020 capital reduction

(5).The status report on the execution of the sound operation plan for the 2021 cash capital raising plan

4. Proposals matters

(1).To accept the 2021 Business Report and Financial Statements

(2).To accept the 2021 Deficit Compensation Statement

5.Discussion matters

(1).To approve the revisions to the ” Procedures for Acquisition or Disposal of Assets” of the Company

(2).To approve the capital increase through the private placement of 3S common Shares

6. Questions and Motions

7.Adjournment

1. Management Presentation

Report No. 1

The Company's 2021 business report.

Explanation:

The 2021 Business Report is attached as Attachment1(page13~14).

Report No. 2

The review report of the Audit Committee.

Explanation:

The 2021 Audit Committee's Review Report is attached as Attachment2(page15).

Report No. 3

The report on the revisions to the fundraising plan through the private placement of 3S common shares.

Explanation:

- (1) By the resolution adopted at the regular shareholders' meeting dated July 8, 2021, the Board of Directors of 3S was authorized to conduct such private placement of common shares in the total amount of no more than 15,000,000 common shares in one or two rounds at the appropriate time.
- (2) According to the paragraph 7 of Article 43-6 of the Securities and Exchange Act, the private placement of securities may be carried out in one or several rounds within one year after the date of the resolution of the shareholders' meeting.
- (3) Such private placement of securities was not carried out until now. Since the issuance period will end on July 7, 2022, it is hereby proposed not to conduct such private placement of securities during the remaining issuance period.

Report No. 4

The status report on the execution of the sound operation plan for the 2020 capital reduction

Explanation:

In accordance with the provisions of Financial Supervisory Commission No. 1090349138, the implementation of the sound operation plan will be reported to the shareholders' meeting.

(1). Summary of the sound operation plan:

A. Business and Operation 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.

B. Financial structure improvement plans

- (a) Enhance inventory management, observe the sales status and adjust inventory levels when necessary and sell 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 in order to avoid unnecessary expenses at all costs.

(2). Implementation from January to December 2021 :

Unit: NT\$ thousand

Item	Estimate	Actual	Difference	Variety %
Operating revenues	966,495	692,352	(274,143)	-28%
Operating costs	644,765	462,864	(181,901)	-28%
Gross Profit	321,730	229,488	(92,242)	-29%
Operating expenses	269,271	232,926	(36,345)	-13%
Net operating gain	52,459	(3,438)	(55,897)	-107%

(loss)				
Non-operating income and expenses	288	4,759	4,471	1552%
Profit (loss) before income tax	52,747	1,321	(51,426)	-97%

Description of major differences:

The large difference in revenue was mainly due to the delay in the delivery time of downstream end customers and the congestion of international shipments of MEMS microphone ICs, which affected the purchase volume from the Company, resulting in a decrease of NTD\$ 210,377,000 in MEMS revenue. The operating cost mainly decreased with the changes in operating income, and the operating expenses mainly decreased due to the reduction of labor costs and the implementation of the Company's austerity measures. For the above reasons, the actual revenue is lower than the estimated number, and the achievement result is not good, and the profit is lower than the estimated number even after the reduction of employment expenses, so the actual operating profit and pre-tax net profit are lower than the estimated number.

Report No. 5

The status report on the execution of the sound operation plan for the 2021 cash capital raising plan

Explanation:

In accordance with the provisions of Financial Supervisory Commission No. 1100358456, the implementation of the sound operation plan will be reported to the shareholders' meeting.

The Company was approved by the Financial Supervisory Commission No. 1100358456 to issue cash capital raising plan on October 13, 2021. The total raised capital was NTD\$272,000,000 and all the funds were received on November 22, 2021. The use of funds and the evaluation of the Company's plan for this fundraising project are as follows:

(1).Plan :

Unit: NT\$ thousand

Item	estimated date	Amounts	Estimated progress		
			2021	2022	
			Q4	Q1	Q2
Repay bank loan	2021.Q4	107,000	107,000	-	-
Working capital	2022.Q2	165,000	76,000	65,000	24,000
Amount		272,000	183,000	65,000	24,000

(2).Execution :

(a). Repay bank loan :

After receiving the full payment, the Company allocated NTD\$ 107,000,000 to repay the bank loan at the end of the Q4 of 2021, and the actual implementation progress of the funds is 100% according to the Plan.

The Company used the funds raised in this Plan to repay bank loans. Based on the interest rates of various banks, the Company has saved NTD\$148,000,000 in interest expenses in 2021, which is in line with the original estimated benefit of saving NTD\$ 127,000,000 in interest expenses. The benefit of repaying the bank loan in this Plan has been achieved, and there is no significant difference.

(b). Working capital :

The actual expenditure of the Company in the Q4 of 2021 was NTD\$ 76,000,000, which was the same as the original estimated expenditure, and the achievement rate for such quarter is 46.06%, which is the same as the cumulative estimated progress of the project in such quarter. There is no delay in the execution of the Plan.

The Company used the capital raising in this Plan to enrich its working capital. Based on the Company's average loan interest rate of 1.62% in the first half of 2021, the Company has saved NTD\$ 222,000,000 in interest expenses in 2021. Since the actual interest expenses have been

saved, the financial burden can be reduced and the flexibility of financial scheduling can be increased. The benefit of enriching working capital has been achieved in this Plan, and there is no significant difference.

2. Proposals matters

Proposal 1: To accept the 2021 Business Report and Financial Statements.

Explanation:

- 1.The 2021 Financial Statements of the Company, including the Consolidated Financial Statements, were audited by independent auditors, Ms. Lu Qian-Hui and Mr. Yu Wan-Yuan of KPMG. Also the Business Report and Financial Statements have been approved by the Board and examined by the Audit Committee of the Company. Financial Statements are attached as Attachments 3 and 4 (page 16-23).
- 2.2021 Business Report is attached as Attachments 1 (page 13-14).

Proposal 2:

To accept the 2021 Deficit Compensation Statement

(Proposed by the board of directors)

Explanation:

- (1).The net profit of the Company for year 2021 is in the amount of NT\$1,158,163, and the accumulated deficit is in the amount of NT\$273,066,139. It is hereby proposed to make up the deficit of NT\$176,995,357 from the capital reserve.
- (2).The following deficit compensation statement for year 2021 is prepared in accordance with Company Law and the Articles of Incorporation of the Company.

Solid State System Co., Ltd.
Deficit Compensation Statement
2021

(Unit: NTDS\$)

Items	Total
Accumulated deficit at the beginning of year 2021	(274,742,340)
Plus: Current effects from the remeasurements of defined benefit plans	518,038
Plus: Profit after tax for year 2021	1,158,163
Accumulated deficit to be made up	(273,066,139)
Plus: Make-up of the deficit from capital reserve	176,995,357
Accumulated deficit to be made up at the end of year 2021	(96,070,782)

3. Discussion matters:

Proposal 1. :

To approve the revisions to the " Procedures for Acquisition or Disposal of Assets" of the Company. Please refer to the Chinese version of the Handbook for the 2022 Annual Meeting of Shareholders(Page 30 to 34).

(Proposed by the board of directors)

Explanation:

In order to comply with the newly-amended laws and regulations and meet the practical needs of the Company, it is hereby proposed to revise certain sections of the "Procedures for Acquisition or Disposal of Assets of" the Company. Please refer to page 30~34(Attachments 5) for details.

Resolution:

Proposal 2 :

To approve the capital increase through the private placement of 3S common shares

(Proposed by the board of directors)

Explanation:

1. For the purpose of supplementing the working capital and bringing in the long-term strategic partner, it is hereby proposed to raise the capital of the Company through the private placement of common shares in the total amount of no more than 20,000,000 shares at par value NT\$10 each share, and to authorize the Board of Directors by the resolution adopted at the shareholders' meeting to conduct such private placement of securities in one or two rounds based on the status of the capital market and the practical needs of the Company. The main purpose of such private placement of securities each round is to supplement the working capital.
2. The basis and rationality of the pricing of private placement:
 - (1) The issue price of the privately-placed common shares shall not be lower than 80% of the higher price calculated on the following two bases before the price determination date:
 - ① The simple average closing price of the common shares of the Company for either the one, three, or five business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends or capital reduction.
 - ② The simple average closing price of the common shares of the Company for the thirty business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends, or capital reduction.
 - ③ The actual issue price shall be determined under the above-mentioned rule. It is hereby proposed to authorize the Board of Directors to determine the issue price based on the situation of specific persons and the market conditions.
 - (2) The rationality of the pricing of the private placement:
 - ① The rationality of the method for the determination of the pricing of

the private placement: Since such method refers to the market price of the common shares of the Company and is in line with the practices of the issue market, the pricing of the privately-placed common shares shall be reasonable.

② The rationality of the applicable regulation for the pricing of the private placement: Since such method complies with Directions for Public Companies Conducting Private Placements of Securities, the pricing of the privately-placed common shares shall be reasonable.

(3) The impact on the shareholders' equity:

If the actual issue price is lower than the par value of the shares, the accumulated deficit will be increased accordingly. Such deficit will be eliminated depending on the market status and the Company's operating conditions, either by the profits or surplus generated in the future, the capital reduction or the other statutory methods.

3. Method, purpose, necessity and expected benefit of selecting the specific persons:

The Company has yet to select any subscriber, and will select the subscriber(s) in accordance with Article 43-6, Security and Exchange Act. Such subscriber(s) shall be the strategic investors meeting the conditions prescribed by the competent authority. It is hereby proposed to authorize the Board of Directors by the resolution adopted at the shareholders' meeting to review the qualification certificates of such strategic investors. In addition, such strategic investors shall meet the following conditions:

(1) Method and purpose of selecting the subscribers:

For the purpose of strengthening the competitiveness of the Company, the selected subscribers shall be able to help the Company expand the market of the new products, train and educate the sales personnel, and explore the sales channels for the new products.

(2) Necessity and expected benefit:

Due to the changes in the market demand for the new products of the Company in recent years, it is hereby proposed to select the strategic investors, who are beneficial to the future product promotion and the market development of the Company, in order to enhance the competitiveness of the Company. To select such strategic investors

will enhance technologies, improve the quality, enhance the efficiency and expand the market of the Company.

4. The reasons necessitating the private placement:
 - (1) The reasons for not taking a public offering: Considering the lower cost of the capital, the effectiveness of the funding process, the Company desires to raise the capital through the private placement of securities. In addition, if the Board of Directors is authorized to conduct the private placement of securities according to the actual operational needs of the Company, it will be helpful for the Company to increase the mobility and flexibility of the fundraising. In short, it is indeed necessary to raise the capital through the private placement of securities.
 - (2) The capital usage plan of private placement: to supplement the working capital
 - (3) The projected benefits of private placement each round: The projected benefits of such private placement each round are to meet the needs of the business development in the future, improve the financial structure, strengthen the long-term competitiveness of the Company, and bring in the strategic partners.
5. This privately-placed new shares adopt a non-physical issuance, and the rights and obligations of such new shares are the same as the original issued common shares, provided that the transfer of such new shares should be governed by Article 43-8 of the Securities and Exchange Act.
6. When the period of restriction of transfer of the privately-placed securities of this year has elapsed, the Company may file a listing application only after first applying to the TPEX for a letter of approval and, on the basis of such letter, completing issuance examination and approval procedures with the competent authority in accordance with Article 15 of Taipei Exchange Rules Governing the Review of Securities for Trading on the TPEX.
7. If the main content of the private placement plan, including the number of shares, the issue price, conditions for issuance, fundraising amount, and the other related matters should be changed or amended due to the changes in applicable laws and regulations,

the instruction of the competent authority, the business status review, or the changes in the objective circumstances, it is hereby proposed to authorized the Board of Directors by the resolution adopted at the regular shareholders' meeting to adjust them based on the status of the capital market.

8. For the rights and obligations of privately placed common shares, or any matter regarding the private placement but not included above, it is hereby proposed to authorize the Board of Directors by the resolution adopted at the shareholders' meeting to handle all matters according to the instructions from the competent authority or the newly-amended laws and regulations.
9. According to Article 43-6, Security and Exchange Act, the main content of this proposal for the private placement of securities of the Company should be accessed at the website of Market Observation Post System (<https://mops.twse.com.tw/mops/web/t116sb01>, please visit: MOPS-Investment section/Private placement section/Data search for private placement) and the official website of the Company (<http://www.3system.com.tw>).

Resolution:

4. Questions and Motions

5. Adjournment

Solid State System Co., Ltd.
2021 Business Report

The company's revenue for the year 2021 was NT\$692,352 thousand, with an overall gross margin of approximately 33% and net profit after tax of NT\$1,158 thousand. Looking back on 2021, the sales of Audio products increased as the demand for working from home increased due to the impact of the epidemic. However, the sales of USB Flash Controller and MEMS microphone grew little resulting from the shortage of wafers and the impact from the end market. As a result, the overall operating income increased slightly by 6% compared with 2019; Operating expenses decreased by 18% compared with 2020 due to the joint efforts of all employees for cost saving; Overall, 2021 operation result is break even.

In terms of NAND Flash controller IC, the company will launch a new generation of cost-competitive USB3.2 Gen I controller IC this year, which can meet the specification requirements of future advanced generations of 3D NAND. In terms of NAND Flash SSD solutions, the company will continue supporting next-generation 3D NAND, such as 128 layer and above, for use in SSD solutions with SATA interfaces, and developing SSD solutions with PCIe interfaces using advanced generations of 3D NAND such that the company can vigorously expand into a bigger solid-state drive (SSD) application market. As affected by the continuous shortage of foundry wafer supply since the second half of 2020 and the sharp rise in packaging prices and the increase in wafer prices in 2021, the revenue from controller IC-related products was continuously affected adversely, and there was pressure on product margin too. In terms of long-term product development and planning for the NAND Flash application market, the company will continue to make steady progress in cooperation with the products and marketing strategies of major customers.

In terms of Audio-IC, due to the impact of the Sino-US trade war in the second half of 2021, the sales of products in the overall consumer market suffered a serious decline after Amazon removed many overseas e-commerce companies from its shelves, and experiencing problems of shipping and port congestion. Among which, the audio market in which the company engages in is inevitably affected. However, thanks to our strong vendor/customer relationship and reputation over the years, the company still maintained a good performance in the first half of the year. Although the revenue began to decline in the second half of the year, we finally achieved growth in Audio products in 2021 compared with 2020. In terms of product promotion, the company has launched a new 24 Bit CODEC high-quality audio IC. With our efforts on development and promotion, customers have adopted such IC for the design of future new audio end products, which is expected to lay a foundation for our future revenue. In 2022, the Company expects that the proportion of new product shipments will gradually increase to achieve better product competition position and market reputation. In the face of multiple adverse factors in the market in 2022, the company is expected to recover shipments in the second half of the year according to customers feedback and their forecast of market rebound in the post-epidemic era. In the long run, we will continue to plan and develop IC products for new audio application markets.

In terms of MEMS microphone, we have developed various MEMS Sensor chips and digital and analog PreAmp ASIC chips with our own technologies, patents and designs. MEMS Sensor has been

mass-produced with three sizes of 1100 x 1100um, 850 x 850um and 700 x 700um, including MEMS Sensor with high wind pressure tolerable structure. A MEMS sensor with even higher AOP/SNR has been developed. In terms of matching PreAmp ASICs, we have put into mass production the ASICs of standard analog ASIC and anti-RF enhanced analog ASIC as well as digital ASICs, and completed analog and digital PreAmp ASICs conforming to AEC-Q100/Q103 specifications of Automotive industry. Next, we will develop analog differential interface ASICs, digital high AOP ASICs and digital high SNR ASICs. For back-end packaging and testing, we will deepen our partnerships with existing manufacturers.

As our products are in a wide range of specifications, we will distribute them to different cooperative manufacturers by spec so as to meet the continuous growing demand of different applications in the market. We have won reputation for MEMS microphones applying in TWS and ANC in related application markets. We have also experienced a significant MEMS microphones shipment growth in the Smart TVs market, while introducing our MEMS microphones to several brands to automakers. In addition to continuously optimizing the performance of MEMS Sensor chips and PreAmp ASIC chips for various applications, we will also introduce new interfaces and more cost-effective products based on market demand. Since the company has begun to send samples or have mass-produced and shipped brands in the fields of ANC headsets, smart TVs, voice related smart applications, security surveillance applications, and automotive applications, it is expected that the revenue of MEMS microphones this year will increase compared with last year.

In terms of audio products, the company has successively developed Hybrid TWS true wireless Bluetooth and neck-wear active noise cancellation headset solutions with high noise reduction rate, whose noise reduction performance and production yield are higher than the typical industry level. This year, we aim to win orders from earphone brand customers and earphone ODM manufacturers.

We believe that with the efforts of all our colleagues and the support of our shareholders, the company will strive to grow continuously in 2022 and create benefits to the greatest extent for our shareholders.

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

Chairman Jeffrey Lin

President Tim Hu

The Audit Committee's Review Report

The Audit Committee approved the financial statements of the Company for the year 2021, which had been approved by the Board of Directors, and was also audited and attested by KPMG Taiwan appointed by the Board of Directors, with an audit report issued.

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

Please review.

Sincerely,

2022 General Shareholders' Meeting, Solid State System Co., Ltd.

Convener of the Audit Committee: Cheermore Huang

March 3, 2022

Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of Solid State System Co., Ltd.(“3S”) and its subsidiaries (together referred to as the “Company”), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2021 and 2020, 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 Company at of December 31, 2021 and 2020, 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, 2021. 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” ,Note5(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(4), (5) and (6) "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 Company has performed poorly in operation in recent years, resulting in a risk in which the impairment loss of non-financial assets and the recoverable amount of assets may become lower than the carrying value of assets. The valuation of the impairment loss of assets that are based on the cash flow in the future is subject to the management's judgment which has significant uncertainty, and the audit team needs to discuss the matter with the management to evaluate the adequacy of the valuation. Therefore, the impairment assessment on non-financial assets is one of the key audit matters for our audit.

How the matter was addressed in our audit:

Our principal audit procedures included: Assessing 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, 2021 and 2020, on which we have issued an unqualified opinion.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)
March 3, 2022

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)
Solid State System Co., Ltd. and Subsidiaries

Consolidated Balance Sheets

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

Assets	December 31, 2021		December 31, 2020		Liabilities and Equity	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%		Amount	%	Amount	%
Current assets:					Current liabilities:				
Cash and cash equivalents (note 6(1))	\$ 171,771	22	94,242	17	Short-term borrowings (notes 6(7))	\$ -	-	34,416	6
Current contract assets (note 6(14))	-	-	1,413	-	Current contract liabilities (notes 6(14))	1,297	-	4,204	1
Accounts receivable, net (note 6(2))	21,643	3	13,937	3	Accounts payable	25,800	4	51,241	9
Accounts receivable from related parties, net (notes 6(2) and 7)	58,774	8	49,117	9	Accrued payroll and bonus	17,324	2	17,170	3
Inventories (note 6(3))	334,848	44	191,348	34	Other accrued expenses	44,636	6	45,742	8
Other current assets (note 8)	9,099	1	9,573	1	Current lease liabilities (note 6(8))	7,150	1	9,069	2
	<u>596,135</u>	<u>78</u>	<u>359,630</u>	<u>64</u>	Other current liabilities	8,011	1	6,808	1
						<u>104,218</u>	<u>14</u>	<u>168,650</u>	<u>30</u>
Non-current assets:					Non-current liabilities:				
Property, plant and equipment (note 6(4))	84,392	11	95,330	17	Deferred tax liabilities (note 6(10))	861	-	729	-
Right-of-use assets (note 6(5))	21,847	3	32,360	6	Non-current lease liabilities (note 6(8))	7,851	1	14,367	3
Intangible assets (note 6(6))	20,287	3	26,437	5	Guarantee deposits received	618	-	927	-
Deferred tax assets (note 6(10))	29,860	4	29,860	5		<u>9,330</u>	<u>1</u>	<u>16,023</u>	<u>3</u>
Refundable deposits (note 8)	7,095	1	8,264	2	Total liabilities	<u>113,548</u>	<u>15</u>	<u>184,673</u>	<u>33</u>
Net defined benefit asset, non-current (note 6(9))	4,205	-	3,545	1	Equity (notes 6(11) and (12)):				
Other non-current assets	533	-	1,382	-	Common stock	746,877	98	646,877	116
	<u>168,219</u>	<u>22</u>	<u>197,178</u>	<u>36</u>	Capital surplus	176,995	23	-	-
					Accumulated deficits	(273,066)	(36)	(274,742)	(49)
					Total equity	<u>650,806</u>	<u>85</u>	<u>372,135</u>	<u>67</u>
Total assets	\$ 764,354	100	556,808	100	Total liabilities and equity	\$ 764,354	100	556,808	100

(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, 2021 and 2020

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

	For the year ended December 31,			
	2021		2020	
	Amount	%	Amount	%
Operating revenues (notes 6(14) and 7)	\$ 692,352	100	650,504	100
Operating costs (notes 6(3) and 8)	462,864	67	504,388	77
Gross profit	229,488	33	146,116	23
Operating expenses (notes 6(8), 7 and 12):				
Selling	65,500	9	77,008	12
General and administrative	31,670	5	39,198	6
Research and development	135,756	20	170,205	26
Total operating expenses	232,926	34	286,411	44
Net operating loss	(3,438)	(1)	(140,295)	(21)
Non-operating income and expenses (note 6(16)):				
Interest income	232	-	292	-
Other gains and losses	-	-	1,693	-
Other gains and losses	5,807	1	65,511	10
Finance costs (note 6(8))	(1,280)	-	(904)	-
Total non-operating income and expenses	4,759	1	66,592	10
Profit expenses (loss) before tax	1,321	-	(73,703)	(11)
Income tax Profit expenses (note 6(10))	163	-	4,652	1
Net profit (loss) for the period	1,158	-	(78,355)	(12)
Other comprehensive income:				
Items that may not be reclassified subsequently to profit or loss				
Remeasurements of defined benefit plans(note6(9))	648	-	2,300	-
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note 6(10))	130	-	460	-
Total items that may not be reclassified subsequently to profit or loss	518	-	1,840	-
Other comprehensive income for the period (after tax)	518	-	1,840	-
Total comprehensive income for the period	\$ 1,676	-	(76,515)	(12)
Earnings per share (New Taiwan Dollars) (note 6(13))				
Basic earnings per share	\$ 0.02		(1.21)	
Diluted earnings per share	\$ 0.02		(1.21)	

(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, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	<u>Common stock</u>	<u>Capital surplus</u>	<u>Accumulate d deficits</u>	<u>Total equity</u>
Balance as of January 1, 2020	\$ 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	<u>646,877</u>	-	<u>(274,742)</u>	<u>372,135</u>
Net income for the period	-	-	1,158	1,158
Other comprehensive income for the period	-	-	518	518
Total comprehensive income for period	-	-	1,676	1,676
Due to donated assets received	-	86	-	868
Issue of shares	100,000	171,320	-	271,320
Compensation cost of employee subscription for cash capital increase	-	4,807	-	4,807
Balance as of December 31, 2021	<u>\$ 746,877</u>	<u>176,993</u>	<u>(273,066)</u>	<u>650,806</u>

Solid State System Co., Ltd. and Subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	For the year ended December 31,	
	2021	2020
Cash flows from operating activities:		
Profit (loss) before income tax	\$ 1,321	(73,703)
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation	35,703	40,514
Amortization	15,335	12,471
Expected credit loss (gain)	17	(164)
Interest expense	1,280	904
Interest income	(232)	(292)
Compensation cost of employee subscription for cash capital increase	4,807	-
Gain on disposal of property, plant and equipment	(3,192)	(72,451)
Property, plant and equipment transferred to expenses	-	10,401
Provision for inventory devaluation (reversed) loss	(1,197)	62,561
Others	-	2,195
Total adjustments to reconcile profit (loss)	<u>52,521</u>	<u>56,139</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Accounts receivable	(7,723)	8,591
Accounts receivable from related parties	(9,657)	5,665
Inventories	(142,303)	(98,731)
Other operating assets	2,728	4,571
Total changes in operating assets	<u>(156,955)</u>	<u>(79,904)</u>
Changes in operating liabilities:		
Accounts payable	(25,441)	34,258
Other operating liabilities	(1,770)	20,462
Total changes in operating liabilities	<u>(27,211)</u>	<u>54,720</u>
Total changes in operating assets and liabilities	<u>(184,166)</u>	<u>(25,184)</u>
Total adjustments	<u>(131,645)</u>	<u>30,955</u>
Cash flows used in operations	(130,324)	(42,748)
Interest received	228	297
Interest paid	(1,298)	(904)
Income taxes paid	(161)	(4,632)
Income taxes received	-	9
Net cash flows used in operating activities	<u>(131,555)</u>	<u>(47,978)</u>
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(19,108)	(28,469)
Proceeds from disposal of property, plant and equipment	10,271	138,415
Decrease (increase) in refundable deposits	1,169	(285)
Acquisition of intangible assets	(9,185)	(9,041)
Net cash flows (used in) from investing activities	<u>(16,853)</u>	<u>100,620</u>
Cash flows from financing activities:		
Proceeds from borrowings	333,213	178,359
Repayments of borrowings	(367,629)	(186,943)
Decrease in guarantee deposits received	(309)	(123)
Payment of lease liabilities	(10,658)	(9,266)
Proceeds from issuing shares	271,320	-
Net cash flows from (used in) financing activities	<u>225,937</u>	<u>(17,973)</u>
Net increase in cash and cash equivalents for the period	<u>77,529</u>	<u>34,669</u>
Cash and cash equivalents at beginning of period	<u>94,242</u>	<u>59,573</u>
Cash and cash equivalents at end of period	<u>\$ 171,771</u>	<u>94,242</u>

Shareholding of Directors

1. According to Article 26 of Securities and Exchange Act:

(1).The paid-in capital of the Company outstanding shares are 74,687,642 shares.

(2).The company minimum shareholding of all of the directors is 5,975,011 shares.

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

Title	Name	Current shareholding	Shareholding ratio
Chairman	Mr. Jeffrey Lin	2,550,277	3.41%
Director	Mr. Kojiro Hatanaka Representative of Kioxia	5,065,847	6.78%
Director	Mr. Tim Hu	518,009	0.69%
Director	Mr. Albert Yang Representatvie of KTC	5,231,190	7.00%
Independent Director	Mr. Cheermore Huang	450,367	0.60%
Independent Director	Mr. Ken Lin	82,808	0.11%
Independent Director	Mr. James Hou	0	0.00%
Total Shares of All Directors		13,898,498	18.59%
Total Shares of non-Independent Directors		13,365,323	17.88%

Note : The closing date of the regular shareholders' meeting is from April 23, 2022 to June 21, 2022.