Solid State System

Stock Code: 3259

Solid State System Co., Ltd.

2022
Annual Report

Published on: March 17, 2023

Check the Annual Report at:http://mops.tse.com.tw
Company Website:http://www.3system.com.tw

I. Name, Title, Telephone Number and Email of Spokesperson and Acting Spokesperson

Spokesperson: Tim Hu

Title: President

Tel.:(03)552-6533

Email:spokesman@3system.com.tw

Acting Spokesperson: Cheng Liu

Title: Vice President of R&D

Tel.:(03)552-6568

Email:spokesman@3system.com.tw

II. Company Address and Telephone Number

Company Address: 5F.-1, No.22, Taiyuan St., Tai Yuen Hi-Tech Industrial Park, Zhubei City, Hsinchu County, 30288, Taiwan (R.O.C.)

Tel.:(03)552-6568

Fax:(03)552-6560

III. Name, Address, Website and Telephone Number of the Share Registrar:

Name: The Brokerage Registry and Transfer Services Department of Master Link Securities Corp.

Address: 1F Underground., No. 35, Ln. 11, Guangfu N. Rd., Songshan Dist., Taipei City 105410, Taiwan (R.O.C.)

Tel.:(02)2768-6668

Website:http：//www.masterlink.com.tw

IV. The Name of CPAs, the Name, Address, Website and Telephone Number of the Accounting Firm for the Most Recent Annual Financial Report

Name of CPA: Grace Lu and Alen Yu

Name of Accounting Firm: KPMG Taiwan

Address: No. 11, Prosperity Road I, Hsinchu Science Park, Hsinchu City 300091, Taiwan (R.O.C.)

Tel.:(03)579-9955

Website:http：//www.kpmg.com.tw

V. The Name of Any Exchanges where the Company's Securities are Traded Offshore, and the Method by which to Access Information on Said Offshore Securities: None

VI. Company Website: http：//www.3system.com.tw

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Exchange Act That Have Occurred in the Most Recent Fiscal Year Up to the Date of Publication of the Annual Report

Chapter 1. Letter to Shareholders

The company's revenue for the year 2022 was NT$402,605 thousand dollars, with an overall gross margin of approximately 29% and net loss after tax of NT$156,559 thousand dollars. Looking back on 2022,for the COVID-19, Affected by FAB such as limited wafers, inflation and geopolitics, the demand of the terminal consumer market sharp drop from 2021, The overall revenue has decreased by 42% compared with 2021, and the overall gross profit margin has also decreased by 4% compared with 2021.

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

In terms of Audio IC, After the consumer electronics market crashed in 2022, although the new HiRES-supporting products launched in 2021 have been introduced by some customers, shipments are weak as the demand for the entire consumer product market has not yet improved. Awaiting market recovery.

In terms of MEMS microphones, a new structure with high air pressure resistance and anti-UV has been launched in the past year, and the development of MEMS sensors with higher SNR will continue. In terms of PreAmp ASICs used with MEMS microphones, new analog single-ended interfaces (including anti-radio frequency interference) and analog differential interface ASICs have been newly introduced, moreover both analog and digital MEMS microphones have been confirmed to comply with the automotive specification AEC-Q103. In the future, digital microphones with high AOP, high SNR, and limited speech recognition functionality will also be continuously launched. In terms of market promotion, MEMS microphones have already gained a reputation in the market for TWS earphones, ANC earphones, smart TVs, security monitoring, and automotive applications. In addition to continuously optimizing the performance of MEMS sensor chips and PreAmp ASIC chips, products with higher cost-effectiveness and various application-oriented functions will be launched according to market demand. In addition to deepening customer relationships in existing application areas, sampling or small-scale production will also begin in the areas of mobile phones and hearing aids, in order to actively respond to the gradual recovery of market demand in the future.

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

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

Chairman Jeffrey Lin
President Tim Hu

Chapter 2. Company Profile

I. Date of Incorporation:

November 26, 1998

II. Corporate history

Nov.1998	Company established. Authorized capital: NTD 200,000,000. Paid-in capital: NTD 60,000,000
Dec.1998	Permitted to enter the new-venture incubation center of ITRI and started operation.
May.2000	The first product compact flash controller IC started mass production. Write speed is 2.5 times faster than that of the fastest solution of all the competitors worldwide
Oct.2000	USB flash disk controller IC mass production
Mar.2002	Worldwide first 4-level cell MLC based NAND compact flash controller IC mass production
Dec.2002	Awarded by SBIR plan from Ministry of Economic Affairs
Mar.2003	Public offering approved
Oct.2003	USB 2.0 NAND flash controller IC mass production
Jan.2004	Registration completed in OTC
Mar.2005	Succeeded in design SD card controller IC with company own IP
Jun.2005	Succeeded in design USB 2.0 linear fingerprint sensor controller IC by cooperate with Authentec of US
Jul.2005	Audio SoC controller with class-D amplifier started mass production
Nov.2007	USB multimedia controller IC started mass production
Dec.2007	Public listed in OTC
Sep.2008	Private placement introduced for bringing in strategic alliances
Oct.2008	43nm MLC flash USB controller IC started mass production
Dec.2008	Certificated TCGA “GC004 General Assessment Criteria for the Corporate Governance System”
Jan.2009	43nm MLC flash SD controller IC with 24-bit ECC started mass production
Apr.2009	43nm D3 TLC flash SD controller IC with 24-bit ECC started mass production
May.2009	Shenzhen branch office established to provide services and support to clients in great China
Mar.2010	High speed SD 2.0 controller IC started mass production
Jul.2010	Crystal-free USB 2.0 controller IC started mass production
Oct.2010	Introduced CMOS MEMS microphone in TAITRONICS
Mar.2011	CMOS MEMS microphone was awarded “National Project Excellence Award” from NSoC
Jun.2011	CMOS MEMS microphone was awarded “Computex Best Choice – Jury’s Special Award”

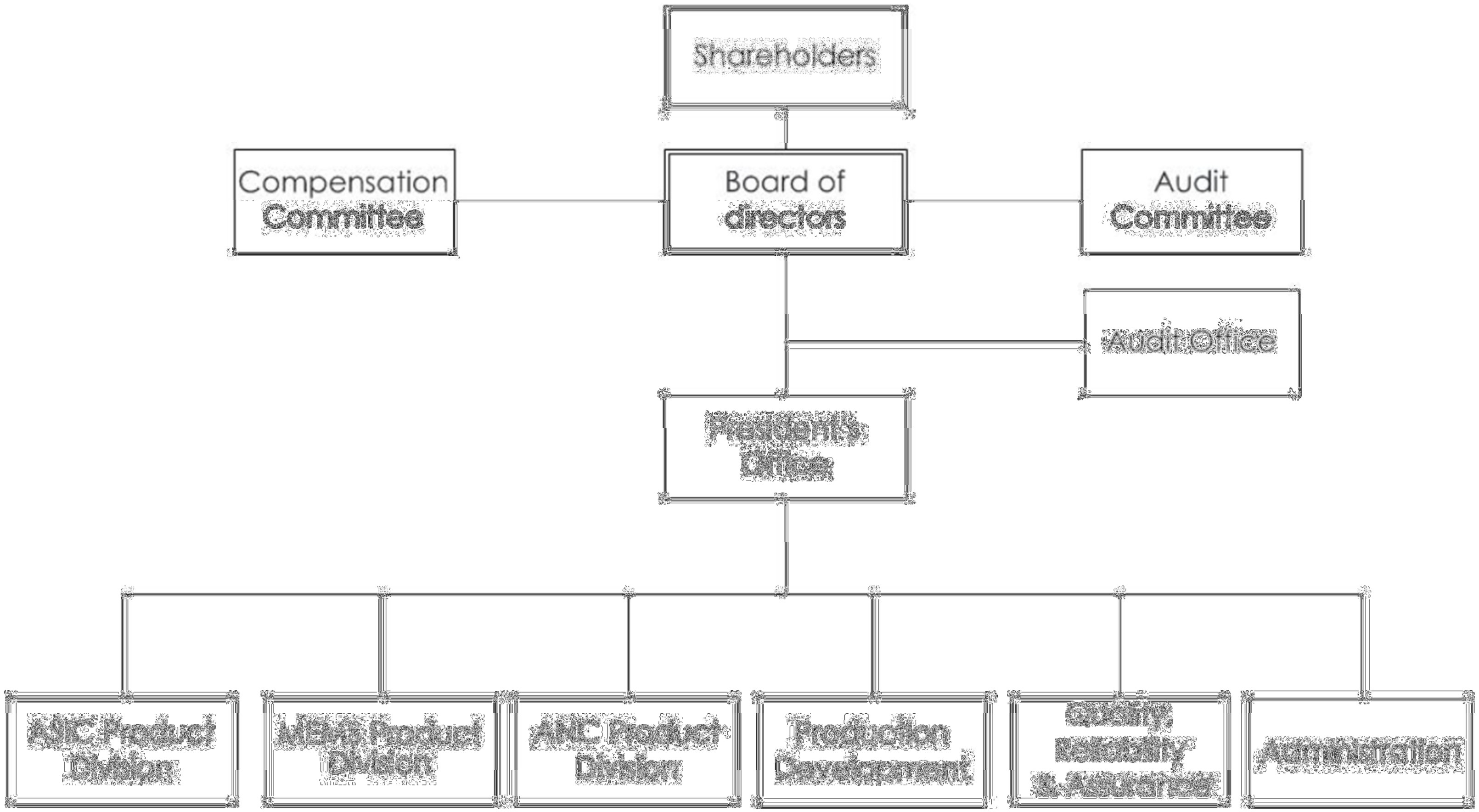
Jul.2011	“Crystal-Free”USB 2.0 controller with 64-bit ECC started mass production
Dec.2011	SD 2.0 controller with 64bit ECC started mass production
Dec.2011	CMOS MEMS microphone awarded “Industrial Innovation Achievement Praise” by the Ministry of Economic Affairs
Dec.2011	CMOS MEMS microphone awarded “Taiwan Excellence Award”
Dec.2011	Passed TCGA Assessment Certification for the second time
Jun.2012	Succeeded in digital CMOS MEMS microphone prototype verification
Dec.2012	2 channels 19nm NAND flash USB3.0 controller IC started mass production
Dec.2012	Digital CMOS MEMS microphone awarded “Taiwan Excellence Award”
Jul.2013	Digital CMOS MEMS microphone started mass production
Nov.2013	Private placement introduced for bringing in strategic alliances
Nov.2013	USB 3.0 NAND flash controller IC started mass production
Dec.2013	1ynm NAND flash USB controller IC mass production
Jan.2014	High speed SD 3.0 controller IC started mass production
Jul.2014	Awarded ”Corporate Information Disclosure Evaluation” of OTC
Jul.2014	Launched single chip SAM(Small Array Microphone)
Dec.2014	Single chip SAM(Small Array Microphone) awarded “Taiwan Excellence Award”
Dec.2014	15nm NAND flash USB controller IC started mass production
Apr.2015	1.2V low operation voltage CMOS MEMS microphone started mass production
Nov.2015	2nd generation package type CMOS MEMS microphone started mass production
Jul.2016	Mini CSP analog CMOS MEMS microphone started mass production
Sep.2016	DRAM-less SSD NAND controller turnkey solution started mass production
Nov.2016	Launched ANC(active noise cancellation) earphone solution
Jul.2017	Mini CSP digital CMOS MEMS microphone started mass production
Nov.2017	Flash controller IC product line fully achieved in supporting 3D TLC NAND
Apr.2018	DRAM-less SATA SSD 3D NAND controller turn-key solution started mass production

Jun.2018	Analog MEMS microphone pre-amplifier ASIC started mass production
Jan.2019	1100um x 1100um MEMS sensor started mass production
Jan.2019	2-chips analog MEMS microphone started mass production
Apr.2019	SNR 68dB/AOP 130dB analog MEMS microphone started mass production
Apr.2019	SNR 70dB/AOP 124dB analog MEMS microphone started mass production
Jun.2019	Digital MEMS microphone pre-amplifier ASIC started mass production
Oct.2019	2-chips digital MEMS microphone started mass production
Dec.2019	Launched digital ANC(active noise cancellation) earphone solution
Feb.2020	850um x 850um MEMS sensor started mass production
Apr.2020	Built-In Dual Type A/C USB3.0 controller IC started mass production
Aug.2020	RF shielded analog MEMS microphone started mass production
Aug.2020	Supporting Intel N18 QLC 3D NAND flash USB3.0 controller IC started mass production
Sep.2020	Launched digital hybrid ANC(active noise cancellation) earphone solution
Dec.2020	Automotive application used analog MEMS microphone started mass production
Apr.2021	Hi-Res USB Audio controller IC started mass production
May.2021	Launched TWS hybrid ANC(active noise cancellation) earphone solution
Jun.2021	700um x 700um MEMS sensor started mass production
Aug.2021	High air pressure endurance MEMS microphone started mass production Developed USB 3.2 Gen I controller IC to support Vccq 1.2V of NAND Flash
Dec.2021	Developed USB 2.0 controller IC to support Vccq 1.2V of NAND Flash
Oct.2022	Analog differential interface MEMS microphone started mass production
Dec.2022	Anti-UV MEMS microphone started mass production

Chapter 3. Corporate Governance Report

I. Organizational System

(I) Organization Chart



(II) Department Functions

Department	Organization Responsibilities
President's Office	◆ Formulate the Company's management policy, quality policy and be responsible for the Company's operation and decision-making. Implement and complete the tasks assigned by the Board of Directors.
Audit Office	◆ Review and evaluate the appropriateness and effectiveness of internal control systems. ◆ Draw up and implement the annual internal audit plan and follow up the improvement results.
ASIC Product Divison	◆ Business promotion, product development and testing of ASIC related products
MEMS Product Divison	◆ Business promotion, product development and testing of MEMS related products
ANC Product Divison	◆ Business promotion, product development and testing of ANC related products
Production Development	◆ Test evaluation and mass production planning of new product design and development, and completion of product production cost analysis. ◆ Cooperate with the product R&D unit to complete the R&D and mass production plan of product testing technology according to product specifications. ◆ Build and improve the testing process, complete the product feature report and improve product yield. ◆ Develop and implement production strategies and scheduling plans.
Quality Reliability & Assurance	◆ R&D, verification and control of product quality. ◆ Establishment and maintenance of ISO quality system.
Administration	◆ Finance and Accounting management, tax management, capital management, stock management and business performance related operations. ◆ Planning and management of enterprise application system integration, information construction, information technology security and network engineering. ◆ Human resource management and organizational development.

II. Information on the Directors, President, Vice Presidents, Assistant Vice Presidents, and Heads of Divisions and Branch Units

(I) Information on Directors

Unit: shares; % March 17, 2023

Title	Nationality/ Place of Registration	Name	Gender/ Age (Note 1)	Date Elected	Term	Date of First Election	Shareholding When Elected		Current Shareholding		Shareholding by Spouse and Minor Children		Shareholding by Nominees		Major (Education) Working Experiences	Other Position Concurrently Held at the Company and Other Companies	Other Executives, Directors or Supervisors Who Are Spouses or within the Second Degree of Kinship with Another			Remark
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship	
Chairman	R.O.C.	Jeffrey Lin	Male 61-70	2021.07.08	3 years	1998.11.11	2,270,594	3.51	2,549,277	3.41	12,250	0.02	0	0	Manager, Macronix International Co., Ltd. Department of Electrical Engineering, National Tsing Hua University	Chief Technology Officer, Solid State System Co., Ltd. Chairman, VICHIP Corporation Limited	None	None	None	None
Director	Japan	KIOXIA Corporation		2021.07.08	3 years	2017.9.22	5,065,847	7.83	5,065,847	6.78	0	0	0	0	None	Director and Supervisor, KIOXIA Semiconductor Taiwan Corporation Director and Supervisor, KIOXIA Taiwan Corporation Director, Microtops Design Corporation Director, Phison Electronics Corp.	None	None	None	None
	Japan	Representative: Hatanaka Kojiro	Male 51-60	2021.07.08	3 years	2017.9.22	0	0	0	0	0	0	0	0	Memory Division NAND System Engineering Dept. Director Senior Manager Department of Electrical Engineering and Computer Science, School of Engineering, Kyushu University	Memory Division NAND System Engineering Dept. Director Senior Manager	None	None	None	None

Title	Nationality/ Place of Registration	Name	Gender/ Age (Note 1)	Date Elected	Term	Date of First Election	Shareholding When Elected		Current Shareholding		Shareholding by Spouse and Minor Children		Shareholding by Nominees		Major (Education) Working Experiences	Other Position Concurrently Held at the Company and Other Companies	Other Executives, Directors or Supervisors Who Are Spouses or within the Second Degree of Kinship with Another			Remark
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship	
Director	R.O.C./USA	Tim Hu	Male 61-70	2021.07.08	3 years	2003.11.28	398.009	0.62	518,009	0.69	114,852	0.15	0	0	Division Chief, Macronix International Co., Ltd. R&D Chief University of Missouri, Columbia, Master(EECS)Master	President, Solid State System Co., Ltd.	None	None	None	None
Director	USA	Kingston Technology Corporation		2021.07.08	3 years	2012.6.6	4,655,446	7.20	5,231,190	7.00	0	0	0	0	None	Director, Panram Technology Co., Ltd. Director, Kingston Solutions, Inc. Director, Powertech Technology Inc.	None	None	None	None
	R.O.C.	Representative: Albert Yang	Male 51-60	2021.07.08	3 years	2014.4.16	0	0	0	0	0	0	0	0	Director of R&D Division, Kingston Solutions, Inc. Department of Electronic Engineering, Feng Chia University	Director of Kingston Flash Engineering Division	None	None	None	None
Independent Director	R.O.C.	Ken Lin	Male 61-70	2021.07.08	3 years	2015.6.17	73,695	0.11	82,808	0.11	0	0	0	0	CPA of Taiwan/USA Vice President, Solid State System Co., Ltd. President, Foshan T.N.C.Resin Co., Ltd. Director, OPALS Chemical Technology Ltd. Master, Institute of College of Management, Fu Jen Catholic University	President, T.N.C. Industrial Co., Ltd. Supervisor, Asmeditron Inc. Independent director, Innolux Corporation	None	None	None	None
Independent Director	R.O.C.	Cheermore Huang	Male 51-60	2021.07.08	3 years	2018.6.8	400,800	0.62	432,367	0.58	0	0	0	0	Chairman and President, ILI Technology Corp. Master, Institute of Electrical Engineering, National Tsing Hua University	Director, INT TECH (HK) Co., Ltd.	None	None	None	None

Title	Nationality/ Place of Registration	Name	Gender/ Age (Note 1)	Date Elected	Term	Date of First Election	Shareholding When Elected		Current Shareholding		Shareholding by Spouse and Minor Children		Shareholding by Nominees		Major (Education) Working Experiences	Other Position Concurrently Held at the Company and Other Companies	Other Executives, Directors or Supervisors Who Are Spouses or within the Second Degree of Kinship with Another			Remark
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship	
Independent Director	R.O.C.	James Hou	Male 51-60	2021.07.08	3 years	2018.6.8	0	0	0	0	0	0	0	0	Assistant Vice President for Innovative Applications, IBM Taiwan Vice President, Provision Information Co., Ltd. Master, Information Science, Ohio State University Master, Department of Computer Science,National Tsing Hua University	Chairman, 94BOT Co., Ltd. Chairman, Bo Ku Network Co., Ltd. Chairman, 1984 Co., Ltd. Consultant Metaedge Corporation	None	None	None	None

Note 1. State the age interval into which the actual age falls.

1. Major Shareholders of Institutional Shareholders

March 17, 2023; %

Name of Institutional Shareholder	Major Shareholders of Institutional Shareholders	Shareholding Ratio
KIOXIA Corporation	Kioxia Holdings Corporation	100.00%
Kingston Technology Corporation	John Tu, Trustee of the John Tu and Mary Tu Family Trust dated June 16, 1995	50.00%
	David Sun and Diana Sun, Co-Trustees of the Sun Family Trust U/D/T dated February 26, 1986	50.00%

2. Major Shareholders of Institutional Shareholders with Juristic Persons as Their Major Shareholders

March 17, 2023; %

Name of Juristic Person	Major Shareholder	Shareholding Ratio
Kioxia Holdings Corporation (Note 1)	Toshiba Corporation	40.64%
	BCPE Pangea Cayman, L.P.	25.92%
	BCPE Pangea Cayman2, Ltd.	14.96%
	BCPE Pangea Cayman 1A, L.P.	9.37%
	BCPE Pangea Cayman 1B, L.P.	5.99%
	Hoya Corporation	3.13%

Note (1). The above information comes from the website of Kioxia Holdings Corporation (As of March 31, 2022).

3. Disclosure of professional qualifications of directors and their independence:

Qualifications / Name	Professional Qualification and Work Experience	Independence Analysis	Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director
Chairman Jeffrey Lin	Mr. Jeffrey Lin has been the Chairman of the Company for over 18 years since November 2003. He graduated with a bachelor degree in Department of Electrical Engineering, National Tsing Hua University. He has the ability in the areas of commerce, technology, finance and operation judgment, and has industry experience required. He has rich experience in IC design field and ever served as manager of Macronix International Co., Ltd. (Note 1)	Shareholding of 2,549,277 shares, accounting for 3.41%; served as a Director.	None

Qualifications / Name	Professional Qualification and Work Experience	Independence Analysis	Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director
Director, KIOXIA Corporation Representative: Hatanaka Kojiro	Mr. Hatanaka Kojiro serves as Director and Senior Manager of Memory Division NAND System Engineering Dept. Senior Manager. He holds a degree in Department of Electrical Engineering and Computer Science, School of Engineering, Kyushu University. He has the ability in the areas of commerce, technology, finance and operation judgment, and has industry experience required. (Note 1)	Shareholding of 5,065,847 shares, accounting for 6.78%; serves as Director.	None
Director, Kingston Technology Corporation Representative: Albert Yang	Mr. Yang, Hsu-Pei serves as Director of Kingston Flash Engineering Division, and holds a degree in Department of Electronic Engineering, Feng Chia University. He has the ability in the areas of commerce, technology, finance and operation judgment, and has industry experience required. (Note 1)	Shareholding of 5,231,190 shares, accounting for 7.00%; serves as Director.	None
Director, Tim Hu	Mr. Tim Hu has been the President of the Company for over 15 years since July 2006. He also served as Division Chief of Macronix International Co., Ltd., R&D Chief of Atronics International, Inc. He holds a Master's degree (EECS) from the University of Missouri, Columbia. He has the ability in the areas of commerce, technology, finance and operation judgment, and has industry experience required. (Note 1)	Serves as President of the Company, with shareholding of 518,009 shares, accounting for 0.69%; serves as Director.	None
Independent Director Cheermore Huang	Mr. Cheermore Huang has been a Director of INT TECH (HK) Co., Ltd. Since 2019 and has served as the Chairman and President of ILI Technology Corp. He holds a master's degree from the Institute of Electrical Engineering, National Tsing Hua University. He has the ability in the areas of commerce, technology, finance and operation judgment, and has industry experience required. (Note 1)	Serve as an independent director, conforming to the conditions of independence, including but not limited to the fact that he, his spouse or his relatives within the second degree are not directors, supervisors or employees of the Company or its affiliated enterprises; Shareholding of 432,367 shares, accounting for 0.58%; Not being a director, supervisor or employee of a company having a specified relationship with the Company; No pay received by for any services such as business, legal, financial, or accounting services provided to the Company or any affiliate thereof within the past 2 years.	1

Qualifications / Name	Professional Qualification and Work Experience	Independence Analysis	Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director
Independent Director Ken Lin	Mr. Ken Lin has been the President of T.N.C. Industrial Co., Ltd. since 2018, the Director of OPALS Chemical Technology Ltd. before, and also serves as the President of Foshan T.N.C.Resin Co., Ltd. He holds a master's degree from the Institute of College of Management, Fu Jen Catholic University, as well as Taiwan and USA CPA licenses. He has the ability in the areas of commerce, technology, finance and operation judgment, and has industry experience required. (Note 1)	Serve as an independent director, conforming to the conditions of independence, including but not limited to the fact that he, his spouse or his relatives within the second degree are not directors, supervisors or employees of the Company or its affiliated enterprises; Shareholding of 82,808 shares, accounting for 0.11%; Not being a director, supervisor or employee of a company having a specified relationship with the Company; No pay received by for any services such as business, legal, financial, or accounting services provided to the Company or any affiliate thereof within the past 2 years.	None
Independent Director James Hou	Mr. James Hou has been the Chairman of 94BOT Co., Ltd. And Bo Ku Network Co., Ltd since 2017, 1984 Co., Ltd. Chairman, Metaedge Corporation Consultant，and serves as the Assistant Vice President for Innovative Applications of IBM Taiwan, and Vice President, Provision Information Co., Ltd. He holds a master's degree from both the Information Science of Ohio State University and Department of Computer Science of National Tsing Hua University He has the ability in the areas of commerce, technology, finance and operation judgment, and has industry experience required. (Note 1)	Serve as an independent director, conforming to the conditions of independence, including but not limited to the fact that he, his spouse or his relatives within the second degree are not directors, supervisors or employees of the Company or its affiliated enterprises; Does not hold shares of the Company; Not being a director, supervisor or employee of a company having a specified relationship with the Company; No pay received by for any services such as business, legal, financial, or accounting services provided to the Company or any affiliate thereof within the past 2 years.	None

Note 1. Not under any of the circumstances stated in Article 30 of the Company Act.

4. Diversity and independence of the Board of Directors:

(I) Diversity of the Board of Directors: Describe the Company's board diversity policy, objectives, and the status of implementation thereof. The diversity policy refers to matters including diversity in the composition or ratios of the board and its members in terms of the standards for election of directors, the required professional qualifications of directors, and their experience, gender, age, nationality, and culture. Furthermore, describe the Company's specific objectives with regard to the above-mentioned policy, and the status of their achievement.

1. Diversity Policy of Board Members

   The Company has established the Procedures for the Election of Directors, Article 2 of which stipulates that the directors of the Company shall generally have the knowledge, skills, and experience necessary to perform their duties. To achieve the ideal goal of corporate governance, the Board of Directors shall possess the following abilities:

   I. Ability to make operational judgments.

   II. Ability to perform accounting and financial analysis.

   III. Ability to conduct management administration.

   IV. Ability to conduct crisis management.

   V. Knowledge of the industry.

   VI. An international market perspective.

   VII. Ability to lead.

   VIII. Ability to make policy decisions.

2. Implementation of Diversity Policy of Board Members

   Seniority of Independent Director:

Name	Title	3 years below	3 to 9 years	9 years above
Cheermore Huang	Independent Director		○	
Ken Lin	Independent Director		○	
James Hou	Independent Director		○	

Name \ Diversity Item	Gender	Ability to Make Operational Judgments	Accounting and Financial Analysis Ability	Management Administration Ability	Crisis Management Ability	Knowledge of the Industry	International Market Perspective	Ability to Lead	Ability to Make Policy Decisions
Jeffrey Lin	Male	√	○	√	√	√	√	√	√
KIOXIA Corporation Representative: Hatanaka Kojiro	Male	√	○	√	√	√	√	√	√
Tim Hu	Male	√	○	√	√	√	√	√	√
Kingston Technology Corporation Representative: Albert Yang	Male	√	○	√	√	√	√	√	√
Cheermore Huang	Male	√	○	√	√	√	√	√	√
Ken Lin	Male	√	√	√	√	√	√	√	√
James Hou	Male	√	○	√	√	√	√	√	√

Note: ○ means to having partial ability.

(II) Independence of the Board of Directors:

There are currently 7 directors in the Company, including 3 independent directors and 2 directors who are also employees of the Company (accounting for 42.86% and 28.57% of all directors, respectively). There is no female director in the Company at present. As of the end of 2022, all the directors are aged from 51 to 60, among which, all independent directors were in compliance with the regulations of the Securities and Futures Bureau of Financial Supervisory Commission on independent directors. . Please refer to the section "Information on Directors" in this Annual Report for the information on education background, gender, professional qualification, work experience and diversity of each director.

(II) President, Vice Presidents, Assistant Vice Presidents, and Heads of Divisions and Branch Units

Unit: shares; % March 17, 2023

Title	Nationality	Name	Gender	Date Elected	Shareholding		Shares Held by Spouse and Minor Children Shareholding		Shareholding by Nominees		Experience (Education)	Other Position Concurrently Held at the Company and Other Companies	Managerial Officer who Are Spouses or within the Second Degree of Kinship			Remark
					Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship	
President	R.O.C./USA	Tim Hu	Male	2006.07.07	518,009	0.69	114,852	0.15	0	0	Division Chief, Macronix International Co., Ltd. R&D Chief, Atronics International, Inc. Master (EECS), University of Missouri, Columbia	None	None	None	None	None
Vice President of R&D	R.O.C.	Cheng Liou	Male	2001.09.03	73,822	0.10	208	0.00	0	0	Manager, Memory Application Department, Macronix International Co., Ltd. Associate Engineer, Industrial Technology Research Institute Master, Institute of Electrical Engineering, National Tsing	None	None	None	None	None

Title	Nationality	Name	Gender	Date Elected	Shareholding		Shares Held by Spouse and Minor Children Shareholding		Shareholding by Nominees		Experience (Education)	Other Position Concurrently Held at the Company and Other Companies	Managerial Officer who Are Spouses or within the Second Degree of Kinship			Remark
					Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship	
											Hua University					
Senior Vice President	R.O.C.	Flink Chiu	Male	2017.4.19	205,826	0.28	508	0	0	0	Vice President, PANJIT International Inc. Department of Public Finance, Feng Chia University	Independent Director, International Carbide Technology Co., Ltd.	None	None	None	None
Assistant Vice President	R.O.C.	Richard Lin (Note)	Male	2019.12.19	603	0	845	0	0	0	Assistant Vice President, RITEK Corporation Master, School of Electrical and Electronic Engineering, The University of Manchester	None	None	None	None	None
Finance and Accounting Supervisor	R.O.C.	Joepye Tseng	Female	2017.11.2	51,574	0.07	0	0	0	0	Deputy Manager, Finance Department, Solid State System Co., Ltd. Accounting Department, China University of Technology	None	None	None	None	None

Note: Richard Lin has been dismissed on 2023.1.11

III. Remuneration Paid During the Most Recent Fiscal Year to Directors (Including Independent Directors), the President and Vice Presidents

(I) Remuneration Paid to Directors and Independent Directors

December 31, 2022; Unit: NT$ thousand/thousand shares

Title	Name	Remuneration Paid to Directors								Sum of A+B+C+D and Ratio to Net Income		Relevant Remuneration Received by Directors who Are Also Employees								Sum of A+B+C+D+E+F+G and Ratio to Net Income		Remuneration from Invested Companies Other than Subsidiaries or the Parent Company
		Base Compensation(A)		Retirement Allowance (B) (Note 1)		Director Remuneration(C) (Note 2)		Allowances(D)				Salary, Bonus, and Allowance (E)		Retirement Allowance(F) (Note 1)		Employee Compensation (Note 2)						
		The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company		All Companies in Consolidated Financial Statements		The Company	All Companies in Consolidated Financial Statements	
																Cash	Stock	Cash	Stock			
Chairman	Jeffrey Lin	0	0	0	0	0	0	18	18	0	0	2,579	2,579	0	0	0	0	0	0	0	0	0
Director	Tim Hu	0	0	0	0	0	0	18	18	0	0	2,258	2,258	108	108	0	0	0	0	0	0	0
Director	KIOXIA Corporation Representative: Hatanaka Kojiro	0	0	0	0	0	0	15	15	0	0	0	0	0	0	0	0	0	0	0	0	0
Director	Kingston Technology Corporation Representative: Albert Yang	0	0	0	0	0	0	18	18	0	0	0	0	0	0	0	0	0	0	0	0	0
Independent Director	Ken Lin	360	360	0	0	0	0	21	21	0	0	0	0	0	0	0	0	0	0	0	0	0
Independent Director	Cheermore Huang	360	360	0	0	0	0	21	21	0	0	0	0	0	0	0	0	0	0	0	0	0
Independent Director	James Hou	360	360	0	0	0	0	21	21	0	0	0	0	0	0	0	0	0	0	0	0	0

Note 1. It is the pension contributions made according to law.

Note 2. The Company did not distribute earnings for 2022.

Note 3. The policies, systems, standards, and structure for the remuneration of the independent directors, and state the correlation to the remuneration according to the responsibilities, risks time commitment and other factors: The fixed remuneration of independent directors shall be the remuneration prescribed in accordance with the Articles of Incorporation of the Company, shall be proposed by the remuneration committee in consideration of the industry level and submitted to the Board of Directors for conclusion, and shall not include the director's remuneration appropriated from annual profit.

Note 4. Unless disclosed in the above table, remuneration received in the most recent fiscal year by the Directors for providing services (e.g. serving as a non-employee consultant) to the companies in the consolidated financial statements: None.

* The content of remuneration disclosed in this table is derived based on a concept different from the concept of income stipulated in the Income Tax Act. Therefore, this table is for information disclosure purposes, instead of taxation.

(II) Remuneration to the President and Vice Presidents

December 31, 2022; Unit: NT$ thousand/thousand shares

Title	Name	Salary(A)		Retirement Allowance(B)(Note 1)		Bonus and and Allowances(C)		Employee Compensation(D)(Note 2)				Sum of A+B+C+D and Ratio to Net Income (%)		Remuneration from Invested Companies Other than Subsidiaries or the Parent Company
		The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company		All Companies in Consolidated Financial Statements		The Company	All Companies in Consolidated Financial Statements	
								Cash	Stock	Cash	Stock			
President	Tim Hu	6,209	6,209	324	324	1,308	1,308	0	0	0	0	0	0	0
Vice President of R&D	Cheng Liou													
Senior Vice President	Flink Chiu													

＊ The content of remuneration disclosed in this table is derived based on a concept different from the concept of income stipulated in the Income Tax Act. Therefore, this table is for information disclosure purposes, instead of taxation.

Range of Remuneration

Range of Remuneration Paid to the President and Vice Presidents	Name of President and Vice President	
	The Company	All Companies in Consolidated Financial Statements
Less than NT$1,000,000		
NT$ 1,000,000 (inclusive) ~ NT$ 2,000,000 (exclusive)		
NT$2,000,000 (inclusive) ~ NT$3,500,000 (exclusive)	Flink Chiu; Tim Hu; Cheng Liou	Flink Chiu; Tim Hu; Cheng Liou
NT$3,500,000 (inclusive) ~ NT$5,000,000 (exclusive)		
NT$5,000,000 (inclusive) ~ NT$10,000,000 (exclusive)		
NT$10,000,000 (inclusive) ~ NT$15,000,000 (exclusive)		
NT$15,000,000 (inclusive) ~ NT$30,000,000 (exclusive)		
NT$ 30,000,000 (inclusive) ~ NT$ 50,000,000 (exclusive)		
NT$50,000,000 (inclusive) ~ NT$100,000,000 (exclusive)		
More than NT$100,000,000		
Total	3 persons	3 persons

(III) Remuneration of the Company's Top Five Executives

December 31, 2022; Unit: NT$ thousand/thousand shares

Title	Name	Salary(A)		Retirement Allowance(B)(Note 1)		Bonuses and Allowances(C)		Employee Compensation(D)(Note 2)				Sum of A+B+C+D and Ratio to Net Income (%)		Remuneration from Invested Companies Other than Subsidiaries or the Parent Company
		The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company		All Companies in Consolidated Financial Statements		The Company	All Companies in Consolidated Financial Statements	
								Cash	Stock	Cash	Stock			
Chief Technology Officer	Jeffrey Lin	2,378	2,378	0	0	201	201	0	0	0	0	0	0	0
President	Tim Hu	2,258	2,258	108	108	0	0	0	0	0	0	0	0	0
Vice President of R&D	Cheng Liou	1,820	1,820	108	108	1,308	1,308	0	0	0	0	0	0	0
Senior Vice President	Flink Chiu	2,131	2,131	108	108	0	0	0	0	0	0	0	0	0
Assistant Vice President	Richard Lin	1,595	1,595	99	99	0	0	0	0	0	0	0	0	0

(IV) Names of Managerial Officers who Received Employees' Remuneration and Distribution Results:

1. According to Article 21 of 3S's articles of association, if 3S still has accumulated losses, it should reserve the compensation amount in advance before appropriating the employee's remuneration and director's remuneration for the current year's profits, and then allocate the balance No less than 10% is employee remuneration and no more than 2% is director remuneration.

2. 3S's 2022 is a loss for the current period, and will not distribute employee remuneration and director remuneration.

(V) Separately Compare and Describe Total Remuneration, as A Percentage of Net Income Stated in the Parent Company Only Financial Statements, as Paid by the Company and by Each Other Company Included in the Consolidated Financial Statements During the Past 2 Fiscal Years to Directors, Supervisors, President, and Vice Presidents, and Analyze and Describe Remuneration Policies, Standards, and Packages, the Procedure for Determining Remuneration, and Its Linkage to Operating Performance and Future Risk Exposure:

1. The Company and all companies included in the consolidated report paid the remuneration to Directors, President and Vice Presidents in accordance with Article 17 and Article 21 of the Articles of Incorporation during the past 2 years, respectively as follows:

Unit: NT$ thousand

Item	2021			2022		
	Total remuneration	Net profit after tax	Ratio	Total remuneration	Net profit after tax	Ratio
Director President Vice President	7,410	1,158	N/A	13,129	(156,559)	N/A

2. Remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure

(1) Director remuneration allocation policy

As for director's remuneration, in accordance with Article 21-1 of the Articles of Incorporation, if the Company has accumulated losses from previous year and gained profit in current year, prior to the appropriation of remuneration for employees and directors, a certain amount shall be reserved for loss recovery in advance, and not less than 10% of the remaining earnings shall be appropriated for employees and not more than 2% for directors. The remuneration to independent directors of the Company shall be paid in the form of monthly fixed remuneration, and the distribution as provided in the first paragraph is not applicable.

(2) Manager remuneration allocation policy

The Company regularly checks and compares salaries with those of the same industry or talent competitors every year for the purpose of attracting, motivating and retaining talents. The Company's remuneration includes two parts: fixed and variable. The Company has set the performance target incentive reward for managers to fully reflect the performance of individuals and teams.

The Company's remuneration procedures for directors and managers are based on its performance evaluation methods for the Board of Directors and employee performance appraisal, and paid on a reasonable basis by taking into account the individual's contribution to the Company's performance while referring to the Company's operating performance, future risks, development strategies and industry trends. The performance evaluation and remuneration distribution shall be reviewed and approved by the Remuneration Committee and the Board of Directors in accordance with regulations. The Company will review the remuneration distribution policy in due course in light of the overall environment and its business strategies, so as to achieve a balance between the Company's sustainable operation and the interests of stakeholders.

(3) The Company's remuneration policy is based on the individual's ability, contribution to the Company, and performance, which is positively correlated with business performance. The Company has appropriate control over future risks, and there is also a correlation between remuneration policy and future risk. The overall remuneration package mainly includes base salary, bonuses, employee dividends, and benefits. As for the standards of remuneration, base salary is based on the competitive market situation of the position held by the employee and company policy, while bonuses and employee dividends are based on the achievement of staff, segment objectives or company performance, and benefits are subject to compliance with laws and regulations, taking into account the needs of employees, and shall be designed to be shared among employees.

IV. Implementation of Corporate Governance

(1) Operations of the Board of Directors

(2) A total of 5 meetings (A) of the Board of Directors have been held in the most recent fiscal year (2022), with the directors' attendance shown as follows:

Title	Name	Attendance in Person(B)	Attendance by Proxy	Rate of Attendance in Person(%)【B/A】	Remark
Chairman	Jeffrey Lin	5	0	100	None
Director	Tim Hu	5	0	100	None
Director	KIOXIA Corporation Representative: Hatanaka Kojiro	5	0	100	None
Director	Kingston Technology Corporation Representative: Albert Yang	5	0	100	None
Independent Director	Ken Lin	5	0	100	None
Independent Director	Cheermore Huang	5	0	100	None
Independent Director	James Hou	5	0	100	None

Other information required to be disclosed:

I. If any of the following circumstances exists, specify the board meeting date, meeting session number, content of the motion(s), the opinions of all the independent directors, and the measures taken by the Company based on the opinions of the independent directors:
   (I) Any matter under Article 14-3 of the Securities and Exchange Act: Please refer to major board resolutions on Page 62 of the Annual Report.
   (II) In addition to the matters referred to above, any dissenting or qualified opinion of an independent directory that is on record or stated in writing with respect to any board resolution: None.

II. The status of implementation of recusals of directors with respect to any motions with which they may have a conflict of interest: specify the director's name, the content of the motion, the cause for recusal, and whether and how the director voted.

Board Date	Execution of directors' recusal of interest related proposals
2022.03.03	The company's manager's 2021 year incentive reward case and the company's manager's 2022 year performance target setting case, Director Hu Dingzhong did not participate in the discussion and resolution of this case due to his avoidance of interests。

III. A company listed on the Taiwan Stock Exchange (TWSE) or the Taipei Exchange (TPEx) shall disclose the cycles, periods, scope, method, contents and other matters of the self-evaluation by the board members of themselves (or peers), and state the implementation status of the board members' evaluation in 2022 as the following table (1):

IV. Evaluation of targets (such as establishing an Audit Committee and enhancing information transparency) for strengthening of the functions of the Board of Directors during the current and immediately preceding fiscal years, and measures taken toward achievement thereof:

Targets for Strengthening of the Functions of the Board of Directors	The Evaluation of Implementation Status
Continue to enhance information transparency	The Company sets a designated unit to be responsible for the disclosure of company information and the update of information on the company website.
Actively establish communication with stakeholders	The Company has a spokesperson and an acting spokesperson, through which stakeholders can use as a communication channel. Shareholders' proposals are accepted at the annual shareholders' meeting according to the schedule. Any shareholder with the right to make a proposal may submit an application to the Company during the acceptance period, and the Company will convene a Board of Directors for review in accordance with relevant regulations.
Enhance the efficiency and decision-making ability of the Board of Directors	The Company has formulated its Rules of Procedure for Board of Directors Meetings to strengthen the implementation of the functions of the Board of Directors and promote the benign development of the Board's participation in decision-making.
Enhance professional knowledge	Each year, the Company's directors shall attend training courses for as long as required by the competent authority. The Company encourages board members to participate in various professional courses, and promotes relevant laws and regulations on the board meetings to comply with the laws and regulations.

table (1)：Implementation of evaluations of the Board of Directors in 2022:

Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Content
Once a year	2022/01/01~ 2022/12/31	Board of Directors	Internal evaluation of the board	1. Participation in the operation of the Company 2. Improvement of the quality of the Board of Directors' decision making 3. Composition and structure of the Board of Directors 4. The director's continuing education 5. Internal control
Once a year	2022/01/01~ 2022/12/31	Individual directors	Self-evaluation by the board members of themselves	1. Alignment of the goals and mission of the Company 2. Awareness of the duties of a director 3. Participation in the operation of the Company 4. Management and communication of internal relationship 5. The director's professionalism and continuing education

				6. Internal control
Once a year	2022/01/01~ 2022/12/31	Functional Committees	Self-evaluation by functional committees	1. Participation in the operation of the Company 2. Awareness of the duties of the functional committee 3. Improvement of quality of decisions made by the functional committee 4. Makeup of the functional committee and election of its members 5. Internal control

(II) Annual priorities and operations of the Audit Committee

The Company's general shareholders' meeting has elected three independent directors to compose an audit committee, which shall meet at least once a quarter. The Audit Committee is responsible for the implementation of the appropriate presentation of the Company's financial statements, the election of CPAs and their independence and performance, the effective implementation of the Company's internal control, the Company's compliance with relevant laws and regulations, and control of existing or potential risks of the Company, etc.

Its main functions and powers are as follows:

1. Adoption or amendment of an internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
2. Assessment of the effectiveness of the internal control system.
3. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others.
4. Matters bearing on the personal interest of a director.
5. Material asset or derivatives transactions.
6. Material monetary loans, endorsement, or provision of guarantee.
7. The offering, issuance, or private placement of any equity-type securities.
8. The hiring or dismissal of attesting CPAs, or the compensation given thereto.

9. The appointment or discharge of a financial, accounting, or internal auditing officer.
10. Annual financial reports and second quarter financial reports that must be audited and attested by a CPA, which are signed or sealed by the chairman, managerial officer, and accounting officer.
11. Any other material matter so required by the Company or the Competent Authority.

A total of 5 meetings (A) have been held by the Audit Committee in the most recent fiscal year (2022), with the attendance of independent directors shown as follows:

Title	Name	Attendance in Person(B)	Attendance by Proxy	Rate of Attendance in Person(%)【B/A】	Remark
Independent Director	Cheermore Huang	5	0	100	None
Independent Director	Ken Lin	5	0	100	None
Independent Director	James Hou	5	0	100	None

Other information required to be disclosed:

I. If any of the following circumstances exists, specify the audit committee meeting date, meeting session number, content of the motion(s), the content of any dissenting or qualified opinion or significant recommendation of the independent directors, the outcomes of audit committee resolutions, and the measures taken by the Company based on the opinions of the audit committee:
   (I) Any matter under Article 14-5 of Securities and Exchange Act: Refer to Schedule I.
   (II) In addition to the matters referred to above, any matter that was not approved by the audit committee but was approved by a two-thirds or greater majority resolution of the Board of Directors: None.

II. Implementation of recusals of independent directors with respect to any motions with which they may have a conflict of interest: specify the independent director's name, the content of the motion, the cause for recusal, and whether and how the independent director voted: None.

III. Communication between the independent directors and the chief internal audit officer and the CPAs that serve as external auditor (including any significant matters communicated about with respect to the state of the Company's finances and business and the methods and outcomes of the communication.
   1. Direct communication channels are in place among internal audit supervisors, and the communication works well. The audit supervisor delivers the audit report to the independent directors on a monthly basis, and the independent directors may communicate with the audit supervisor at any time if they think it necessary.
   2. The Company convenes the audit committee quarterly, during which the audit director reports to the audit committee members on the implementation of review and interacts with the independent directors. CPAs also attend the audit committee meeting to communicate and interact with other attendants independently on the review of financial statements or on financial, tax or internal control related issues.
   3. The important contents of the communication and interaction among the independent directors, CPAS, and internal audit supervisor on the Audit Committee meeting shall be recorded in the Proceedings of the Audit Committee.

Schedule I

Audit Committee	Content of Motion and Follow-up	Matters referred to in Article 14-5 of the Securities and Exchange Act	Resolutions Passed by More Than Two-thirds of All Directors but Without Approval of the Audit Committee
The 9th Meeting of the 2nd Session (2023.02.21)	1. 2022 Business Reports and Financial Statements	✓	None
	2. 2022 Deficit Compensation Statement	✓	
	3. Proposal for the preparation of Statement of Internal Control System for 2022	✓	
	4. To approve the formulation of "General Principles of Pre-Approved Non-Assurance Service Policy"	✓	
	5. Proposal for CPA's compensation and evaluation of independence and competency of CPAs	✓	
	6. To approve the revisions to the original fundraising plan through the private placement of 3S common shares	✓	
	7. To approve the capital reduction plan to offset the deficit	✓	
	8. To approve the matter on the capital increase through the private placement of 3S common shares	✓	
	Resolution Results of the Audit Committee: Adopted by all members of the Audit Committee		
	The Company's Response to the Resolution Results of the Audit Committee: Approved by all the Directors present		
The 8th Meeting of the 2nd Session (2022.12.22)	1. Proposal for the 2023 Annual Audit Plan	✓	None
	2. Business Plan and Budget for 2023	✓	
	Resolution Results of the Audit Committee: Adopted by all members of the Audit Committee		
	The Company's Response to the Resolution Results of the Audit Committee: Approved by all the Directors present		
The 7th Meeting of the 2nd Session (2022.11.03)	1.Financial statements for the third quarter of 2022	✓	None
	2. Proposal for applying for renewal of bank forward exchange limit	✓	
	3. Subsidiary Vichip Dissolution and liquidation	✓	
	4. Amendment the "Accounting System"	✓	
	5. Amendments to the "internal control system-management cycle" plan	✓	
	Resolution Results of the Audit Committee: Adopted by all members of the Audit Committee		
	The Company's Response to the Resolution Results of the Audit Committee: Approved by all the Directors present		
The 6th	1. Amendments to the "Internal Audit	✓	None

Meeting of the 2nd Session (2022.08.04)	Implementation Rules"		
	2. Financial statements for the second quarter of 2022	✓	
	3. Amendments Business Plan and Budget for 2022	✓	
	Resolution Results of the Audit Committee: Adopted by all members of the Audit Committee		
	The Company's Response to the Resolution Results of the Audit Committee: Approved by all the Directors present		
The 5th Meeting of the 2nd Session (2022.05.05)	1.Financial statements for the first quarter of 2022	✓	None
	Resolution Results of the Audit Committee: Adopted by all members of the Audit Committee		
	The Company's Response to the Resolution Results of the Audit Committee: Approved by all the Directors present		
The 4th Meeting of the 2nd Session (2022.03.03)	1.2021 Business Reports and Financial Statements	✓	None
	2.Proposal for the 2021 Loss Recovery Plan	✓	
	3.Proposal for CPA's compensation and evaluation of independence and competency of CPAs	✓	
	4.Proposal for the preparation of Statement of Internal Control System for 2021	✓	
	5.Proposal for the amendments to the Company's Procedures for Acquisition and Disposal of Assets	✓	
	6.Proposal for the changes in the original plan for capital increase in cash by private equity	✓	
	7.Proposal for the issuance of common stock for capital increase in cash by private equity	✓	
	Resolution Results of the Audit Committee: Adopted by all members of the Audit Committee		
	The Company's Response to the Resolution Results of the Audit Committee: Approved by all the Directors present		

(III) Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the Reasons

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Description	
I. Has the Company established and disclosed its Corporate Governance Best-Practice Principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed	V		The Company has established its Corporate Governance Best Practice Principles in accordance with law, and disclosed it on the Market Observation Post System (MOPS) and implemented accordingly?	No material deviation

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Description	
Companies?				
II. Shareholding structure and shareholders' rights (I) Does the Company have Internal Operation Procedures for handling shareholders' suggestions, concerns, disputes and litigation matters. If yes, have these procedures been implemented accordingly?	V		(I) The Company has set up a spokesman system, and authorized the spokesman to handle matters as described on the left.	No material deviation
(II) Does the Company possess a list of its major shareholders with controlling power as well as the ultimate owners of those major shareholders?	V		(II) The Company entrusts a professional stock transfer agency to handle the matter, and regularly declares and discloses the list of major shareholders and the ultimate controllers of major shareholders in accordance with the law, and maintains a good relationship with major shareholders to keep control at all times.	No material deviation
(III) Has the Company built and implemented a risk management system and a firewall between the Company and its affiliates?	V		(III) For the internal control systems, the Company has formulated the management rules for related party transaction, as well as Transaction Procedures for Specific Companies, Group Enterprises and Related Persons and Subsidiary Management Measures, which explicitly provide standards for the operation, finance and business transactions of related companies to establish a risk control mechanism.	No material deviation
(IV) Has the Company established internal rules prohibiting insider trading of securities based on undisclosed information?	V		(IV) The Company has formulated its Ethical Corporate Management Best Practice Principles and Ethical Code of Conduct and implemented accordingly.	No material deviation
III. Composition and responsibilities of the Board of Directors (I) Have a diversity policy and specific management objectives been adopted for the board and have they been fully implemented?	V		(I) The Company has established the diversity policy of board members and implemented accordingly, and formulated the performance evaluation method of the Board of Directors and annual implementation goals. The Board of	Except for the voluntary establishment of other functional committees, others are in compliance

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Description	
			Directors of the Company consists of seven male directors in total. Apart from having three independent directors, the Company invites professionals with different backgrounds to serve as directors and independent directors, with a view to diversifying the membership of the Board of Directors. In addition, the directors of the Company have the necessary knowledge, skills and accomplishments to perform business, and have different expertise in their respective fields, which is conducive to the development and operation of the Company. Please refer to P13-P15.	
(II) Has the Company voluntarily established other functional committees in addition to the remuneration committee and the Audit Committee?		V	(II) The Company has not set up a remuneration committee or other functional committees other than the Audit Committee?	
(III) Has the Company established rules and methodology for evaluating the performance of its Board of Directors, implemented the performance evaluations on an annual basis, and submitted the results of performance evaluations to the Board of Directors and used them as reference in determining salary/compensation for individual directors and their nomination and additional office terms?	V		(III) The Board of Directors of the Company has formulated the Board performance Evaluation Method. And the Company has conducted and evaluated the performance of the Board of Directors in 2022, and submitted it to the Board of Directors (2023.02.23) for adoption and as a reference for directors' remuneration and nomination for reappointment.	
(IV) Does the Company regularly evaluate the independence of the CPAs?	V		(IV)3S held the 9th meeting of the second session of the Audit Committee on 2023.2.21. The audit quality indicators (AQIs) submitted by certified accountants have been adopted for the review of the independence, suitability, appointment and annual remuneration proposal of certified accountants. , as	

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Description	
			the basis for appointing a visa accountant. It has been confirmed that the accountant has no other financial interests or business relationship with the company except the fees for visa and financial and tax cases, and the accountant's family members do not violate the independence requirements. Since 2023,3S has required certified accountants to provide a "Detached Independence Statement" every year. At the same time, the company's financial department has assessed that the company's certified accountants meet the company's independence assessment standards (please refer to Table 1 for instructions), and are qualified to serve as the company's certified accountants . When the board of directors of the company discusses the independence and appointment of certified accountants, it also submits the personal resume of the accountants and the statement of independence of each accountant for the discussion of the board of directors to evaluate their independence. The latest assessment was passed by the Audit Committee on 2023.2.21 and submitted to the Board of Directors on 2023.2.23.	
IV. Does the Company have in place an adequate number of qualified corporate governance officers and has it appointed a chief corporate governance officer with responsibility corporate governance practices (including but not limited to providing information necessary for directors and supervisors to perform their duties, aiding directors and supervisors in	V		The Company has set up a corporate governance working group, with the President as the convenor and 1 to 3 members from the management office, legal affairs, secretariat, and audit office. The main responsibilities of the working group are as follows: (I) Develop and plan an appropriate company system and organizational structure to promote the independence of the Board of	No material deviation

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Description	
complying with laws and regulations, organizing board meetings and annual general meetings of shareholders as required by law, and compiling minutes of board meetings and annual general meetings)?			Directors, the Company's transparency and compliance with laws and regulations, and the implementation of internal audit and internal control. (II) The working group shall consult the directors prior to the board meeting to plan and draw up the agenda, and shall notify all directors to attend at least 7 days prior to the meeting and provide sufficient materials for the directors to understand the contents of the relevant topics; If the topic content is related to a stakeholder and should be recused by the stakeholder as appropriate, the counterpart party will be reminded in advance. (III) Register the date of shareholders' meeting every year in accordance with the law; prepare the Notice of Meeting, the Meeting Handbook, and the minutes to the Shareholders' Meeting within the statutory period, and handle the registration of change after the amendment of Articles of Incorporation or the reelection of directors.	
V. Has the Company established channels for communicating with its stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) and created a stakeholders section on its company website? Does the Company appropriately respond to stakeholders' questions and concerns on important corporate social responsibility issues?	V		The Company has set up a spokesman system, a website and other channels to provide the information about the Company's operations and finance, and also set up an E-mail address to properly handle the opinions of interested parties by a designated personnel.	No material deviation
VI. Has the Company appointed a professional shareholder services agent to handle matters related to its shareholder meetings?	V		The Company appoints Master Link Securities Corp. as the agent for its stock affairs.	No material deviation
VII. Information disclosure (I) Has the Company established a	V		(I) The Company has set up a website	No material

Evaluation Item	Implementation Status: Yes	No	Description	Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
corporate website to disclose information regarding its financials, business, and corporate governance status? (II) Does the Company use other information disclosure channels (e.g., maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)? (III) Does the Company publish and report its annual financial statements within two months after the end of the fiscal year, and publish and report its financial reports for the first, second, and third quarters as well as its operating statements for each month before the specified deadlines?	 V	 V	that is maintained and updated by dedicated personnel, and disclose information regarding its financials, business, and corporate governance status on the MOPS. (II) The Company has designated the management office to be responsible for the collection and disclosure of company information in accordance with laws and regulations, and set up a spokesman and acting spokesman. The company website is available in Chinese and English, with links to investor conferences available for reference. (III) The Company published and reported its annual financial report within the time limit specified, and did not do so before two months after the end of the fiscal year.And the financial reports of the first, second and third quarters and the revenue of each month are earlier than the specified deadline.	deviation
VIII. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' continuing education, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing liability insurance for directors and supervisors)?	V		(I) Employee rights and interests: The Company has always treated employees in good faith and protected the legitimate rights and interests of employees in accordance with the Labor Standards Act. (II) Employee care: The Company has established a good relationship of mutual trust with its employees through a welfare system that enriches and stabilizes the lives of employees and a good education and training system. Such as: Establish an employee benefit committee to regularly organize domestic and international travel, year-end party and various club activities, with a view to winning honor, professionalism and mutual trust in these activities; Encourage	No material deviation

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Description	
			employees to participate in internal and external training to enhance relevant knowledge; Pay attention to the health of employees by taking out group insurance and arranging regular staff health check-ups; Organize regular staff discussions and attach importance to labor-management relations; Develop employee retirement measures to stabilize employees' retirement life. (III) Investor relations: Set up an investor inquiry website and a dedicated contact hotline to handle shareholder inquiries and suggestions. (IV) Supplier relations: The Company has always maintained a good cooperative relationship with suppliers. (V) Rights of stakeholders: The Company has set a spokesman to communicate with investors and stakeholders, and has made public information in accordance with the law and formulated relevant measures to promote corporate governance, so as to protect the basic rights and interests of investors and fulfill the Company's responsibilities to shareholders. (VI) Continuing education of Directors: Please refer to table 2 below for the information of continuing education of Directors in 2022. The directors of the Company have a certain professional background and practical experience in their personal areas of expertise. The Company arranges relevant courses for directors in line with the trends of the laws and regulations of Taiwan. (VII) Implementation of risk management policies and risk measurement standards: The Company's risk	No material deviation

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Description</th></tr>
<tr><td></td><td></td><td></td><td>assessment mainly focused on the Company itself. The Risk Management Measures was adopted by the Board of Directors in 2020 as the highest guiding principle of the Company's risk management. Each management unit regularly assesses and reviews risk matters and reports to the President, who shall then summarize major risk matters and report to the Board of Directors on a regularly basis. The Company conducts prevention and control of possible risks in the process of operation and management, and formulates relevant early warning measures. In addition, the Company conducts risk assessments related to the Company's operations based on the principle of materiality, as a reference for the Company's risk management and operation strategies to effectively identify, measure and control the risks of the Company and to control the risks arising from the operating activities within an acceptable range.
(VIII) Implementation of customer policies:
The Company maintains a good and stable relationship with each customer to create a stable and continuous environment for the Company's profit and sustainable operation.
(IX) Liability insurance for Directors and Supervisors: The Company has taken out liability insurance for Directors and Supervisor in the amount of US$10,000,000 in 2022 for an insurance period from January 1, 2022 to January 1, 2023.</td><td></td></tr>
<tr><td colspan="5">IX. Please describe improvements that have already been made based on the Corporate Governance Evaluation results released for the most recent fiscal year by the Corporate Governance Center, Taiwan Stock Exchange, and specify the priority enhancement objectives and measures planned for any matters still awaiting improvement.</td></tr>
</table>

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Description	
The Company conducts self-assessment for the corporate governance evaluation items every year, and makes improvements year by year based on the indicator evaluation items. No significant deficiencies were found.				

Table (1) Accountant Independence Assessment Report

Evaluation Items	Independence	
	Y	N
1. Situations that have direct or significant indirect financial interests with 3S that affect independence.	✓	
2. Has not served as a director, supervisor, or other position that directly and significantly affects this audit case at present or in the past two years.	✓	
3. There is no defense of the position or opinion of 3S and its related parties, which may cause independence to be questioned.	✓	
4. There is no close relationship with 3S and its related persons, directors, and managers, and it may be excessively concerned about or sympathetic to the interests of customers.	✓	
5.No received or felt the intimidation from 3S, and not be able to maintain objectivity and clarify professional doubts.	✓	
6. During the period of the 2022 financial statements of the Republic of China, there was no non-audit service provided to 3S that may affect the detached independence.	✓	
7. Other circumstances that may affect detached independence.	✓	

Table (2) Continuing education of Directors:

Title	Name	Date	Training Institution	Course Name	Training Hours
Director	Kingston Technology Corporation Representative: Albert Yang	2022/07/20	Taiwan Stock Exchange and Taipei Exchange	Sustainable Development Roadmap Industry Theme Publicity Conference	2
		2022/08/25	Taipei Exchange	Insider Equity Promotion Seminar of Listed Companies and Emerging Companies	3
		2022/12/07	Taiwan Investor Relations Institute (TIRI)	Financial reporting responsibilities and risk management	3
Independent Director	Cheermore Huang	2022/07/28	Corporate Operating and Sustainable Development Association	Corporate Governance and Securities Regulations-Analysis of Legal Norms and Practical Cases of Insider Trading	3
		2022/10/25	Corporate Operating and Sustainable Development Association	Digital Transformation, New Future, New Thinking of Risk Management	3
		2022/10/27	Corporate Operating and Sustainable Development Association	ESG Trends and Epidemic Environment Talk about Global Tax Reform and Corporate Tax Governance	3

Independent Director	Ken Lin	2022/07/20	Taiwan Stock Exchange and Taipei Exchange	Sustainable Development Roadmap Industry Theme Publicity Conference	2
		2022/12/07	Taiwan Investor Relations Institute (TIRI)	Financial reporting responsibilities and risk management	3
		2022/12/21	Taiwan Investor Relations Institute (TIRI)	Trade secret protection campaign	3
Independent Director	James Hou	2022/07/27	Taiwan Independent Director Association	Opportunities and Challenges of Net-Zero Emissions - Also on Greenhouse Gas Inventory, Carbon Footprint and Carbon Neutrality	3
		2022/08/10	Taiwan Independent Director Association	Practical case analysis of related party transactions and unconventional transactions	3

(IV) Composition and Implementation Status of the Remuneration Committee

1. Information on Remuneration Committee Members

Capacity (Note 1)	Name (Qualifications)	Professional Qualification and Work Experience	Independence Analysis	Number of Other Public Companies where the Individual Concurrently Serves as a Remuneration Committee Member
Independent Director (Convenor)	Cheermore Huang	Mr. Cheermore Huang has been a Director of INT TECH (HK) Co., Ltd. Since 2019 and has served as the Chairman and President of ILI Technology Corp. He holds a master's degree from the Institute of Electrical Engineering, National Tsing Hua University. He has the ability in the areas of commerce, technology, finance and operation judgment, and has industry experience required.	Serve as an independent director, conforming to the conditions of independence, including but not limited to the fact that he, his spouse or his relatives within the second degree are not directors, supervisors or employees of the Company or its affiliated enterprises; shareholding of 432,367 shares, accounting for 0.58%; not being a director, supervisor or employee of a company having a specified relationship with the Company; no pay received by for any services such as business, legal, financial, or accounting services provided to the Company or any affiliate thereof within the past 2 years.	None
Independent Director	Ken Lin	Mr. Ken Lin has been the President of T.N.C. Industrial Co., Ltd. since 2018, the Director of OPALS Chemical Technology Ltd. before, and also serves as the President of Foshan T.N.C.Resin Co., Ltd. He holds a master's degree from the Institute of College of Management, Fu Jen Catholic University, as well as Taiwan and USA CPA licenses. He has the ability in the areas of commerce, technology, finance and operation judgment, and has industry experience required.	Serve as an independent director, conforming to the conditions of independence, including but not limited to the fact that he, his spouse or his relatives within the second degree are not directors, supervisors or employees of the Company or its affiliated enterprises; Shareholding of 82,808 shares, accounting for 0.11%; not being a director, supervisor or employee of a company having a specified relationship with the Company; no pay received by for any services such as business, legal, financial, or accounting services provided to the Company or any affiliate thereof	None

			within the past 2 years.	
Independent Director	James Hou	Mr. James Hou has been the Chairman of 94BOT Co., Ltd. And Bo Ku Network Co., Ltd since 2017, 1984 Co., Ltd. Chairman, Metaedge Corporation Consultant，and serves as the Assistant Vice President for Innovative Applications of IBM Taiwan, and Vice President, Provision Information Co., Ltd. He holds a master's degree from both the Information Science of Ohio State University and Department of Computer Science of National Tsing Hua University He has the ability in the areas of commerce, technology, finance and operation judgment, and has industry experience required. (Note 1)	Serve as an independent director, conforming to the conditions of independence, including but not limited to the fact that he, his spouse or his relatives within the second degree are not directors, supervisors or employees of the Company or its affiliated enterprises; does not hold shares of the Company; not being a director, supervisor or employee of a company having a specified relationship with the Company; no pay received by for any services such as business, legal, financial, or accounting services provided to the Company or any affiliate thereof within the past 2 years.	None

2. Operations of the Remuneration Committee

(1) The Company's Remuneration Committee consists of 3 members.

(2) Current Term: From July 8, 2021 to July 7, 2024. The Remuneration Committee held 2 meetings(A) in the most recent fiscal year, the qualifications and attendance of the committee members are shown as follows:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Rate of Attendance in Person (%) [B/A]	Remark
Convenor	Cheermore Huang	2	0	100	None
Committee Member	Ken Lin	2	0	100	None
Committee Member	James Hou	2	0	100	None

(3) The discussions and resolutions of the Remuneration Committee and the Company's response to the members' opinions:

Remuneration Committee	Content of Motions	Resolution Results	The Company's Actions in Response to the Remuneration Committee's Opinions
The 4rd Meeting of the 5th Session(2022.12.22)	Report: 2022 Manager's performance report	NA	NA
The 3rd Meeting of the 5th Session(2022.03.03)	1. The Company's 2021 annual incentive and reward proposal for managers 2. The performance target setting for the Company's managers for 2022	Adopted by al members of the Audit Committee with consents	Adopted by the Board of Directors with consents and implemented in accordance with the resolution.

Other information required to be disclosed:

I. If the Board of Directors does not accept, or amends, any recommendation of the remuneration committee, specify the board meeting date, meeting session number, content of the recommendation(s), the outcome of the resolution(s) of the Board of Directors, and the measures taken by the Company with respect to the opinions given by of the remuneration committee (e.g., if the salary/compensation approved by the board is higher than the recommendation of the remuneration committee, specify the difference(s) and the reasons): None.

II. With respect to any matter for resolution by the remuneration committee, if there is any dissenting or qualified opinion of a committee member that is on record or stated in writing, specify the remuneration committee meeting date, meeting session number, content of the motion, the opinions of all members, and the measures taken by the Company with respect to the members' opinion: None.

(V) Promotion of Sustainable Development – Implementation Status and Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons Thereof

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Description	
I. Has the Company established a governance framework for promoting sustainable development, and established an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development? Has the Board of Directors authorized senior management to handle related matters under the supervision of the board?	V		The Company has set up a "Sustainable Development Group", chaired by the President. Each department complies with the Company's Sustainable Development Best Practice Principles and other relevant policies to implement their responsibilities for sustainable development, and reports to the board on a quarterly basis.	No material deviation
II. Does the Company conduct risk assessments of environmental, social and corporate governance (ESG) issues related to the Company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?	V		The Company's risk assessment mainly focused on the Company itself. The Risk Management Measures was adopted by the Board of Directors in 2020 as the highest guiding principle of the Company's risk management. Each management unit regularly assesses and reviews risk matters and reports to the President, who shall then summarize major risk matters and report to the Board of Directors on a regularly basis. The Company conducts prevention and control of possible risks in the process of operation and management, and formulates relevant early warning measures. In addition, the Company conducts risk assessments related to the Company's operations based on the principle of materiality, as a reference for the Company's risk management and operation strategies to effectively identify, measure and control the risks of the Company and to control the risks arising from the operating activities within an acceptable range.	No material deviation
III. Environmental issues (I) Has the Company set an environmental management system designed to industry characteristics?	V		(I) The Company attaches great importance to environmental protection management and maintenance, and has formulated relevant	No material deviation

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Description	
			management measures according to the characteristics of the industry. The Company's main products are integrated circuit (IC) control chips, which are produced by outsourced processing. In addition to entrusting the production to a qualified processing third party that has passed the inspection and meets the requirements of environmental protection laws and regulations, the Company also requires such third party to meet the environmental protection testing requirements in terms of production process. In addition, in response to the implementation of the European Union Directive on the Restriction of Hazardous Substances (RoHS), the Company has designated special personnel to be responsible for responding to RoHS-related requirements and implementing countermeasures since 2006.	No material deviation
(II) Does the Company endeavor to use energy more efficiently and to use renewable materials with low environmental impact?	V		(II) The Company strives to reduce packaging materials and reuse packaging filling materials to reduce waste generation, reduce environmental load and achieve sustainable use of resources.	No material deviation
(III) Has the Company evaluated the potential risks and opportunities posed by climate change for its business now and in the future and adopted relevant measures to address them?	V		(III) The Risk Management Measures was adopted by the Board of Directors in 2020 as the Company's highest guiding principle in managing climate change risk. Each management unit regularly assesses and reviews climate change risk issues and reports to the President, who shall then report to the Board of Directors on a regularly basis. In line with the government's 2050 net zero carbon emission target, the "Sustainable Operation Development Team" was established on March 31, 2022.	No material deviation .

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Description	
			The Company's current assessment in response to climate change focused on the increase in the price of greenhouse gas emissions. The Company takes action plans to reduce the consumption of natural resources, including improving product energy efficiency, green supply chain management, raw material and waste management, product packaging reduction and recycling, cloud office, reducing operating carbon dioxide concentration and improving energy efficiency in line with the industry. The Company also attaches great importance to the management and maintenance of environmental protection, and regularly carries out promotion and requires the cooperation of all units. The policy is as follows: 1. Full use of paper - advocate double-sided printing to reduce logging and the degree of greenhouse effect. 2. Save energy - advise to turn off lights, turn off air conditioners when leaving and save water, and use energy-saving lamps. 3. Garbage classification - carry out garbage classification and resource recovery in accordance with the business waste control regulations of Environmental Protection Administration. 4. No smoking policy - promote tobacco hazard control law and enforce no-smoking policy in public places. 5. The Company pays attention to the cleanliness of the relevant internal and external environment, and strengthens the internal and external publicity of	No material deviation

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Description	
			environmental maintenance, so as to develop a sustainable development environment.	

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Description	
(IV) Did the Company collect data for the past two years on greenhouse gas emissions, volume of water consumption, and the total weight of waste, and establish policies for greenhouse gas reduction, reduction of water consumption, or management of other wastes?	V		(IV) The Company's greenhouse gas emissions, volume of water consumption and total weight of waste in the past two years are as follows: Inventory scope and category: The boundary of the inspection is the office area of the company. **Category one:** Statistics on CO2 emissions of official vehicles in 2021 and 2022: Year Total emissions (metric tons) 2021 4.880 2022 2.930 **Category two:** Statistics on CO2 emissions of purchased water and electricity in 2021 and 2022: Year Total emissions (t) 2021 164.291 2022 159.438 Statistics of water consumption in 2021 and 2022: Year Water consumption (degrees) 2021 1,055 2022 1,005 3S is a non-manufacturing company, Statistics of waste recycling in 2021 and 2022: Year / PC / LCD / PCB / Metal / Waste ICs and Components 2021 / 35 Set / 20 Set / 0.084 (t) / 0.527 (t) / 0.10074 (t) 2022 / 5 Set / 5 Set / 0 (t) / 0 (t) / 0.03 (t) (The above CO2 emissions are converted according to the power emission coefficient announced by the Bureau of Energy. The Company's greenhouse gas emissions inventory has not verified by an external third party, which is a self-managed statistics.)	No material deviation

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Description	
			The company's goal is to reduce greenhouse gas CO_2 emissions year by year. The goal of carbon reduction is achieved through measures such as replacement of energy-saving electrical equipment and appropriate air-conditioning temperature. In 2022, 176 LED lamp tubes and a set of LED lamps were replaced.	
IV. Social issues (I) Has the Company formulated relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?	V		The Company abides by the relevant labor laws and regulations and has developed relevant management procedures with reference to the Universal Declaration of Human Rights formulated by the United Nations. Relevant issues in practice include: 1. No operating locations or suppliers that violate or seriously endanger freedom of association and collective bargaining. 2. No operating locations and suppliers with significant risk of child labor. 3. No operating locations and suppliers with significant risk of forced or compulsory labor incidents. 4. No incidents in violating the rights of aborigines. 5. No human rights complaints. 6. No discrimination occurred. 7. No violation of laws and regulations related to the social issues, and no fines. 8. No significant physical or potential negative impact of the supply chain on human rights has occurred. As part of the global electronics industry supply chain, the Company takes the planning and implementation of the Code of Conduct for Responsible Business Alliance as its top priority, and treat all colleagues with dignity and respect. Meanwhile, we urge and require suppliers who have direct contact with the Company	No material deviation No material deviation

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Description	
			to follow the Code of Conduct for Responsible Business Alliance, hoping to enhance the social responsibility of the industry and the awareness of world citizens through the common efforts of the entire supply chain.	
(II) Has the Company established and implemented reasonable employee welfare measures (include salary/compensation, leave, and other benefits), and are business performance or results appropriately reflected in employee salary/compensation?	V		(II) Employee salary/compensation: The Company conducts employee performance appraisal every year, with department and individual performance results, and manages employee rewards, punishments and promotions. Employee benefit plans: The Company has set up a system involving various employee benefits, health checks, continuing education, training and retirement for employees to stimulate the morale and ensure the work progress. The Company has set up an employee welfare committee to make planing for various quality benefits, such as travel allowance, birthday gift coupon, maternity/marriage/burial allowances, etc. Diversity and equality in workplace: The Company has achieved equal pay for equal work for men and women, provided equal promotion opportunities, and maintained over 7% women in executive positions, promoting sustainable and inclusive economic growth. In 2022, the Company' female employees accounted for 28.8% on average, and female executives accounted for7% on average. Business performance is reflected in employee salary/compensation: The Company conducts a market salary survey every year, and adjusts the salary according to the market	No material deviation No material deviation

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Description	
			salary level, economic trends and individual performance to maintain overall salary competitiveness.	
(III) Does the Company provide employees with a safe and healthy working environment, and implement regular safety and health education for employees?	V		(III) The Company has adopted the Code of Practice for Safety and Health and believes that employees who are physically and mentally healthy can achieve high-efficiency and high-quality performance at work. Therefore, the Company is committed to providing employees with health check-ups and enhancing employees' knowledge and methods of health information and self-health management through a variety of health information promotion. In terms of work safety, the Company develops employees' emergency response ability and safety concept and strengthens their cognitive ability through continuous education, training and promotion, so as to reduce the occurrence of unsafe behaviors and accidents.	No material deviation
(IV) Does the Company establish effective career development and training plans for its employees?	V		(IV) The Company organizes career development programs or educational training for employees from time to time, and provides online courses for employees and online learning platforms from external professional organizations to enhance employees' career skills.	No material deviation
(V) Does the Company comply with the relevant laws and international standards with regards to customer health and safety, customer privacy, and marketing and labeling of products and services, and implement consumer protection and grievance policies?	V		(V) The Company is in compliance with relevant laws and regulations as well as international standards when it comes to marketing and labeling of products and services.	No material deviation
(VI) Has the Company formulated supplier management policies requiring suppliers to comply with relevant regulations on issues such as environmental protection,	V		(VI) The Company has established management policies related to suppliers, such as Suppliers' Environmental Prohibited Substances Management Regulations	No material deviation

<table>
<tr><th rowspan="2" colspan="2">Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Description</th></tr>
<tr><td></td><td>occupational safety and health, or labor rights, and what is the status of their implementation?</td><td></td><td></td><td>and Environmental Restricted Substances Control Procedures. For all products designed, manufactured and sold by the Company, the products produced by suppliers are regulated to be in compliance with the regulations on the restriction of prohibited and restricted substances and the recognition of green products of suppliers. The Company regularly commissions qualified ISO 17025-accredited laboratories for testing of returned product samples every year to ensure the compliance with laws and regulations of products.</td><td></td></tr>
<tr><td>V.</td><td>Does the Company refer to international reporting standards or guidelines when preparing its sustainability report and other reports disclosing non-financial information? Does the Company obtain third party assurance or certification for the reports above?</td><td></td><td>V</td><td>The Company has not prepared any corporate social responsibility report or other reports.</td><td>No preparation</td></tr>
<tr><td>VI.</td><td colspan="5">If the Company has adopted its own sustainable development best practice principles based on the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, please describe any deviation from the principles in the Company's operations:
The Company has formulated its Corporate Social Responsibility Best Practice Principles, Ethical Corporate Management Best Practice Principles, Rules of Procedure for Board of Directors Meetings, Remuneration Committee Charter, Rules of Procedure for Shareholders Meetings, the rules of shareholders' meeting, Internal Control System, Implementation Rules for Internal Audit, Procedures for Acquisition and Disposal of Assets, Procedures for Lending Funds to Others, etc. to follow.</td></tr>
<tr><td>VII.</td><td colspan="5">Other important information to facilitate better understanding of the Company's promotion of sustainable development:
Solid State always believes that, as a member of social citizens, an enterprise must fulfill its civic responsibilities and incorporate it into the operation mechanism of our daily operation. In practice, Solid State fulfills its civic responsibility through corporate commitment, social care and employee care. Corporate commitment: We improve corporate governance and take full responsibility for important stakeholders by operation and auditing systems such as the Board of Directors, audit committee and remuneration committee; We are committed to continuous innovation in the areas of design, manufacturing quality and reliability through a commitment to quality control that has become an important part of our corporate culture. We are responsible for our customers and the environment.
1. In order to promote employment for the disabled and improve employee welfare, the Company has cooperated with visually impaired masseurs to provide massage services through the assistance of Zhubei Employment Service Center. Provide a comfortable environment and high privacy personal</td></tr>
</table>

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Description	
space, so that colleagues can enjoy relaxing body massage services. 2. In 2022, there were360 person-time, about 360 hours for using this service. The amount of cooperation totaled NT$316,800.				

(VI) Ethical Corporate Management – Implementation Status and Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons Thereof

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Description	
I. Establishment of ethical corporate management policies and programs (I) Does the Company have an ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?	V		(I) The Company has formulated its Ethical Corporate Management Best Practice Principles, which is posted on the company website. It stipulates that all directors, managerial officers, employees and trustees of the Company shall uphold the principle of ethical management and actively implement the concept of ethical corporate management.	No material deviation
(II) Whether the Company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates, within a business context, the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in Article 7, paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPE Listed Companies?	V		(II) The Company has clearly set out in its Ethical Corporate Management Best Practice Principles the situation of preventing unethical conduct and the relevant operating procedures and behavior guidelines. The Company has also set out a whistleblowing system and procedures in the Ethical Corporate Management Best Practice Principles, and implemented accordingly.	No material deviation
(III) Does the Company clearly set out the operating procedures, behavior guidelines, and punishment and appeal system for violations in the unethical conduct prevention program, implement it, and regularly review and revise the plan?	V		(III) The Company has clearly set out in its Ethical Corporate Management Best Practice Principles the situation of preventing unethical conduct and the relevant operating procedures and behavior guidelines. The Company has also set out a whistleblowing system and procedures in the Ethical Corporate Management Best Practice Principles. And the annual review procedures are in line with the	No material deviation

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Description	
			amendments of regulations and the actual operation of the Company.	
II. Ethical management practice (I) Does the Company assess the ethics records of those it has business relationships with and include ethical conduct related clauses in the business contracts?		V	(I) The Company has assessed the ethics records of those it has business relationships with but did not include ethical conduct related clauses in the business contracts,	No material deviation
(II) Has the Company set up a dedicated unit to promote ethical corporate management under the Board of Directors, and does it regularly (at least once a year) report to the Board of Directors on its ethical corporate management policy and program to prevent unethical conduct and monitor their implementation?	V		(II) To improve the management of corporate social responsibility, the President's office designates appropriate units to be responsible for the amendment, implementation, interpretation, consulting service and notification of the procedures or systems of ethical corporate management, and report to the Board of Directors. And the annual review procedures are in line with the amendments of regulations and the actual operation of the Company.	
(III) Has the Company established policies to prevent conflict of interests, provided appropriate communication and complaint channels, and properly implemented such policies?	V		(III) The Company has established a Code of Ethical Conduct to provided policies of interest conflicts prevention, as well as appropriate representation channels, and implement them.	
(IV) Does the Company have effective accounting and internal control systems in place to enforce ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit compliance with the systems to prevent unethical conduct or hire outside accountants to perform the audits?	V		(IV) In order to implement ethical management, the Company has formulated its Ethical Corporate Management Best Practice Principles, Code of Ethical Conduct and Work Rules, which specifically stipulate the matters to be paid attention to by directors, managerial officers, employees and persons with substantial control in the performance of	

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Description	
			their business, including but not limited to prohibition of receiving improper benefits, prohibition of illegal political donations, no business dealings with persons suspected of risks in ethical management, improper charitable donations and the confidentiality obligation of trade secrets and sensitive information obtained for business activities, and compliance with laws and regulations in performing business activities, etc. During the discussion and voting of each board meeting, the attending directors were informed to pay attention to recusal of interest. Regularly promote the education and training of insider trading to employees. The Company has set up complaint mailboxes on internal and external websites, and the audit office is responsible for accepting the investigation and tracking of complaints. In addition, the Company has established an effective accounting system and internal control system for business activities with high risk of unethical management. The audit unit is responsible for planning and executing the audit plan based on the risk assessment. In case of special circumstances, the Company will establish a separate project to audit. Up to now, the Auditing Office has not received reports or complaints of dishonesty or immorality.	No material deviation

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Description	
(V) Does the Company provide internal and external ethical corporate management training programs on a regular basis?	V		(V) The Company attaches great importance to the implementation of the principle of integrity for all employees in its daily business, and plans the "Information Environment and Information Security Promotion" course in the newcomer training course, emphasizing that tangible information equipment and intangible information assets should be properly kept and kept confidential to avoid leakage of company secrets. The Company also regularly implements "insider trading promotion" that the use the unpublicized information to engage in insider trading or disclose it to others is not allowed. The Company carried out the promotion of "insider trading" to all employees respectively on March 3, 2023, and. In addition, in the first quarter of each year, the Company regularly promotes insider trading to directors and reports the implementation of internal major information processing procedures to the Board of Directors.	
III. Implementation of complaint procedures (I) Has the Company established specific whistle-blowing and reward procedures, set up conveniently accessible whistle-blowing channels, and appointed appropriate personnel specifically responsible for handling complaints received from whistle-blowers?	V		(I) The Company has established a Code of Ethical Conduct, and encourages employees to report to Supervisors upon suspicion or discovery of any activity in violation of a law or regulation or the code of ethical conduct. In addition, in case of any director, independent director or manager violating the code,	No material deviation

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Description	
			the independent director shall notify the chairman, and the chairman shall authorize appropriate personnel to conduct an audit, and report the audit results to the Board of Directors for resolution.	No material deviation
(II) Has the Company established standard operation procedures for investigating the complaints received, follow-up measures taken after investigation, and mechanisms ensuring such complaints are handled in a confidential manner?	V		(II) In accordance with the reporting system as provided in Article 21 of the Ethical Corporate Management Best Practice Principles, any employee who discovers any illegal or ethical behavior may present it to the independent director. The Company will also makes every effort to protect the safety of the informant, and the follow-up measures and relevant confidentiality mechanisms to protect them from retaliation.	
(III) Has the Company adopted proper measures to protect whistle-blowers from retaliation for filing complaints?	V		(III) The Company strengthens the promotion of moral concept, encourages employees to report the behavior violating laws and regulations. Whistle-blowers will be fully protected by the Company from retaliation for filing complaints.	
IV. Strengthening information disclosure Does the Company disclose its ethical corporate management policies and the results of their implementation on its website and the Market Observation Post System (MOPS)?	V		The Company has developed its Ethical Corporate Management Best Practice Principles and disclosed it on the company website.	No material deviation
V. If the Company has adopted its own ethical corporate management best practice principles based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, please describe any deviations between the principles and their implementation: None.				
VI. Other important information to facilitate a better understanding of the status of operation of the Company's ethical corporate management policies: For relevant information about the Company's Ethical Corporate Management Best Practice Principles, please refer to the Market Observation Post System (MOPS) or the company website.				

(VII) The Company has provided channels for inquiries of the Corporate Governance Best Practice Principles and related regulations: Please refer to the company website.
Website:http://www.3system.com.tw/zh-tw/investor/rule

(VIII) Other significant information that will provide a better understanding of the state of the Company's implementation of corporate governance:
The Company continues to invest resources to strengthen corporate governance operations, and set up a governance zone on the Company website to explain the state of corporate governance, attached with corporate governance related laws and regulations for inquiry and download, and immediately discloses major announcements.
Website:http://www.3system.com.tw/zh-tw/investor/rule

(IX) Status of Implementation of Internal Control System

1. Internal Control Statement

Solid State System Co., Ltd.

Statement on Internal Control System

Date: Feb 23, 2023

According to the self-evaluation results of internal control system by the Company in 2022, we hereby states as follows:

I. The Company acknowledges that it is the responsibility of the Board of Directors and managerial officers to establish, implement, and maintain the established internal control system. The internal control system is designed to provide reasonable assurance for the effectiveness and efficiency of the operations (including profitability, performance and protection of assets), reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations.

II. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its 3 stated objectives above. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond control. Nevertheless, the internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.

III. The Company makes judgments on whether the design and implementation of the internal control system are effective in accordance with the judgments items of effectiveness of internal control system specified in the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter referred to as "the Regulations"). The Regulations are made to examine the following five factors during the management and control process: (1) control environment, (2) risk assessment and response, (3) control activities, (4) information and communication, and (5) supervision. Each key component includes several items. Please refer to the Regulations for the aforementioned items.

IV. The Company has evaluated the design and operating effectiveness of the internal control system according to the Regulations.

V. In accordance with the aforementioned evaluation, the Company has found that the design and implementation of the internal control system (including the assessment and management of subsidiaries), as of December 31, 2022, including the efficacy of understanding operations, the efficiency of achievement of objectives, reliability in reporting, timeliness, and compliance with the relevant guidelines and laws, are effective and can reasonably provide assurance of the aforesaid goals.

VI. This statement is an integral part of the Company's annual report and prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

VII. This statement has been approved on Feb 23, 2023 by the Board of Directors, and out of the 7 Board members in attendance, none has objected to this statement and all consented to the content expressed herein.

Solid State System Co., Ltd.

Chairman: Jeffrey Lin (signature and seal)

President: Tim Hu (signature and seal)

2. Where a CPA has been entrusted to carry out a special audit of the internal control system: None.

(X) Any legal penalty enacted upon this Corporation and its personnel, or any penalty, major defects, and state of improvements enacted by this Corporation upon its personnel for violating the rules of the ICS during the most recent year up to the publication date of this report: None.

(XI) Material Resolutions of A Shareholders Meeting or A Board of Directors Meeting During the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication Date of the Annual report:

1. 2022 Shareholders' Meeting

Resolutions of Shareholders Meetings	**Implementation Status**
Proposals matters: 1.To accept the 2021 Business Report and Financial Statements.	Proposals: 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. Adopted by voting.
2.To accept the 2021 Deficit Compensation Statement	2.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. Adopted by voting.
Discussion matters: 1.To approve the revisions to the" Procedures for Acquisition or Disposal of Assets” of the Company.	Discussions: 1.Adopted by voting.
2.To approve the capital increase through the private placement of 3S common shares.	2.Adopted by voting.

2. Board meetings in 2022 and during the current fiscal year up to the date of publication of the annual report

Session	Matters Specified in Article14-3 of the Securities and Exchange Act	Independent Directors' Opinions	Resolutions of Board Meetings
The 10th Meeting of the 9th Session (2023.02.23)		None	The 2022 Business Report and Financial Statements
		None	The 2022 Deficit Compensation Statement
	✓	None	Proposal for the preparation of Statement of Internal Control System for 2022
	✓	None	The formulation of "General Principles of Pre-Approved Non-Assurance Service Policy"
	✓	None	Proposal for CPA's compensation and evaluation of independence and competency of CPAs
		None	Ratification of organizational adjustment
		None	The Company's 2022 annual incentive and reward proposal for managers
		None	The performance target setting for the Company's managers of managers for 2023
	✓	None	The revisions to the original fundraising plan through the private placement of 3S common shares
	✓	None	The capital reduction plan to offset the deficit
	✓	None	The matter on the capital increase through the private placement of 3S common shares
		None	The convening of the 2023 general shareholders' meeting
The 9th Meeting of the 9th Session (2022.12.22)		None	Proposal for the 2023 Annual Audit Plan.
		None	Business Plan and Budget for 2023.
The 8th Meeting of the 9th Session (2022.11.03)		None	Financial statements for the third quarter of 2022
		None	Proposal for applying for renewal of bank forward exchange limit
		None	Application for Renewal of Bank's Forward Foreign Exchange Quota
	✓	None	Subsidiary Vichip Dissolution and liquidation
		None	Proposal to Amend the Company's "Rules of Procedure for the Board of Directors"
		None	Amendment to the Company's "Corporate Governance Code of Practice"

Session	Matters Specified in Article14-3 of the Securities and Exchange Act	Independent Directors' Opinions	Resolutions of Board Meetings
		None	Amendment to the Company's "Accounting System"
	✓	None	Amendment to the company's "internal control system-management cycle" plan
		None	Amendments to the Company's "Major Information Processing Procedures" Proposal
The 7th Meeting of the 9th Session (2022.08.04)	✓	None	Amendments to the "Internal Audit Implementation Rules"
		None	Financial statements for the second quarter of 2022
		None	Amendments Business Plan and Budget for 2022
The 6th Meeting of the 9th Session (2022.05.05)		None	Financial statements for the first quarter of 2022
		None	Appointment of directors of Vichip
The 5th Meeting of the 9th Session (2022.03.03)		None	2021 Business Reports and Financial Statements
		None	Proposal for the 2021 Loss Recovery Plan
	✓	None	Proposal for the preparation of Statement of Internal Control System for 2021
	✓	None	Proposal for CPA's compensation and evaluation of independence and competency of CPAs
	✓	None	Proposal for the amendments to the Company's Operation Procedures for Acquisition and Disposal of Assets
		None	The Company's 2021 annual incentive and reward proposal for managers
		None	The performance target setting for the Company's managers of managers for 2022
	✓	None	Proposal for the changes in the original plan for capital increase in cash by private equity
	✓	None	Proposal for the issuance of common stock for capital increase in cash by private equity
		None	Proposal for convening the 2022 Annual Shareholders' Meeting

(XII) Where, During the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report, A Director has Expressed A Dissenting Opinion with Respect to A Material Resolution Passed by the Board of Directors, and Said Dissenting Opinion Has Been Recorded or Prepared as A Written Declaration, the Principal Content Thereof: None.

(XIII) A Summary of Resignations and Dismissals of the Chairman, President, Chief Accounting Officer, Chief Financial Officer, Chief Internal Auditor, Chief Corporate Governance Officer and Chief Research and Development Officer During the Most Recent Fiscal Year and During the Current Fiscal Year Up to the Date of Publication of the Annual Report: None.

V. Information on CPA Professional Fees

(I) The non-audit fees paid by the Company to the CPA, to the accounting firm of the CPA, and/or to any affiliated enterprise of such accounting firm in 2022 are as follows:

Monetary unit: NT$ thousand

Name of Accounting Firm	Name of CPAs	Audit Period	Audit Fees	Non-audit Fees	Total	Note
KPMG Taiwan	Grace Lu and Alen Yu	2022.01.01~ 2022.12.31	1,425	655	2,080	commercial registration, transfer pricing service fees, tax attestation fees and English financial report

(II) When the Company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed: None.

(III) When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed: None.

VI. Information on Replacement of CPAs: None.

VII. The Company's Chairman, President or any Managerial Officer in Charge of Finance or Accounting Matters Has in the Most Recent Year Held a Position at the Accounting Firm of Its Certified Public Accountant or at an Affiliated Enterprise of Such Accounting Firm: None.

VIII. The State of Any Transfer of Equity Interests And/or Pledge of or Change in Equity Interests by a Director, Supervisor, Managerial Officer, or Shareholder with a Stake above More than 10 Percent During the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report

(I) Changes in and Pledge of Shareholding of Directors, Managerial Officers, and Major Shareholders

Unit: In Thousands of Shares

Title	Name	2022		As of March 17, 2023	
		Change in Number of Shares Held	Change in Number of Shares Pledged	Change in Number of Shares Held	Change in Number of Shares Pledged
Chairman	Jeffrey Lin	(1)	0	0	0
Director and President	Tim Hu	0	0		
Director	Kioxia Corporation	0	0	0	0
	Representative: Hatanaka Kojiro	0	0	0	0
Director	Kingston Technology Corporation	0	0	0	0
	Representative: Albert Yang	0	0	0	0
Independent Director	Cheermore Huang	(5)	0	(13)	0
Independent Director	Ken Lin	0	0	0	0
Independent Director	James Hou	0	0	0	0
Vice President of R&D	Cheng Liou	(16)	0	0	0
Senior Vice President	Flink Chiu	0	0	0	0
Assistant Vice President	Richard Lin(Note)	0	0	(90)	0
Finance and Accounting Supervisor	Joepye Tseng	2	0	0	0

Note: Richard Lin has been dismissed on 2023.1.11

(II) Where the counterparty involved in the transfer or pledge of the shareholder's equity is a related party: None.

IX. Relationship Information, if Among the Company's 10 Largest Shareholders Any One is A Related Party or A Relative Within the Second Degree of Kinship of Another

Unit: shares;March 17, 2023

Name	Current Shareholding		Shareholding by Spouse and Minor Children		Shareholding by Nominees		Name and Relationships of the Top 10 Shareholders Where They are Related Parties, Spouses, or Relatives within the Second Degree of Kinship to Another		Remark
	Number of Shares	Shareholding ratio	Number of shares	Shareholdin ratio	Number of Shares	Shareholding ratio	Number Of Shares	Shareholding ratio	
Kingston Technology Corporation	5,231,190	7.00%	0	0	0	0	None	None	None
Representative: Albert Yang	0	0	0	0	0	0	Non	None	None
KIOXIA Corporation	5,065,847	6.78%	0	0	0	0	Non	None	None
Representative: Hatanaka Kojiro	0	0	0	0	0	0	Non	None	None
TA YU CHEN	4,170,450	5.58%	(Note)	(Note)	(Note)	(Note)	Non	None	None
CHIH LIANG TSAO	4,007,374	5.37%	(Note)	(Note)	(Note)	(Note)	Non	None	None
YU LIEN CHIANG	3,051,621	4.08%	(Note)	(Note)	(Note)	(Note)	Non	None	None
Jeffrey Lin	2,549,277	3.41%	12,250	0.02%	(Note)	(Note)	Non	None	None
UMC capital	2,400,000	3.21%	0	0	0	0	Non	None	None
Representative: CHIA TSUNG HUNG	0	0	(Note)	(Note)	(Note)	(Note)	Non	None	None
Powertech Technology (Singapore) Pte. Ltd.	2,053,285	2.74%	0	0	0	0	Non	None	None
Representative: TU KUNG TSAI	0	0	(Note)	(Note)	(Note)	(Note)	Non	None	None
Fortemedia, Inc.	1,600,000	2.14%	0	0	0	0	Non	None	None
Representative: IOU DIN CHEN	0	0	(Note)	(Note)	(Note)	(Note)	Non	None	None
JUNG CHIN CHANG	1,445,817	1.93%	(Note)	(Note)	(Note)	(Note)	Non	None	None

Note: No data available.

X. Total Number of Shares and Total Equity Stake Held in Any Single Enterprise by the Company, Its Directors, Managerial Officers, and Any Companies Controlled Directly or Indirectly by the Company

Unit: Share; %

Investee Enterprise	Investment by the Company		Investment by the Directors, Supervisors, Managerial Officers and Directly or Indirectly Controlled Entities of the Company		Total Investment	
	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio
VICHIP Corporation Limited	500,492	100.00	0	0	500,492	100.00

Chapter 4. Capital Overview

I. Capital and Shares

(I) Source of Capital

Unit: thousand shares/NT$ thousand; March 17, 2023

Month/Year	Issued Price	Authorized Capital		Paid-in Capital		Note		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Capital Increase by Assets Other than Cash	Others
1998.11.26	10	20,000	200,000	6,000	60,000	Incorporation capital	None	Note 1
2000.05.24	10	20,000	200,000	10,000	100,000	NT$40,000 thousand, capital increase in cash	None	Note 2
2001.03.28	10	20,000	200,000	15,000	150,000	NT$50,000 thousand, capital increase in cash	None	Note 3
2002.06.11	12	36,000	360,000	16,500	165,000	NT$15,000 thousand, capital increase in cash	None	Note 4
2002.06.11	10	36,000	360,000	21,050	210,500	NT$45,500 thousand, capital increase from earnings	None	Note 4
2003.01.13	75	36,000	360,000	27,650	276,500	NT$66,000 thousand, capital increase in cash	None	Note 5
2003.08.28	10	50,000	500,000	33,555.3	335,553	NT$59,053 thousand, capital increase from earnings	None	Note 6
2004.11.15	10	55,000	550,000	41,490.8	414,908.6	NT$45,800.3 thousand, capital increase from earnings NT$33,555.3 thousand, capital increase from capital surplus	None	Note 7
2005.09.30	10	62,000	620,000	45,596	455,960.55	NT$24,455.61 thousand, capital increase from earnings NT$16,596.34, capital increase from capital surplus	None	Note 8
2006.08.30	10	62,000	620,000	47,336	473,360	NT$17,399.45 thousand, capital increase from earnings	None	Note 9
2007.03.05	15	62,000	620,000	47,537	475,370	NT$2,010 thousand, conversion of employee stock options	None	Note 10
2007.05.03	15	62,000	620,000	47,646.7	476,467.5	NT$1,097.5 thousand, conversion of employee stock options	None	Note 11
2007.09.07	15	62,000	620,000	50,002	500,020.53	NT$22,653.03 thousand, capital increase from earnings NT$900 thousand, conversion of employee stock options	None	Note 12
2007.11.16	17.9、15	62,000	620,000	50,280.8	502,808.03	NT$2,787.5 thousand, conversion of employee stock options	None	Note 13
2008.01.10	25	62,000	620,000	56,620.8	566,208.03	NT$63,400 thousand, capital increase in cash	None	Note 14
2008.06.04	15	62,000	620,000	54,793.6	547,936.78	NT$4,008.75 thousand, conversion of employee stock options NT$22,280 thousand, capital reduction by treasury shares	None	Note 15
2008.07.08	15	62,000	620,000	54,948.5	549,485.53	NT$1,548.75 thousand, conversion of employee stock options	None	Note 16
2008.09.08	17.5	75,000	750,000	60,674.5	606,745.53	NT$57,260 thousand, capital increase by private placement	None	Note 17
2009.01.23	15	75,000	750,000	60,689.5	606,895.53	NT$150 thousand, conversion of employee stock options	None	Note 18
2009.05.27	15	75,000	750,000	60,902.5	609,025.53	NT$2,130 thousand, conversion of employee stock options	None	Note 19
2009.08.28	15	75,000	750,000	60,940.5	609,405.53	NT$380 thousand, conversion of employee stock options	None	Note 20
2009.11.27	15	75,000	750,000	61,483.5	614,835.53	NT$5,430 thousand, conversion of employee stock options	None	Note 21
2010.04.01	15、24.3	75,000	750,000	61,676.8	616,768.03	NT$1,932.5 thousand, conversion of employee stock options	None	Note 22
2010.05.31	15、24.3	75,000	750,000	62,154.5	621,545.53	NT$4,777.5 thousand, conversion of employee stock options	None	Note 23

Month/Year	Issued Price	Authorized Capital		Paid-in Capital		Note		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Capital Increase by Assets Other than Cash	Others
2010.09.06	24.3	75,000	750,000	62,189.5	621,895.53	NT$350 thousand, conversion of employee stock options	None	Note 24
2010.12.13	15、24.3	75,000	750,000	62,238.8	622,388.03	NT$492.5 thousand, conversion of employee stock options	None	Note 25
2011.07.21	14.6、23.9	75,000	750,000	62,467.8	624,678.03	NT$2,290 thousand, conversion of employee stock options	None	Note 26
2011.09.15	14.6、23.9	75,000	750,000	62,492.8	624,928.03	NT$250 thousand, conversion of employee stock options	None	Note 27
2011.12.16	14.6、23.9	75,000	750,000	62,548.5	625,485.53	NT$557.5 thousand, conversion of employee stock options	None	Note 28
2013.12.25	19.2	75,000	750,000	70,048.5	700,485.53	NT$75,000 thousand, private common stock	None	Note 29
2014.03.05	23.9	75,000	750,000	70,249.5	702,495.53	NT$2,010 thousand, conversion of employee stock options	None	Note 30
2014.06.04	23.9	75,000	750,000	70,423.5	704,235.53	NT$1,740 thousand, conversion of employee stock options	None	Note 31
2014.08.29	23.4	75,000	750,000	70,563.5	705,635.53	NT$1,400 thousand, conversion of employee stock options	None	Note 32
2014.11.26	23.4	75,000	750,000	70,773.5	707,735.53	NT$2,100 thousand, conversion of employee stock options	None	Note 33
2015.04.07	23.4	75,000	750,000	70,859.5	708,595.53	NT$860 thousand, conversion of employee stock options	None	Note 34
2015.08.13	27	120,000	1,200,000	80,859.5	808,595.53	NT$100,000 thousand, capital increase in cash	None	Note 35
2020.08.25	10	120,000	1,200,000	64,687.6	646,876.42	NT$161,719, capital reduction	None	Note 36
2021.12.07	10	120,000	1,200,000	74,687.6	746,876.42	NT$100,000 thousand, capital increase in cash	None	Note 37

Note 1. Incorporated as approved by Letter No. 87352342 issued on November, 26, 1998.
Note 2. Approved by Letter No. (089) 115806 issued on May 24, 2000.
Note 3. Approved by Letter No. (090) 9001105070 issued on March 28, 2001.
Note 4. Approved by the Ministry of Economic Affairs Letter No. Economic Letter-Commerce-09101206500 issued on June 11, 2002.
Note 5. Approved by the Ministry of Economic Affairs Letter No. Economic Letter-Commerce-09201003450 issued on January 13, 2003.
Note 6. Approved by the Ministry of Economic Affairs Letter No. Economic-Central-09232589900 issued on August 28, 2003.
Note 7. Approved by the Ministry of Economic Affairs Letter No. Economic-Central-09333029510 issued on November 15, 2004.
Note 8. Approved by the Ministry of Economic Affairs Letter No. Economic-Central-09432893200 issued on September 30, 2005.
Note 9. Approved by the Ministry of Economic Affairs Letter No. Economic-Central-09532759340 issued on August 30, 2006.
Note 10. Approved by the Ministry of Economic Affairs Letter No. Economic-Central-09631762180 issued on March 5, 2007.
Note 11. Approved by the Ministry of Economic Affairs Letter No. Economic-Central-09632050500 issued on May 3, 2007.
Note 12. Approved by the Ministry of Economic Affairs Letter No. Economic Letter-Commerce-09601221330 issued on September 7, 2007.
Note 13. Approved by the Ministry of Economic Affairs Letter No. Economic Letter-Commerce-09601282450 issued on November 16, 2007.
Note 14. Approved by the Ministry of Economic Affairs Letter No. Economic Letter-Commerce-09701004610 issued on January 10, 2008.
Note 15. Approved by the Ministry of Economic Affairs Letter No. Economic Letter-Commerce-09701130370 issued on June 4, 2008.
Note 16. Approved by the Ministry of Economic Affairs Letter No. Economic Letter-Commerce-09701156790 issued on July 8, 2008.
Note 17. Approved by the Ministry of Economic Affairs Letter No. Economic Letter-Commerce-09701229600 issued on September 8, 2008.
Note 18. Approved by the Ministry of Economic Affairs Letter No. Economic Letter-Commerce-09801016120 issued on January 23, 2009.

Note 19. Approved by the Ministry of Economic Affairs Letter No. Economic Letter-Commerce-09801106410 issued on May 27, 2009.
Note 20. Approved by the Ministry of Economic Affairs Letter No. Economic Letter-Commerce-09801197960 issued on August 28, 2009.
Note 21. Approved by the Ministry of Economic Affairs Letter No. Economic Letter-Commerce-09801274890 issued on November 27, 2009.
Note 22. Approved by the Ministry of Economic Affairs Letter No. Economic Letter-Commerce-09901063790 issued on April 1, 2010.
Note 23. Approved by the Ministry of Economic Affairs Letter No. Economic Letter-Commerce-09901111100 issued on May 31, 2010.
Note 24. Approved by the Ministry of Economic Affairs Letter No. Economic Letter-Commerce-09901201580 issued on September 6, 2010.
Note 25. Approved by the Ministry of Economic Affairs Letter No. Economic Letter-Commerce-09901273770 issued on December 13, 2010.
Note 26. Approved by the Ministry of Economic Affairs Letter No. Economic Letter-Commerce-10001155000 issued on July 21, 2011.
Note 27. Approved by the Ministry of Economic Affairs Letter No. Economic Letter-Commerce-10001214440 issued on September 15, 2011.
Note 28. Approved by the Ministry of Economic Affairs Letter No. Economic Letter-Commerce-10001281590 issued on December 16, 2011.
Note 29. Approved by the Ministry of Economic Affairs Letter No. Economic Letter-Commerce-10201261980 issued on December 25, 2013.
Note 30. Approved by the Ministry of Economic Affairs Letter No. Economic Letter-Commerce-10301037510 issued on March 5, 2014.
Note 31. Approved by the Ministry of Economic Affairs Letter No. Economic Letter-Commerce-10301098880 issued on June 4, 2014.
Note 32. Approved by the Ministry of Economic Affairs Letter No. Economic Letter-Commerce-10301180600 issued on August 29, 2014.
Note 33. Approved by the Ministry of Economic Affairs Letter No. Economic Letter-Commerce-10301245970 issued on November 26, 2014.
Note 34. Approved by the Ministry of Economic Affairs Letter No. Economic Letter-Commerce-10401046520 issued on April 7, 2015.
Note 35. Approved by the Ministry of Economic Affairs Letter No. Economic Letter-Commerce-10401161940 issued on August 13, 2015.
Note 36. Approved by the Ministry of Economic Affairs Letter No. Economic Letter-Commerce-10901147120 issued on August 25, 2020.
Note 37. Approved by the Ministry of Economic Affairs Letter No. Economic Letter-Commerce-11001226400 issued on December 7, 2021.

Unit: shares; March 17, 2023

Type of Stock	Authorized Capital			Remark
	Outstanding Shares	Unissued Shares	Total	
Registered Ordinary Shares	74,687,642	45,312,358	120,000,000	Listed OTC stock

Note 1. The Company's shares are listed on TWSE, of which 10,581 thousand private shares are restricted from being traded on TWSE.
Note 2. Information relating to the shelf registration system: Not applicable.

(II) Shareholder Composition

Unit: shares; % March 17, 2023

Composition of Shareholders / Quantity	Government Apparatus	Financial Institution	Other Juridical person	Individual	Foreign Institution and Foreigner	Total
Number of persons	0	1	97	4,222	9	4,329
Number of shares	0	123,651	5,689,236	56,948,518	11,926,237	74,687,642
Shareholding ratio	0	0.17%	7.62%	76.24%	15.97%	100%

Note: The most recent book closure date: April 23, 2023.

(III) Distribution of Shareholding

1. Shareholding Distribution of Ordinary Shares

Par value: NT$10 per share; March 17, 2023

Holding share classification	No. of Shareholders	Number of shares	Number of shares ratio
1-999	2,199	269,155	0.36%
1,000-5,000	1,377	2,884,749	3.86%
5,001-10,000	267	2,032,583	2.72%
10,001-15,000	102	1,288,342	1.72%
15,001-20,000	67	1,204,615	1.61%
20,001-30,000	67	1,696,375	2.27%
30,001-40,000	51	1,808,935	2.42%
40,001-50,000	47	2,142,937	2.87%
50,001-100,000	56	3,972,051	5.32%
100,001-200,000	37	5,299,783	7.10%
200,001-400,000	28	7,486,829	10.03%
400,001-600,000	16	7,849,871	10.51%
600,001-800,000	-	-	0.00%
800,001-1,000,000	3	2,821,950	3.78%
>1,000,001	12	33,929,467	45.43%
Total	4,329	74,687,642	100.00%

2. Shareholding Distribution of Preferred Shares: The Company did not issue preferred shares.

(IV) List of Major Shareholders: Name, Number of Shares Held, and Shareholding Ratio of Shareholders with a Stake of 5 Percent or Greater, or Shareholders Who Rank in the Top 10 in Shareholding Percentage

Unit: shares; March 17, 2023

Shares / Name of major shareholder	Number of shares	Shareholding ratio
Kingston Technology Corporation	5,231,190	7.00%
KIOXIA Corporation	5,065,847	6.78%
TA YU CHEN	4,170,450	5.58%
CHIH LIANG TSAO	4,007,374	5.36%
YU LIEN CHIANG	3,051,621	4.08%
Jeffrey Lin	2,549,277	3.41%
UMC capital	2,400,000	3.21%
Powertech Technology Inc.	2,053,285	2.74%
Fortemedia, Inc.	1,600,000	2.14%
JUNG CHIN CHANG	1,445,817	1.93%

(V) Market Price, Net Worth, Earnings, Dividends per Share, and Related Information for the Past 2 Fiscal Years

Unit: NT$ thousand; thousand share

Item \ Fiscal Year			2021	2022	Current Fiscal Year up to Mar 17
Market Price Per Share	Highest		53	30.6	22.65
	Lowest		26.75	15	17.35
	Average		37.77	20.36	19.76
Net Worth per Share	Before Distribution		8.71	6.67	(Note 2)
	After Distribution (Note)		8.71	6.67	(Note 2)
Earnings per Share	Weighted Average Number of Shares (thousand shares)		65,729	74,688	(Note 2)
	Earnings per Share	Before Adjustment	0.02	(2.10)	(Note 2)
		After Adjustment	0.02	Not yet distributed	(Note 2)
Dividends Per Share	Cash		0	0	(Note 2)
	Stock Dividends	Dividends from Retained Earnings	0	0	(Note 2)
		Dividends from Capital Reserve	0	0	(Note 2)
	Accumulated Undistributed Dividends		0	0	(Note 2)
Return on Investment Analysis	Price/Earnings Ratio		N/A	N/A	N/A
	Price/Dividend Ratio		N/A	N/A	N/A
	Cash Dividend Yield		N/A	N/A	N/A

Note 1. Retroactive adjustment of capital stock after earnings distribution

Note 2. No data available as the current year has not yet ended.

(VI) Dividend Policy and Its Implementation

1. Dividend policy adopted in the Company's Articles of Incorporation

   If there is any earnings in the Company's annual final account, the Company shall first pay taxes and make up for losses of previous years, and then set aside 10% of the remaining earnings as the statutory surplus reserve, and make provision or reversal for the special surplus reserve according to the regulations of the competent authority. If there is still remaining earnings, not more than 2% of the remaining earnings shall be set aside as remuneration to directors and supervisors and not less than 10% as employee bonus. Qualification requirements of employees entitled to receive bonus include the employees of parents or subsidiaries of the Company meeting the conditions set by the Board of Directors. The Board of Directors shall draw up the earnings distribution plan, submit it to the shareholders' meeting for resolution and distribute accordingly.

   The dividend distribution of the Company is based on the current year's earnings and the Company's future capital budget plan and other factors. Dividends and bonuses may be paid in the form of cash or stock, of which the cash dividend shall not be less than 10%. The aforesaid payment method and ratio may be adjusted by resolution of the shareholders' meeting base on actual needs.

2. Distribution of dividends proposed in the shareholders' meeting:

   The Company's 2022 Lostings Distribution Plan has been adopted by resolution of the Board of Directors on Feb. 23, 2023. As the net loss after tax for 2022 was NT$156,558,681 dollars and the accumulated loss was NT$249,217,085 dollars.The shareholders' meeting proposed no dividend distribution in the current year (2023).

(VII) Effect on Business Performance and Earnings per Share of Distribution of Stock Dividends Proposed or Adopted at the Most Recent Shareholders' Meeting

The Company proposed in the Shareholders' Meeting in 2023 that no stock dividends would be distributed to shareholders and employees. Therefor, there is no effect on the Company's business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting.

(VIII) Remuneration of Employees and Directors

1. The percentages or ranges with respect to the remuneration of the employee and Directors, as set forth in the Company's Articles of Incorporation:

   (1) The remuneration for employees shall not be less than 10%.

   (2) If the Company has accumulated losses from previous year and gained profit in current year, prior to the appropriation of remuneration for employees and directors, a certain amount shall be reserved for loss recovery in advance, and not less than 10% of the remaining earnings shall be appropriated for employees and not more than 2% for directors. Qualification requirements of employees entitled to receive stock or cash set out in the preceding paragraph include the employees of parents of the Company meeting certain specific requirements. The remuneration to

independent directors of the Company shall be paid in the form of monthly fixed remuneration, and the distribution as provided in the first paragraph is not applicable.

2. The basis for estimating the amount of employee and director remunerations, for calculating the number of shares to be distributed as employee remuneration, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period: Not applicable.
3. Distribution of remuneration approved by the Board of Directors: The Company does not intend to distribute any dividend in 2023.
4. The actual distribution of employee, director, and supervisor compensation for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor compensation, additionally the discrepancy, cause, and how it is treated:

   The employee bonus and director remuneration to be distributed as resolved by the shareholders' meeting in previous year (2022) of the Company were the same as the original one that proposed for distribution adopted by the Board of Directors and there is no deviation.

(IX) Share Repurchases: None.

II. Issuance of Corporate Bonds: None.

III. Issuance of Preferred Shares: None.

IV. Issuance of Global Depository Receipts: None.

V. Employee Share Subscription Warrants: None.

VI. New Restricted Employee Shares: None.

VII. Issuance of New Shares in Connection with Mergers or Acquisitions or with Acquisitions of Shares of Other Companies: None.

VIII. Capital Utilization Plan and Its Implementation: None.

Chapter 5. Operational Highlights

I. Business Activities

(I) Scope of Business

1. Major Contents of Business

The Company is mainly engaged in the design, testing, production and marketing of NAND Flash controller ICs and MEMS (micro-electromechanical) microphones.

2. Proportion of business

Unit: NT$ thousand

Fiscal Year / Type of Product	2022	
	Amount	Revenue Proportion (%)
Controller IC	267,357	66.41
Audio IC and others	119,622	29.71
Revenue from design services	15,626	3.88
Total Net Operating Revenue	402,605	100.00

3. Current Products (Services)

(1) NAND Flash controller IC

(2) MEMS microphone IC

(3) Audio IC

(4) Intellectual Property and Design Services

4. New Products (Services) Planned for Development

(1) USB 3.2 Gen 1 NAND Controller IC

(2) SATA/ PCIe SSD (Solid State Disk/Drive) NAND Controller Solution

(3) Digital High SNR MEMS Microphone IC

(4) Analog High SNR compact size MEMS microphone IC

(5) Smart Microphone with Voice Command

(6) USB with high sound quality, 24 Bits/96K sample rate Audio Controller and Type C Hi-RES Audio Controller and Audio Controller with external 3D sourrand sound effect and EQ function

(II) Overview of the Industry

1. Status and Development of the Industry

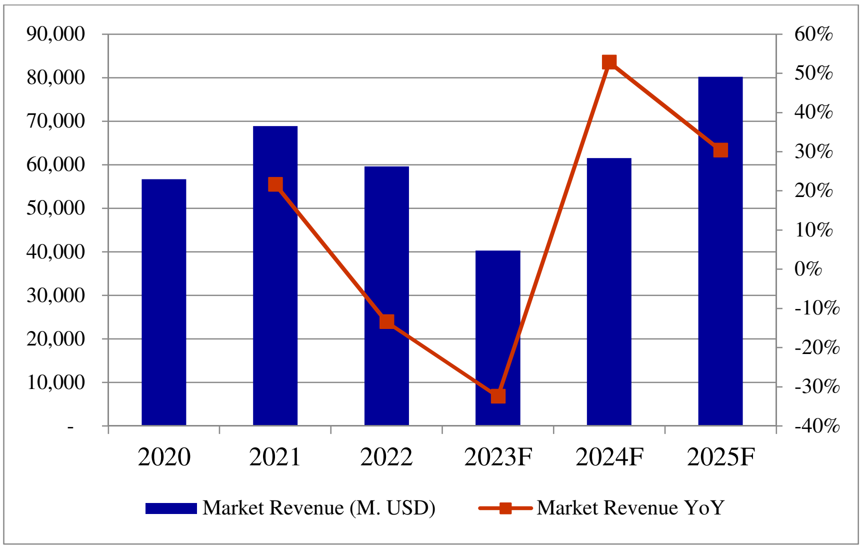
(1) NAND Flash

In order to keep reducing cost, NAND Flash Makers have shrunk the process from 90nm till to 1x nm. Since it is hard to overcome the yield and reliability problem, they turned to 3D NAND Flash TLC and QLC chip 3D structure which increases the memory storage capacity per unit, and enables the whole industry to expand continuously.

NAND Flash is the major storage memory for SD Card, USB Flash Drive, eMMC/UFS and SSD. A large number of eMMC is applied on Tablet PC and SMART Phone, and a large number of UFS is applied on SMART Phone, while a significant number of SSD is applied on Notebook, Desktop PC, and Server.

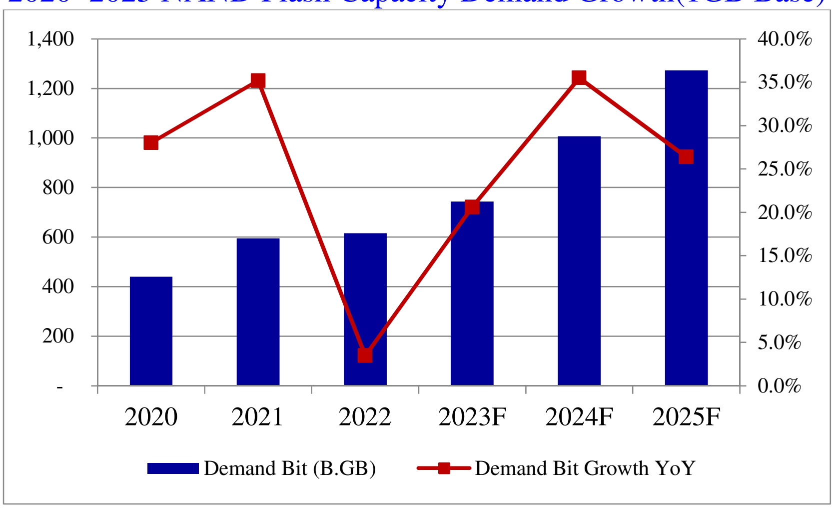
According to the survey by IL CONSULTANT, the electronic products demand decrease because COVID-19 epidemic slowed down since 2022 2^{nd} half year, and every country opened borders. NAND Flash Market Sales Scale NAND in 2022 is worse than 2021. Because of the destocking from 2023Q1, the flash market sales amount will increase from 2023 2^{nd} half year. Flash capacity demand will expected to continue growing in the next few years. So does the total sales amount.

2020~2025 WW NAND Flash Market Sales Scale and Growth Rate



Source: IL CONSULTANT

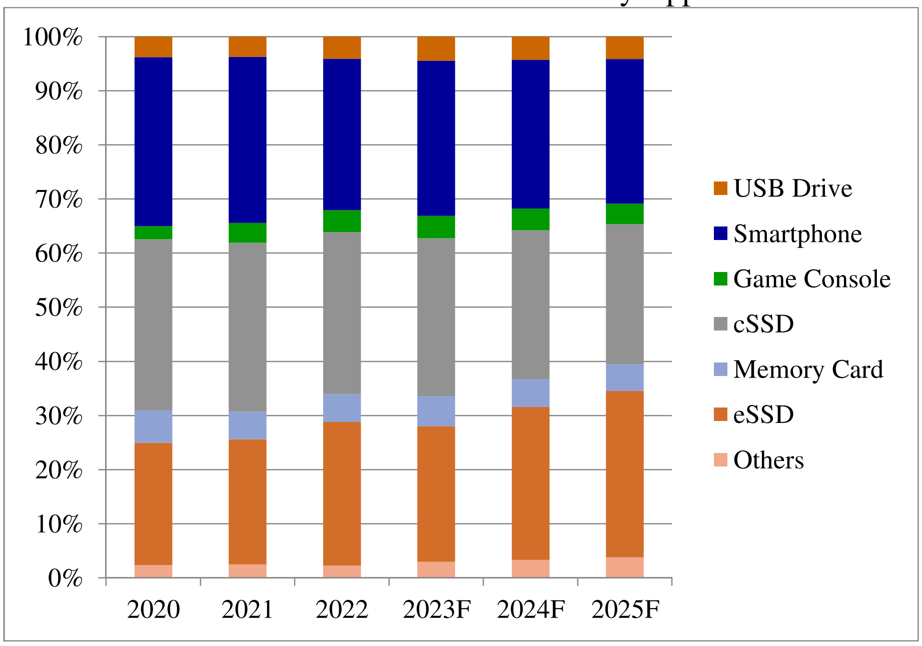
2020~2025 NAND Flash Capacity Demand Growth(1GB Base)



Source: IL CONSULTANT

According to the survey for NAND Flash application the demand of USB flash drive is stable, and the demand of SSD keeps growing. However, the actual market inventory clearance situation and economic recovery situation may not necessarily go as expected in various market survey reports, and may also be in the trough for a longer period of time.

2020~2025 NAND Flash Demand by Applications

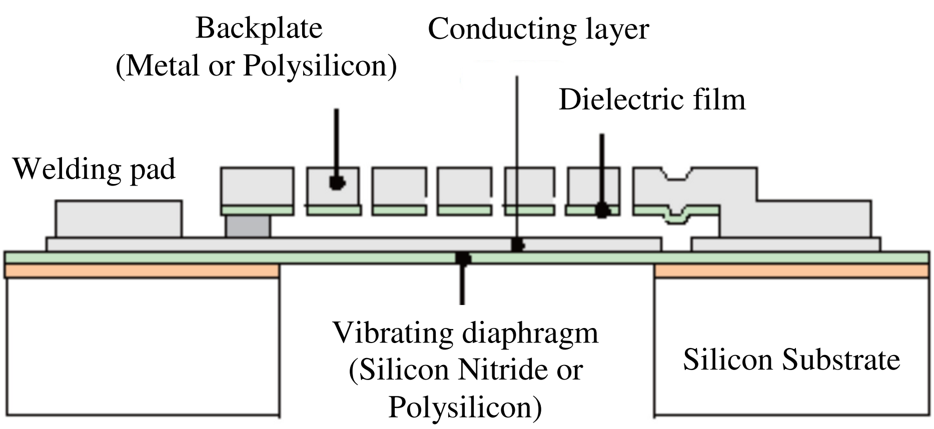


Source: IL CONSULTANT

(2) MEMS microphones

A microphone is a transducer that converts sound into an electrical signal for transmission and processing. Microphones are used in many applications as long as it is required voice pick up, such as smart phones, hearing aids, notebooks, tablet, television, surveillance, intercom, smart applications, voice control, vehicle and other applications.

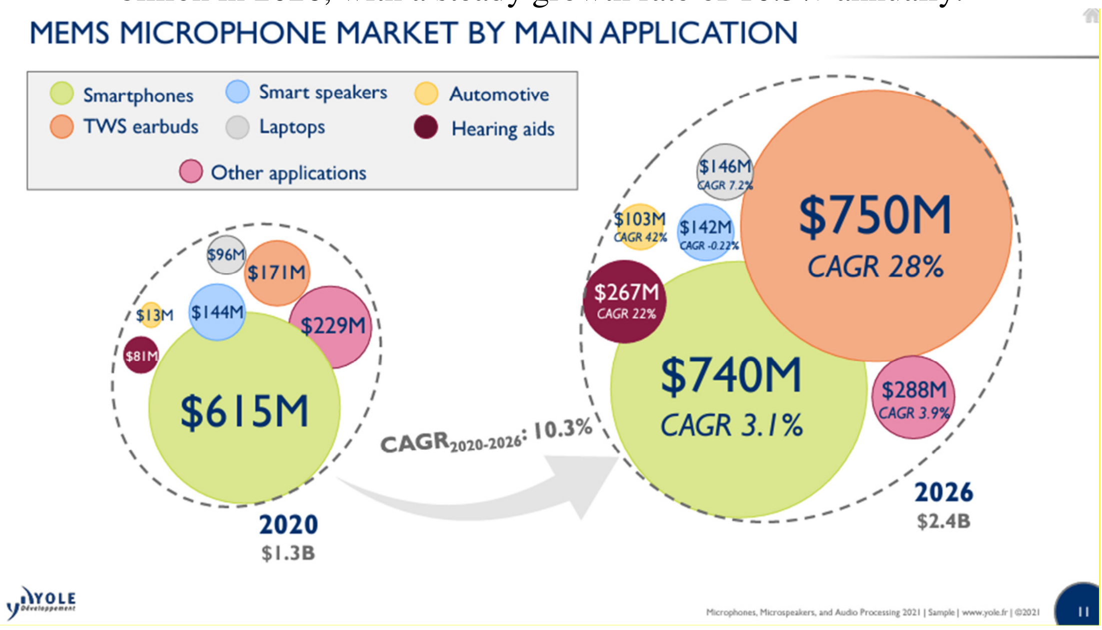
MEMS Microphone sensing chip structure diagram



Source: National Nano Device Laboratories

At present, the main types of microphones for sale are ECM electret condenser microphone and MEMS microphone. MEMS means using semiconductor manufacturing processes or other micro-precision technologies to integrate various functions like electronics, motors or mechanics into a miniaturized component or device. MEMS microphones are designed to be small in size, low in power consumption, and have the following advantages: better suppression of surrounding environmental interference (temperature changes, electromagnetic interference, power fluctuations, etc.), and monomers are consistent highly in performance indicators, and can be mounted automatically. Furthermore, the MEMS components are formed by silicon wafers and mature semiconductor manufacturing processes, so that they can withstand high temperature up to 260℃ by surface mounted SMT without impacting performance.

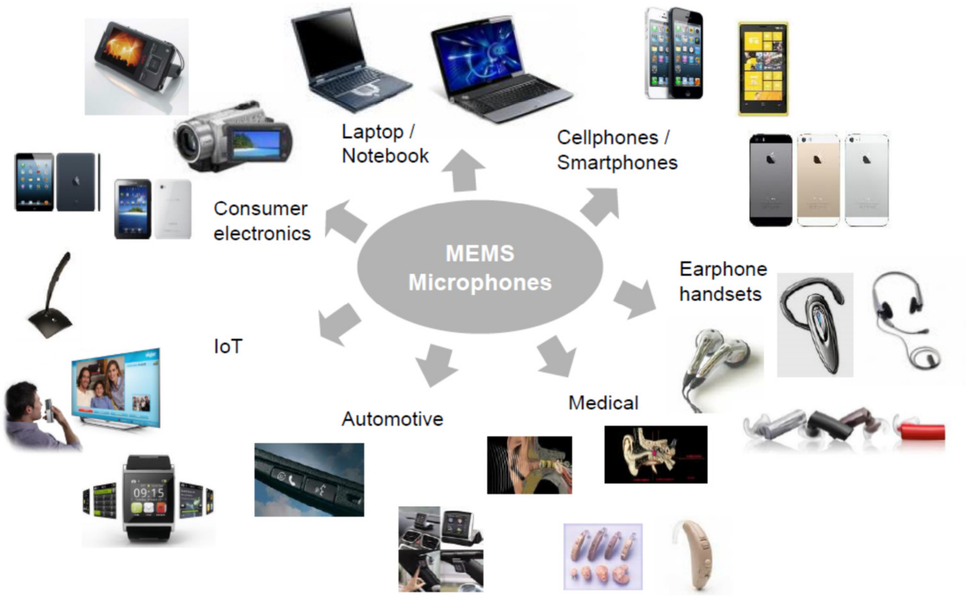
According to the survey by Yole Development in 2021, the MEMS microphone world market will grow from \$1.3 billion in 2020 to \$2.4 billion in 2026, with a steady growth rate of 10.3% annually.



Source: Yole Development, 2021

In terms of smartphone applications, according to IDC's Worldwide Quarterly Mobile Phone Tracker, smartphone will reach 1.20 billion units shipped in 2022, and the trend is forecast to continue through 2023, reaching 1.37 billion units. At present, countries have already started to deploy 5G networks, and are continually purchasing 5G equipments, while emerging markets have shown strong demand for mid - to-low-end 4G phones after the impact of COVID-19 has slowed down. IDC expects that single-digit low growth will continue through 2025. At present, the main stream new Mobil Phone models all keep using 2~4 MEMS Microphones, even if the market does not grow significantly, Mobile Phone remains the largest yet most stable application for MEMS Microphones.

Application scope of MEMS Microphones



Source: Yole Development

True wireless stereo earphones(TWS, Ture Wireless Stereo) is another fast-growing MEMS microphone application in recent years. The market estimates that the shipment of TWS Bluetooth Earphones will reach 1 billion pairs in the next five years. Generally, each pair of TWS uses 2 MEMS Microphones for the basic function, and the use of MEMS Microphone for each pair of the high-end earphones with add-on ANC function will be increased to use 4 ~ 6 MEMS Microphones, the demand for MEMS microphones by TWS Bluetooth earphones will reach 2.6 billion.

Notebooks and Chromebooks broke the long term YOY trough to peak cycle of +-3% change in shipments in 2020 with the demand for telecommuting and online teaching driven by the COVID-19. Shipments were expected to exceed 184 million units in 2023, according to TrendForce. While demand for regular notebooks and low-end Chromebooks is expected to decline now, demand for commercial, hybrid work, distance learning, gaming and foldable screen notebooks are still expected in 2023. On notebooks and Chromebooks, 2 MEMS microphones per unit is the mainstream.

Smart Home Scenario Diagram

Source: iResearch

Internet of Things (IoT) devices and wearable devices are applications with great growth in the future. Since many Internet of Things (IoT) devices and wearable devices do not have complete input devices and interfaces, it is the best choice to use voice input through power-saving, small and efficient MEMS Microphone.Since Amazon launched Echo(Alexa), the application of cloud voice recognition combined with artificial intelligence personal assistant has brought human imagination of communicating with machines with the most natural voice. Similar products like Google Home (Ok Google), Apple AirPod (Siri), SAMSUNG Bixby), Xiaomi AI speaker (XiaoAI)... will quickly enter human daily life in different forms, such as smart TV, smart speaker, smart headphone, smart watch, smart glasses, VR (Virtual Reality), AR (Augmented Reality), MR (Mixed Reality), ChatGPT(chatbot) and other applications.

IDC: Global smart wearable devices shipments and forecasts

Unit: Million units	2020 Shipments	2020 Product Ratio	2024 Shipments	2024 Product Ratiot
耳机	234. 3	59. 2%	396. 6	62. 8%
手表	91. 4	23. 1%	156. 0	24. 7%
腕带	67. 7	17. 1%	74. 4	11. 8%
其他	2. 6	0. 6%	4. 8	0. 8%
合计	396	100. 0%	631. 7	100. 0%

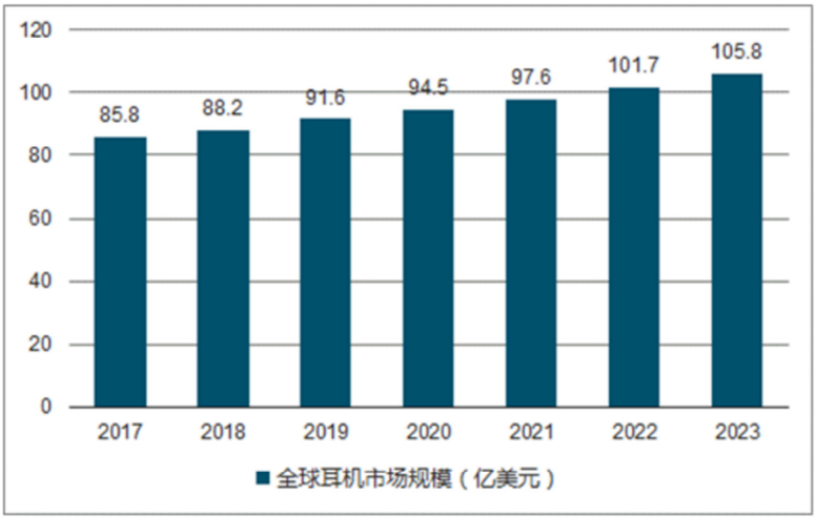
Source: IDC

Driven by artificial intelligence AI and 5G, voice-controlled devices can be used to trigger/execute commands anywhere from wearable devices to smart homes. The voice input function is also caught up with the trend of electric vehicles, according to Voicebot.ai report on the on-board voice assistant in 2019, up to 57.6% of people believe that the proportion of on-board voice assistant will be higher and higher, voice control and active noise cancelling in the car will be the basic function in the future. Although the number of microphones used per machine in the multi-application market is increasing, the market research report is relatively optimistic. However, the actual destocking of the market and the recovery of the economy remain to be seen.

(3) USB Audio IC

It is estimated that the global headphone market is expected to grow to US$77.76 billion between 2017 and 2023, with a compound annual growth rate of 8% during the period. The main factors for market growth are the popularity of smart devices and the increased use of headphones in games and AR-VR applications.

2017-2023年全球耳机市场规模走势图（单位：亿美元）



数据来源：公开资料整理

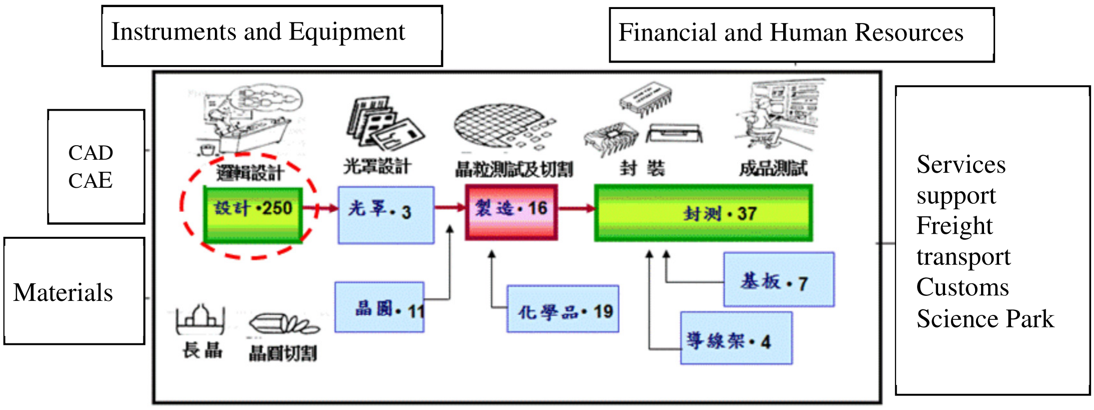
In 2023, the USB Audio headset market is still a challenging industry with important business development opportunities. In the wired game headset market, which we are good at, and because of the rise of related wireless products, the market is facing relatively large changes, but in TYPE C wired The demand for earphones also continues to rise, so the market demand for wired traffic and gaming earphones is still considerable

2. The Links between the Upstream, Midstream, and Downstream Segments of the Industry Supply Chain

The IC design industry was originally at the forefront of the semiconductor industry system, no upstream. Its midstream and downstream industries were wafer foundry, wafer manufacturing, assembly and testing. Taiwan's IC industry is different from foreign manufacturers in vertical integration of design, manufacturing, assembly and testing. In each production link individual manufacturers join in and have their own specialties, forming a horizontal division of labor system. Taiwan's IC industry ranks first in the world in both wafer foundry and packaging testing, second only to the United States in THE IC design industry, and has become the most important supply chain for the global IC industry.

IC design companies, whose main business is to sell self-designed products or accept designs commissioned by customers, are brain-intensive industries, which require far less capital than wafer manufacturers. IC design industry is an upstream industry in the industrial value chain. Before completing the final product, firstly it must be manufactured into semi-finished wafer products by professional wafer foundry or IDM factory (integrated device manufacturer who is engaged in design, manufacturing, packaging, testing and sales), are then performed a front-end test. Then, it will be transferred to a professional packaging factory for dice cutting and packaging. Finally, the professional testing factory does the post-testing, and after the test, the finished product is sold to the system manufacturers through the sales channel to be a system product.

The correlation diagram of the IC design industry between upstream, midstream and downstream is as follows:



Source: Industrial Technology Research Institute IEK(2013/07)

3. Trends of Products

(1) Flash Data Storage Industry

Flash Controller is the most important SOC key component in the Flash Data Storage industry besides NAND Flash, and the development direction of the whole industry will also lead the development of Flash Controller.

A. Application of portable digital consumer electronics products

Driven by Intel and AMD new chip sets, USB 3.x has become the built-in standard interface for personal computers.The supply ratio of USB 3.x flash drives in the market has also gradually increased. Type C interface is also widely used in mobile phones, tablets and note books, and the demand for flash drives with Type C interface is also gradually increasing.

B.The storage device replacement effect in notebook and desktop computers

SSD uses a random access mechanism.It surpasses the semi-sequential and semi-random access modes of hard disk drives, and can speed up program execution and data reading and writing, which is a great advantage for the operating system. SSD becomes a standard storage for notebooks. SSD has the characteristics of low power consumption, fast startup, good reliability, good efficiency, low noise, thin and short, and is the best weapon to improve the working efficiency of computers. The market for notebooks and desktop computers has significantly replaced hard disk drives with SSD. Because of the sufficient supply of NAND flash, NAND flash and SSD price went down accordingly which led to an increased quantity and expanded capacity for the SSD shipment. SSD has become the mainstream storage in the notebooks , and the interface has gradually migrated from SATA to PCIe Gen3, and gradually moves to PCIe Gen4. This market would keep growing in the following years.

C. Storage in network server

SSD doesn’t have read-write arm, magnetic head and motor as the hard disk drive does. It owns advantages of low operating current, low power consumption, lower operatrional temperature, and fast access speed..,ext. SSD has become the best choice for the fastest cache storage in the new generation of giant data center (Data Center) network server data storage hierarchy.

D.Application in other industries

For special requirements (including automobile industry, tool machine industry) under harsh environment (Environment Tolerance), SSD will still be the potential storage candidate. Devices of Edge Computing IOT application also needs to store data locally which will be another potential market.

(2) MEMS Microphone Industry

Microphone is a basic sound input component, which is widely used everywhere in various products, such as smart phones, toys, mobile phones, headsets, computers, hearing aids, digital cameras, video cameras and stereos, etc. Compared with traditional ECM microphones, MEMS microphones have the advantages of thin and short, tolerable to high and low temperatures, high signal-to-noise ratio, high resistance to electromagnetic interference, excellent high-frequency response, and consistent quality. It has greatly replaced traditional ECM microphones in 3C products application, and the market growth trend is clear.

From the perspective of market application trend, voice input is current mainstream trend, and it is the most direct and convenient way for man-machine interface input. In recent years, voice recognition has made a great leap in cloud data and big data algorithms. In addition, MEMS microphone IC manufactured by semiconductor process can provide the characteristics of higher signal-to-noise ratio (SNR), more consistent Sensitivity and phase quality. Combined with advanced audio source separation, array pointing and other technologies, it can provide higher radio quality for back-end voice recognition and processing. It is remarkable and has become a new development direction of man-machine interface. Now it has been widely used in various applications like smart appliances, smart homes, security monitoring, vehicle and so on, and the market is growing rapidly.

The MEMS microphones will develop towards high performance and diversified applications in the future. Various applications have different requirements of specifications: high SNR, high AOP, frequency response, phase consistency, highly tolerable to special harsh environment and special sensitivity.

(3) USB Audio IC Industry

From audio playback equipments to smart platforms, and from mobile phone accessories to independent terminals, audio terminals represented by speakers and headsets are going through three transformations:

a. Wireless connection: the first step towards an independent terminal. On the one hand, with the development of Bluetooth technology, with the improvement of transmission rate and bandwidth, it has evolved from wired to wireless headsets/speakers, realizing the wireless connection of audio terminals and audio sources; On the other hand, due to the great stability and practicability of wired audio equipment, it is still widely used in most application scenarios, so it is hard to replace in the short term.

b. Intelligent interface: The computing power of the audio main chip is improved to the platform level, the voice wake-up + active noise-cancelling is fitted as a standard. With the computing power and functional integration requirements of the audio (headset/speaker) main chips greatly increased, the audio chips had evolved gradually from simply completing the data transmission (Connectivity) of Bluetooth/WiFi to an developing independent intelligent computing platform. In addition, the headset terminal integrates voice wake-up to further free users' hands and realize a more natural man-machine interface.

c. Terminal diversification: smart audio Terminals are not only headsets and speakers, but also endless possibilities of diversification in the future. In the short- to medium term, smart headsets will be an effective means for diversified competition by mobile phone manufacturers, and with the possibility to be a standard configuration in mid-to-high-end mobile phones. Smart speakers benefit from the continuous increase in the penetration rate of the home end, and will evolve to either poles of "heavyweight scene interaction center" or "featherweight voice entrance". In the medium and long term, on the one hand, the headset/speaker terminal will further evolve to multi-function, scene customization, and relatively stand-alone. On the other hand, with the penetration of intelligent scenarios, the audio entrance will also break through the form of headset/speaker and develop diversified appearences.

After 2020, 5G+AI technology upgrades will drive audio as an important entrance to the era of Internet of all things, which is an important indicator of future development. For the current main product USB Audio, under the interface of USB 1.1 / 2.0, it can provide users with multi-channel and 32/24 bit and 48/96/192/384/768KHz output or input, which is competitive compares to other wired interfaces. Because the digital interface has the inherent advantages of no distortion and easy anti-noise interference in transmission, the overall effect can be even better. Since USB Audio provides users with a solution that is more convenient, higher-level and even the only sound upgrade means in some cases, it has created a new external sound effect market. At the same time, with the sharp rise of various hand-held devices in recent years, especially the rise of smart phones and tablets, it has also played a subtle ebb and flow effect on the PC and NB markets. Fortunately, although these new hand-held devices do not necessarily directly retain the USB slot interface, they all have the same function to continue to support USB audio, and can still easily use the sound effect of USB audio through various adapter ports. USB device is a good extensible device for all kinds of devices, and is also compatible with more advanced TYPEC interface. Furthermore, in 2.4/5.8GHz related wireless products, USB is often an important bridge between TX end and device, which can expand USB audio related market.

4. Product Competition

At present, NAND flash memory major makers are Samsung, KIOXIA (Toshiba)/ Western Digital(Sandisk), Intel(Solidigm), Micron, and SK Hynix. Now all of them have introduced 3D structure, which has become the key point for growth and competition. YMTC (mainland China) with strong capital background, has begun to aggressively build R&D and manufacturing, and penetrate into this market gradually. Flash memory controller vendors are also facing fierce competition. Due to the general direction of localization of Controller IC usage in mainland China, several domestic USB Controller IC design companies of mainland China have founded and fulfilled China’s internal demand. In addition to SSD Controller IC design companies located in the United States and Taiwan, several SSD Controller IC design companies have been established in mainland China, and the competition becomes even fierce.

MEMS microphones are developed by using foundry offered typical MEMS process. 3S has successfully launched several Digital /analog MEMS microphones are suitable for different applications with different packaging forms. At present, there are many MEMS microphone suppliers in a fiercely competitive market, but there are few manufacturers that actually develop both MEMS sensor and pre-amp ASIC which is the only way to meet the diversified application needs and ensure the stability of product characteristics and supply. Some of MEMS microphone suppliers purchase MEMS sensors, or ASIC, or both, and only engage in packaging and sales. The company is the only MEMS microphone supplier in Taiwan capable of developing products with its own technology and patents on both MEMS

Sensor and ASIC. In terms of global market competition, there are roughly five types of suppliers:

Classificatio	MEMS Senso	ASIC	Representative enterprises
Type 1	Self-develope	Self-developed	■ Knowles (MEMS Sony, ASIC AMS) ■ Infineon (MEMS Infineon, ASIC Infineon) ■ Solid State System Co., Ltd. (3S) (MEMS UMC, ASIC X-fab+UMC) ■ MEM Sensing (MEMS CRMICRO, ASIC SMIC) ■ STMicron (MEMS Omron, ASIC STM)
Type 2	MEMS sensors / ASICs used in high-end products are purchased from Infineon, and self-developed MEMS sensors / ASICs are used for low-end products		■ Goertek ■ AAC (buy out the production of Omron MEMS Microphone in SMIC)
Type 3	Supply MEMS Sensor separately or outsource ASIC for sale after testing and sealing		■ NISD ■ Fortemedia ■ GMEMS
Type 4	Outsourcing	Self-developed and sells ASIC	■ Zilltek ■ Navosense
Type 5	Outsourcing	Outsourcing	A number of mainland-based manufacturers

These five different types of suppliers all exist in the competitive global market. At present, Infineon is the top one in technology and has the best-selling in MEMS chips market, Knowles has the highest market share in MEMS Microphone, 3S market positioning is high SNR and stable quality, and 3S takes advantage of capabilities of self-developed MEMS Sensor and ASIC, can quickly adapt to new MEMS sensor or ASIC to meet application specifications required by customers, and gradually replaces the market of European and American brands.

For USB audio, there are some similar type of products in the market, however, they are in different market positioning. 3S's USB Audio market positioning is mainly high universality, good compatibility, high cost-performance ratio, with high stability based on a pure hardware architecture. 3S's postion is quite different from some similar products in the market which focus more on the developments of DSP and algorithm, 3S's USB Audio mainly focuses on entry-level, easy-to-use and effective product lines, reduces the manpower needs of engineering support and the burden of excessive resources required for customized firmware, and minimizes the dilemma of several IDM manufacturers developing the same type of products to reach brand customers. Most customers believe that our products are substantially different from other brands.

(III) Overview of Technologies and R&D Work

1. R&D expenditures during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report

Unit: NT$ thousand

Item/Fiscal Year	2022
R&D Expenses	133,920
Net Operating Revenue	402,605
Percentage of R&D Expenses to Net Operating Revenue (%)	33.26

The Company's R&D expenses are mainly invested in analyzing future market development trends and application technologies for new product promotion, and assisting customers in solving production and design problems, so as to improve the ability of the overall solution. R&D expenses mainly include personnel salary expenses, project expenses and various depreciation and amortization.

2. Technologies or products successfully developed during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report

Fiscal Year	R&D results
2022	Launched USB Cap-less Headphone Drive 24bit/96K Hi-Res Audio IC Launched USB2.0 entry-level NAND Flash Controller with 1.2V NAND Flash interface Launched analog differential interface MEMS microphones Launched withstand air pressure series MEMS microphones
2023.3.17	Launched for hearing aids anti-UV analog MEMS microphones

(IV) Long-term and Short-term Business Development Plans

1. Short-term Business Development Plans

Since the most advanced process of NAND Flash has migrated as the structure of 3D TLC/QLC. We should consider the characteristics of 3D NAND Flash into the design of our Flash controller ICs and solutions. Our company keeps developing NAND Flash controller ICs and solutions to support the latest generation of 3D TLC/QLC. We continuously strengthen product competitiveness, reduce product costs, improve customer service quality, stabilize existing customers, and prudently develop new customers in existing markets and mainland China to enhance the revenue.

In terms of MEMS microphone IC products, the Company will independently develop MEMS Sensor and ASIC chips, design microphone packaging structure, and develop mass production testing equipment to ensure product quality consistency and stable supply, with an emphasis on the considering different application requirements from the chip development stage, to develop the products closest to market demand. With the launch of high-SNR/high-AOP D-mic products this year, it will help expand the market share of TV, surveillance, smart watches, notebook and other applications.

In terms of USB Audio, in the short term, In the short term, existing products will be used to continue to expand the customer base that has stabilized due to the shortage of consumer IC market in the past two years and has been troubled by finished product inventory due to the Sino-US trade war in the previous year.

We will continue to improve product functions and cost-effectiveness, maintain a consistent reputation of high quality customer service as well as stable market supply. In addition, we will actively develop new product R&D plan, hoping to make a product improvement and upgrade plan in 2023.

2. Long-term Business Development Plans

3D NAND Flash has become the mainstream usage, and the application markets are expansible in the long term. We aim to stabilize the overall gross margin in USB NAND Flash controller in the consumer market. In information products, we will continue the development of high-speed SSD controller ICs, and continuously and prudently review and distribute existing markets and other rapidly emerging regional markets.

In terms of MEMS microphone IC products, we will target products applicable for seven application areas, including ANC active noise-canceling headsets, AI intelligent applications, security monitoring, automotive, notebook computers, TWS Bluetooth headsets and mobile phones. We have long been operating with brand customers in these seven application fields, and assisting agents to develop various types of customers on the client side. On the other hand, we have conducted in-depth cooperation with the back-end main chip manufacturers to jointly develop the market.

In terms of USB Audio, our long-term goal will be the focus on the development of wireless Audio products, optimize and improve existing products in the market to create differentiated new products and improve the experience for manufacturers and consumers, and gradually establish a plan to take USB Audio products as the products of AI generation for import and export in the future.

II. Overview of Market, Production and Sale

(I) Market Analysis

1. Geographic Areas where the main Products and Services are Provided and Supplied

Unit: NT$ thousand

Fiscal Year / Sales Region	2022	
	Amount	%
Domestic Sales	40,714	10.11
Foreign Sales	361,891	89.89
Total	402,605	100.00

2. Market Share

The Company is a professional IC design manufacturer. Its main products include NAND Flash controllers ICs, MEMS microphones and audio application ICs, as well as related integrated circuit design and technical services. According to the latest report by the market research agency IC Insights, the output value of global overall IC design industry in 2021 has reached US$177,718 million, or approximately NT$4,915.7 billion. While the net consolidated operating income of the Company was NT$403 million in 2022, accounting for about 0.008% of the total output value. Although the overall IC design market share is currently small, the Company will continue to further develop the NAND Flash controller IC product line and customer base in the future, and expand the MEMS microphone IC product line. Therefore, there will be considerable room for growth in the future.

Unit: NT$ million; %

Item	2022
The Company's operating revenue (A)	403
Output value of global IC design industry (B)	NT$4,915.7billion
Market share of IC design industry (A)/(B)	0.008%

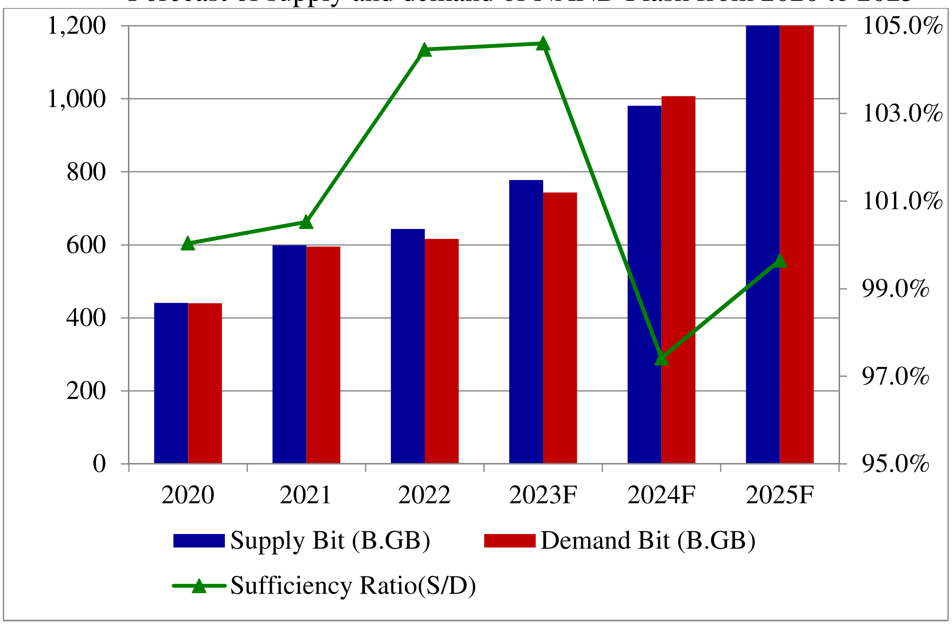
Source: Department of Statistics

3. Supply and Demand in the Market and Possible Future Growth

(1) NAND Flash

According to IL CONSULTANT, NAND Flash has become the main storage for all kinds of electronic products. After 2020, the sufficiency ratio maintained at a level of 2-3% difference between supply and demand except the contamination issue of KIOXIA and WD production lines in February, 2022. Although the NAND Flash industry has some oversupply or shortages at certain time points, the overall supply and demand is still in a healthy balance and is still growing steadily. Since 2020, many people work from home because of COVID-19 pandemic. This impacted the global economics with the difference ways. In the short team, the demands have changed dramatically and rapidly. The electronic products demand decrease because COVID-19 epidemic slowed down since 2022 2nd half year, and every country opened borders. Because of the destocking from 2023Q1, the flash market sales amount will increase from 2023 2nd half year. In the long term, market research estimates that the overall NAND Flash Memory market will continue to grow from 2020 to 2025. From the application point of view, NAND Flash applications have spread rapidly. In addition to UFS or eMMC for smartphones and eMMC for tablets, the demand for solid-state drives (SSD) for notebooks and data centers is also increasing rapidly. According to market research reports, SSD consumed 50% of the global NAND in 2020/2021. In the long term, SSD is the primary application market for capacity growth, and our company also puts major engineering effort and support on SSD.

Forecast of supply and demand of NAND Flash from 2020 to 2025



Source: IL CONSULTANT

(2) MEMS microphones

According to data released by the market research agency Yole Development in 2021, the global MEMS microphone market will grow from US$1.2 billion in 2021 to US$1.8 billion in 2026. On the supply side, the Sensor for MEMS microphones requires special semiconductor equipment and manufacturing processes, which would become the most important supply limitation. Generally, semiconductor foundries are unable to manufacture and mass produce unless they invest in special equipment and coinvest in process development with MEMS microphone manufacturers. Currently, there are limited semiconductor factories with mass production capacity, such as Sony, NJR in Japan, Infineon in Germany and Malaysia, SMIC and CSMC Microelectronics in Mainland China, and UMC in Taiwan and other 8 inch/6 inch semiconductor manufacturers. The current supply is still said to be sufficient. In the coming years, the demand for MEMS microphones will continue to grow strongly under the new application trend of Cloud Voice Recognition in combination with artificial intelligence functions, and Edge Voice Recognition with terminal artificial intelligence. Continued investment in new capacity for 8-inch semiconductors could be a bottleneck.

(3) USB Audio IC

USB Audio market has entered the Audio ecological stage following traditional Audio and digital Audio.The growth was mainly due to factors such as mature users' audio usage habits, multi-point development of audio content products, and the promotion of users' payment for audio live broadcasts. In the future, the incremental market space will be further opened with the gradual maturity of audio products and profit models, and the improved efficiency of audio ecology. Particularly COVID-19 after 2023, the upgrade of 5G+AI technology will promote audio as an important entrance in the era of the Internet of Everything, and the market boundary will be greatly expanded. The overall market size is expected to exceed NT$34 billion by 2023.

In view of the current market environment, the overall industry chain should focus on the integration of wafer foundry capacity, packaging and testing. Given that the global wafer foundries are currently fully loaded in capacity, and the packaging and testing capacity is also insufficient. Although the supply of the product is slightly delayed due to the overall environmental impact, it can still meet the short-term market demand for supply and shipment as a whole. However, under the effect of the launch of new products, the growth of new development projects in 2021 will accelerate. In the future, the market share is still to be increased by release of production capacity of wafer foundries, packaging and testing manufacturers.

4. Competitive Niches

(1) Close cooperation with upstream and downstream industries

Our Company is major in chip design and solution development. In the NAND Flash controller IC, we get the latest technical information from upstream strategic partner(NAND maker) KIOXIA and market demand from downstream strategic partner(Module House) Kingston to develop the right flash controller IC. Our controller ICs could support the newest NAND generation, and USB/SSD finished goods could be mass production smoothly. In SSD product line, Our company also cooperates with the advanced hardware vendors, and we provide SSD Turnkey Solution with our firmware strength and the mass production experience of finished goods to serve our customers.

In terms of MEMS microphone IC products, the Company has long cooperated with semiconductor manufacturers to develop MEMS Sensor process, with packaging plants to develop packaging process, and with equipment plants to develop automatic testing equipment, mastering the process from semiconductor process, packaging process to automated testing equipment. Based on the market demand, we emphasize considering the application demand from the chip development stage, developing the products closest to the market demand, and providing customers with the most suitable products with close cooperation between the upstream and downstream of the entire industry to create a win-win situation.

The USB Audio product line has long been closely related to the upstream and downstream of the industry chain. In the future, the Company will deepen its relationship with the upstream and downstream of the industrial chain to maintain better product yield and cost advantages.

(2) Master key core technologies

In addition to the key core technologies accumulated in NAND Flash controller IC products, the Company is also actively developing new MEMS microphone IC products. From the early launch of the world's only single-chip CMOS MEMS microphone that entered mass production, to the separate design of ASIC and MEMS Sensor in response to mainstream market demand, the Company has launched dual-chip MEMS microphones, accumulated technologies and patents for process components, circuit design, acoustic mechanism and packaging and testing, and fully grasped the relevant key core technologies thereof.

(3) Master good customer relations

The USB Audio product line has long been closely related to upstream and downstream customers in the industry chain.
In the future, we will deepen the relationship with the upstream and downstream of the industrial chain to maintain better product yield and cost.Based on this advantage, provide high-stability consumer-grade products to maintain customer stickiness.

(4) Complete layout of intellectual property rights and patents

Patent value is an important factor for international competitiveness and sustainable management capability, and it is of vital importance for IC design companies. Each product line of the Company is relatively early invested in R&D at home and abroad. Except for some outsourcing intellectual property (IP), they are all developed independently based on innovation. The Company has accumulated a considerable number of patents in the United States, Europe, mainland China, Japan and Taiwan and other regions, and has established a complete patent layout through strategic cooperation and cross-licensing, which can reassure sales customers from worry about being interfered by patent litigation, and significantly reduce royalty payment costs. The Company was awarded as one of the "Top 50 TWSE/TPEx Listed Companies in US Patent Value" by the Science & Technology Law Institute in 2013, and has established a clear patent award system and a complete training system to encourage employees to innovate, which shows that the Company attaches great importance to the intellectual property rights of enterprises. In addition to obtaining some basic invention patents for the calculation of Flash Controller ahead of the world, the Company has obtained key core patents including related component process, circuit design, acoustic mechanism, packaging and testing for most MEMS microphone related patents, as mentioned above. Some of these patents are among the world's leading applications and certifications.

5. Positive and Negative Factors for Future Development, and the Company's Response to Such Factors

(1) Positive Factors:

A. Flash Controller

a. NAND Flash supply and its application markets continue ~~to~~ growing strongly

In recent years, NAND Flash makers have turned to the development of 3D structure design and manufacturing technology NAND Flash technology migrated from TLC (3-bit-per-cell) to QLC (4-bit-per-cell) to improve the demand for capacity and keep expanding the overall industry in the following years. Except mobile and computing platforms, SSD which replaces hard disk drive will also consume the huge flash capacity. SSD provides high-speed and low-power data access on high-end servers, or provides~~ing~~ light, thin, small, power-saving and less noisy data access on notebook and desktop computers to replace hard disk drives. IOT rapid expansion accompanies the enhancement of embedded memory demand. the market is poised for growth. We can expect the huge growth of NAND Flash demand.

b. Long-term accumulated firmware and mass production experience on NAND Flash applications finished goods.

Our company works hard on NAND Flash application market many years. We support the latest NAND Flash technology from SLC(1-bit-per-cell) to MLC(2-bit-per-cell), then to TLC(3-bit-per-cell) majorly used now, then to the newest QLC(4-bit-per-cell). Along with the more layers process of NAND Flash, we design Flash controller ICs to support them, and assist the mass production of NAND Flash storage finished goods. These years, NAND Flash progresses 3D structure. We continue releasing USB 2.0 and USB 3.x flash controller ICs to support them for USB Flash Disk at the module house. With our own firmware development and finished goods mass production experience, we co-operate with the international IC design company. We use their advanced SSD controller IC to provide our firmware and software solution to get into rapid growth SSD market. SSD's core technology is included of firmware ability and the mass production experience of NAND Flash finished goods except the advanced process node of SSD hardware. Since we have the ability and experience, we have the change to get into this rapid growth SSD market in the short term under the absence condition of SSD hardware.

c. Close cooperation with upstream and downstream industries

We deeply look into the change of the industry environment, and strengthen the cooperative relationship between upstream company KIOXIA (3S strategy partner) and downstream company Kingston (3S strategy partner). KIOXIA is the world-wide NAND Flash company from Japan. Kingston is the world's leading memory module company, and ships their own brand products globally. Its market share is No. 2 in the world, and it plays a important role in the memory module industry.

B. MEMS microphones

a. The MEMS microphone market will continue to grow strongly

Voice recognition brings humans the most natural voice and the convenience of communicating with machines. Combined with increasingly sophisticated AI technologies, the market for MEMS microphones will continue to grow strongly. All kinds of Cloud Applications and terminal Applications Edge Applications have been launched continuously, liberating human hands and vision, improving human efficiency and enabling people to work on multiple matters at the same time. There will also be breakthroughs in human hearing applications. As a result, the development of voice-related applications would be full of imagination, and the market for MEMS microphones will continue to grow strongly with the popularity of voice applications.

b. Continue to introduce dual-chip digital/analog MEMS microphones for different applications

The Company initially adopted the standard CMOS process for the mass production of single-chip CMOS MEMS microphones. In response to the mainstream market trend, the Company switched to a special MEMS process for the development of dual-chip MEMS microphones. It has successively launched a variety of digital/analog models suitable for different applications and in different packaging forms. By 2022, three Sensors with different structures and with different sizes of 1100um x 1100um, 850um x 850um, 700um x 700um, and multiple digital/analog ASICs with different demands have been launched, together with a portfolio of digital/analog MEMS microphones for a wide variety of applications. In the near future, the Company will introduce a sensor with a smaller area to meet the demand for low-cost TWS headset calls, and a sensor with a larger area and an improved structure to meet the market demand for higher SNR. The future development trend of MEMS microphones will be towards high performance and diversified applications. Various applications require different specifications, some of which are met by ASIC circuit design, some are solved by MEMS Sensor structure design or different processes, different materials, and some are related to packaging structure design. Therefore, suppliers who do not carry out self-development and do not have enough technology accumulation will face great pressure in response to the requirements of different applications of customers.

c. Manufacturers planning for new investment are challenged by the MEMS microphone market

Different from general semiconductor process, MEMS processes require special equipment investments such as Double Side alignment, Deep RIE... and other special process equipment. General semiconductor foundries will first evaluate the investment risk and then the feasibility of the process technology, and then invest the process development personnel to cooperate with MEMS Microphone design, and continue to invest manpower and time to improve the yield. The reliability issue can only be verified successively after the product is put on the market. It can be a huge challenge for manufacturers planning for new investment in terms of determination and technology.

In addition to the R&D of MEMS microphone components, the Company has also long been developing MEMS microphone-related applications, and has established and accumulated system application technologies as its foundation such as ANC (Active Noise Cancellation, DOA (Direction of Arrival), Beamformer (directional microphone), Offline Voice Recognition etc. By investing in the application market, we can peep and grasp the demands and trends of future product development.

C. USB Audio

USB Audio products are irreplaceable after passing the relevant certification, unless the customer is willing to redesign and re-certify the entire finished product. However, the cost of finished product certification is extremely high. Generally, customers do not easily replace the certified products unless there is a long-term shortage or cost problems, which is an extremely favorable factor for us, who currently occupy the position of entry-level products in the client side for a long time. .

The official shipment of new products launched this year has effectively filled our long-term disadvantage of lacking practical products with mid-level specifications. Under a good customer relationship, the new product effectively prompts customers to develop new solutions and products. Once the new product design scheme is certified, it can enter a good cycle that is not easy to be replaced, which can also increase the adhesion of customers to us.

(2) Harmful Factors and Countermeasures

A. NAND Flash Controller

NAND Flash controller ICs market grows substantially.The domestic/foreign IC design companies face fierce competition. So, the price and gross profit of some Controller ICs declined year by year. From the perspective of NAND Flash supply, it is harmful for NAND Flash finished goods sales as NAND Flash price increases. At that time, it will impact Sales of NAND Flash controller ICs. The unchangeable rule is that our NAND Flash controller ICs support all kinds of NAND our customers use in time to overcome the big change in this market. Since 2020, the logic wafer supply shortage has resulted into the decline of Controller IC's sales. Wafer foundries and assembly houses suffered the insufficient capacity and the cost-up of the internal material, and they increase the manufacture price to cause the pressure of our profit margin.

Countermeasures:

Keep strengthening the cooperation relationship with the strategic partners on USB Flash Controller IC, and enhance the additional value of the controller ICs together. For the controller IC design, we choose the cost-effective process, simplify design, enhance the error correction ability to slow down the cost, enhance product features and keep product competitive. To reduce NAND Flash supply variation to the sales impact of SSD Turnkey Solution, we keep supporting all kinds of Flash, and the customers who can get Flash steadily in the long term. Since 2020, wafer shortage and wafer price-up are the big challenge for our company. It needs some time to recover. We will contact with wafer foundry closely, and grasp the chance to gain more wafer quota. For the wafer and material price-up, it is hard to change in the short term. We will find methods for the cost control from many aspects aggressively, and depend on the market acceptance to negotiate with the customers about the cost-up issue.

B. MEMS microphones

At present, many MEMS microphone suppliers on the market are international manufacturers. Infineon and Knowles are leading in technology development and market share, ranking the top two in the world. STM has lost its market share, while TDK continues to develop. In the dual-chip MEMS microphone market, the Company is relatively lagging behind the market.

Response Strategies:

The MEMS microphones is developing towards high performance and diversified applications in the future. In response to this trend, the Company will make full use of its own technology development advantages to introduce in a flexibly manner a variety of MEMS Sensors with different characteristics, ASICs with different performances and different packages, with a combination of MEMS microphones with advanced, medium and low-end product application specifications as required by customers. In areas with more mature market applications, such as notebook and mobile phone applications, the market supply and demand situation is also more mature. The Company will strive for opportunities of standby suppliers based on product quality and cost performance. In new application fields such as AI intelligent application, surveillance and vehicle-mounted, the Company will continue to increase its market share by strategically and flexibly expanding diversified products to brand customers.

C. USB Audio

In the short term, the biggest negative factor is the rise of similar products in mainland China, which may cause a short-term decline in inventory and sales quantity in a specific period of time, as a result of the shortage of consumer ICs and materials and the difficulty of wafer production for two consecutive years caused by the US-China trade war and COVID-19. In addition to the original competitors and customers increasing a large number of their upstream orders and accumulating inventories, some other manufacturers has put the USB AUDIO ICs that had been discontinued in the early years back into production and grab such out-of-stock markets through mainland solution providers, and several mainland IC design companies have newly developed new products such as USB AUDIO DSP or ICs to join the war.

Response Strategies:

USB Audio IC was originally one of the overall AUDIO market, and there are not so many manufacturers who develop deeply in this field. But the overall market has actually been fairly stable for more than 20 years. In the early stage, the market was dominated by TI and other American manufacturers, and the 3S USB Audio product line was actually not rich in projects. However, over the past 10 years, although we have been exposed to every unfavorable factor in the market, the Company still has been able to truly understand the needs of customers, make products that are truly differentiated from other manufacturers, and provide good customer service. Only by continuously developing Audio-related technologies, launching products suitable for customers reasonably and efficiently, and maintaining a good market price positioning, can we continue to develop in the fierce competition.

(II) Usage and Manufacturing Processes for Main Products

1. Important Applications of Main Products

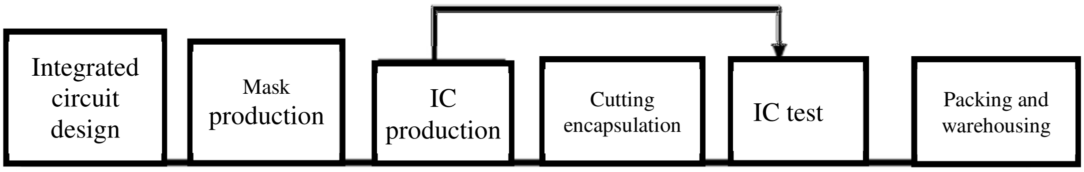
Type of Main Products	Important Applications of Functions
NAND Flash controller IC	Data access with USB Flash Disk through the computer data security control, data storage in mobile device, main data storage for desktop computers and servers, data storage for Edge Computing IOT Device
Audio IC	Phone headsets, gaming headsets, headsets and microphones for desktop and notebook computers, TYPE-C headsets, audio converters, computer recording equipment, Type C extended HUB audio

Type of Main Products	Important Applications of Functions
	source, online live streaming and song-related products, POS and IPC-related audio source devices
MEMS microphone IC	TWS Bluetooth headsets, ANC active noise-canceling headsets, smart applications, notebooks, surveillance, vehicle and mobile phones

2. Manufacturing Processes for Main Products

   a. IC (NAND controller) & MEMS microphone

      The Company is an IC design company, and its wafer manufacturing is commissioned to the foundry. After the initial testing, the wafer produced by the foundry will be sent to the packaging and testing factory for packaging and complete IC function testing.



(III) Supply Situation for Major Raw Materials

Since the third quarter of 2020, the production capacity of foundry production and packaging and testing available to the Company has been limited due to the increase in global wafer demand. The Company is currently actively working with major suppliers to increase production capacity and seeking new capacity cooperation with other foundries.

Main Raw Materials	Main Suppliers
Wafer	Company A
Wafer	Company B

(IV) List of Major Suppliers/Customers

1. Information on Major Suppliers for the Most Recent Two Years

Unit: NT$ thousand; %

Item	2021				2022			
	Name	Amount	Percentage of Annual Net Purchases (%)	Relationship with the Issuer	Name	Amount	Percentage of Annual Net Purchases (%)	Relationship with the Issuer
1	Company A	122,526	47.80	None	Company A	65,383	34.69	None
2	Company B	113,392	44.24	None	Company B	103,841	55.09	None

	Others (Note)	20,421	7.96	None	Others (Note)	19,271	10.22	None
	Net purchase	256,339	100.00	N/A	Net purchase	188,495	100.00	N/A

Note: All suppliers accounting for 10 percent or more of the Company's total procurement amount.

2. Information on Major Customers for the Most Recent Two Fiscal Years

Unit: NT$ thousand; %

Item	2021				2022			
	Name	Amount	Percentage of Annual Net Sales (%)	Relationship with the Issuer	Name	Amount	Percentage of Annual Net Sales (%)	Relationship with the Issuer
1	KIC	99,926	14.43	Corporate Director	KIC	72,364	17.97	Corporate Director
2	KDIL	266,021	38.42	Subsidiaries of Corporate Director	KDIL	211,610	52.56	Subsidiaries of Corporate Director
3	Company A	147,348	21.28	None	Company A	-	-	None
4	Others (Note)	179,057	25.87	None	Others (Note)	118,631	29.47	None
	Net sales	692,352	100.00		Net sales	402,605	100.00	

Note: All customers accounting for 10 percent or more of the Company's total sales amount.

(V) Production Volume and Value for the Most Recent Two Fiscal Years

Unit: NT$ thousand; thousand pieces /tablet

Fiscal Year / Output	2021			2022		
Main Products	Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Controller IC	(Note)	28,221	197,108	(Note)	15,334	129,082
Audio IC and others	(Note)	116,637	375,027	(Note)	42,655	169,380
Total	(Note)	144,858	572,135	(Note)	57,989	298,462

Note: The Company is an IC design company, with all production activities, thus it is not applicable.

(VI) Sales Volume and Value for the Most Recent Two Fiscal Years

Unit: NT$ thousand; thousand pieces /tablet/set

Year / Sales Volume	2021				2022			
	Domestic Sales		Foreign Sales		Domestic Sales		Foreign Sales	
Main Products	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Controller IC	0	0	25,392	308,320	0	0	18,558	267,357
Audio IC and others	14,723	152,525	57,872	187,701	4,325	40,714	20,991	78,908

Revenue from design services	0	0	66	43,806	0	0	0	15,626
Total	14,723	152,525	83,330	539,827	4,325	40,714	39,549	361,891

Note: For other products, it means the service income from provision of technology.

III. Information on Employees for the Most Recent Two Fiscal Years and during the Current Fiscal Year Up to the Date of Publication of the Annual Report

Year		2021	2022	Year ended March 17
Number of employees	R & D	68	65	64
	Sales	33	29	29
	manager	21	19	19
	manufacturing staff	4	5	5
	Total	126	118	117
Average age		43.4	44.0	44.0
Average years of seniority		8.9	9.9	10.1
Educational level (%)	PhD	0	0.8	0.8
	Master	49.2	46.7	46.2
	College	50.8	52.5	53.0
	High school	0	0	0

IV. Disbursements for Environmental Protection

The total amount of losses (including compensation) and disposals due to environmental pollution in the most recent year and up to the date of publication of the annual report,And explain the future countermeasures (including improvement measures) and possible expenditures (including possible if the estimated amount of loss, disposal and compensation cannot be reasonably estimated, it shall explain that it cannot be reasonably estimated Facts): None.

V. Labor Relations

1. Employee Benefit Plans, Continuing Education, Training, and Retirement Systems and the Status of Their Implementation, and the Status of Labor-management Agreements and Measures for Preserving Employees' Rights and Interests

(1) Employee benefit plans

In addition to the employee's labor insurance, national health insurance and pension contribution, the Company also provides group insurance for employees and their spouses and children (including life insurance, accident insurance, inpatient medical insurance and cancer insurance) to strengthen the security of employees' work and life. A vacation system better than that specified by the Labor Standard Act and two days a week off, a flexible commuting system in line with humanized management, praise for senior employees, provide free coffee/tea and the provision of overtime meal. Set up an employee welfare committee to coordinate welfare funds, plan and implement various employee welfare projects and activities, such as annual travel, family day, dinner party and lucky draw, etc. The Company also provides subsidies for clubs and sports clubs in the park to encourage colleagues to exercise more, and provides regular health check packages and subsidies to promote employees' physical and mental health.

(2) Employee training

The Company attaches great importance to the professional talents in various fields. In order to enhance the overall competitiveness of the Company and cultivate talents for the Company's sustainable development, the Company has established an education and training program to provide complete pre-service and in-service training, regularly organizes internal training based on the Company's development priorities or internal needs, and encourages colleagues to participate in a variety of external training courses, including short-term study courses and long-term training courses, to meet the Company's business needs and personal development needs.

The Company provides general, professional and management training courses for employees of different positions in a systematically manner, including:

2.1 Management training: The Company plans relevant courses according to the management skills and responsibilities of executives at all levels.

2.2 General training: It refers to the general training activities throughout the whole company or at all levels, such as: stress adjustment, health management, career development courses and quality audit courses.

2.3 Professional/functional training: It refers to the technical and professional training required by each functional unit.

2.4 New employee training: It includes guidance and basic training for new employees.

(3) Retirement System and Its Implementation

For employees formally employed by the Company who joined the Company before July 1, 2005, the Company allocates 2% of the employee's total monthly salary as employee retirement reserve to the deposit account with the Central Trust Of China in accordance with Article 2 of the Regulations for the Allocation and Management of the Workers' Retirement Reserve Funds promulgated by the Ministry of the Interior. In accordance with the accounting treatment standards for pensions, the Company appoints qualified a qualified actuary to carry out the pension actuarial. For the part applicable to defined contribution method, the Company contributes 6% of the employees' insured salary to the individual pension account with the Bureau of Labor Insurance every month in accordance with the provisions of the Labor Pension Act.

(4) Labor-management agreements and measures for preserving employees' rights and interests

The Company has always maintained a harmonious labor-management relationship. It holds a "labor-management meeting" on a quarterly basis to fully establish communication channels between labor and management. There was no dispute between labor and management, thus no coordination was required.

(5) Protection measures for work environment and employees' personal safety

The Company emphasizes "people-oriented" and stipulates the protection measures for work environment and personal safety of employees in the relevant provisions of its Code of Labor Safety and Health, including the environmental requirements for fire fighting, work safety and health, etc. To provide all colleagues a good office working environment, the Company has set up a 24-hour access control management system to control the entry and exit, and regularly carries out comprehensive fire equipment inspection and fire escape drill to ensure the safety of employees, and performs office disinfection and air conditioning equipment overhaul and maintenance to maintain the employees' health.

2. Any Losses Suffered by the Company in the Most Recent Two Fiscal Years and up to the Annual Report Publication Date due to Labor Disputes, and Disclosing an Estimate of Possible Expenses that could be Incurred Currently and in the Future and Measures Being or to be Taken. If a Reasonable Estimate Cannot be Made, an Explanation of the Facts of Why It Cannot be Made Shall be Provided:

(1) Any losses suffered by the Company in the most recent two fiscal years and up to the annual report publication date due to labor disputes: None.

(2) Possible expenses that could be incurred in the future and measures to be taken:

The Company attaches great importance to the welfare of its employees and maintains harmonious labor relations. There has been no labor dispute in the most recent two fiscal years and up to the annual report publication date. It is expected that there will be no major labor dispute in the future.

VI. Cyber Security Management:

(I) Describe the cyber security risk management framework, cyber security policies, concrete management programs, and investments in resources for cyber security management.

The Company attaches great importance to information security and personal data protection management. The Company has established an information security organization to review various information security policies, assess information system risks, plan appropriate response measures and emergency recovery procedures. The Company conducts data backup and restoration tests on a regular basis, and regularly reviews and drills the emergency response and recovery procedures of the system. The Company has established a personal data protection enforcement team to ensure the compliance of protection and management of personal data with laws and regulations. The Company takes inventory of personal data by category to protect the personal data of employees and external customers and manufacturers. The Company promotes information security to internal colleagues from time to time, and establishes the concept of information security and personal information protection among employees. The

Company prevents employees from being attacked by the network when operating the computer information system due to employees' lack of security concept, and prevents the system from being hacked or infected by computer viruses.

The Company has not suffered from any significant cyber security incidents in the most recent two fiscal years and up to the annual report publication date.

(II) The Company has not suffered from any losses in the most recent two fiscal years and up to the annual report publication date due to significant cyber security incidents.

VII. Important Contracts

Supply/distribution contracts, technical cooperation contracts, engineering/construction contracts, long-term loan contracts, and other contracts that would affect shareholders' equity, where said contracts were either still effective as of the date of publication of the annual report, or expired in the most recent fiscal year.

Type of Contract	Contracting Parties	Commencement and Expiration Date	Major Conten	Restrictive Clauses
Lease contract	Yu Long Construction Co., Ltd.	2022.8.1~2024.7.31	Office lease	None
Lease contract	Hao Peng Investment Co., Ltd. Huang Wei Investment Co., Ltd.	2020.6.3~2025.06.30	Office lease	None
Credit contract	Mega International Commercial Bank	2022.10.23~2023.10.22	Loan	None
Credit contract	Chang Hwa Commercial Bank, Ltd.	2022.11.30 ~2023.11.30	Loan	None
Credit contract	Land Bank of Taiwan	2022.12.9 ~ 2023.12.9	Loan	None

Chapter 6. Financial Overview

I. Condensed Balance Sheets and Statements of Comprehensive Income for the Most Recent Five Fiscal Years

(I) Condensed Balance Sheet and Statement of Comprehensive Income

Condensed Balance Sheet－ Consolidated

Unit: NT$ thousand

Item \ Fiscal Year		Financial Information for the Most Recent Five Fiscal Years (Note 1)				
		2018	2019	2020	2021	2022
Current Assets		488,286	306,000	359,630	596,135	518,842
Property, Plant, and Equipment		198,647	186,218	95,330	84,392	57,785
Intangible Assets		23,644	30,114	26,437	20,287	14,177
Other Assets		42,226	46,060	75,411	63,540	38,986
Total Assets		752,803	568,392	556,808	764,354	629,790
Current Liabilities	Before Distribution	182,861	118,443	168,650	104,218	121,048
	After Distribution	182,861	118,443	168,650	104,218	Not yet distributed
Non-current Liabilities		1,320	1,299	16,023	9,330	11,083
Total Liabilities	Before Distribution	184,181	119,742	184,673	113,548	132,131
	After Distribution	184,181	119,742	184,673	113,548	Not yet distributed
Equity Attributable to Owners of the Parent		568,622	448,650	372,135	650,806	497,659
Capital Stock		808,596	808,596	646,877	746,877	746,877
Capital Surplus		0	0	0	176,995	0
Retained Earnings	Before Distribution	(239,974)	(359,946)	(274,742)	(273,066)	(249,218)
	After Distribution	(239,974)	(359,946)	(274,742)	(273,066)	Not yet distributed
Other Equity		0	0	0	0	0
Treasury Stock		0	0	0	0	0
Non-controlling Interests		0	0	0	0	0
Total Equity	Before Distribution	568,622	448,650	372,135	650,806	497,659
	After Distribution	568,622	448,650	372,135	650,806	Not yet distributed

Note 1. Financial information from 2018 to 2022 has been audited and attested by the CPAs.

Condensed Comprehensive Income Statement－Consolidated

Unit: NT$ thousand

Item \ Fiscal Year	Financial Information for the Most Recent Five Fiscal Years (Note 1)				
	2018	2019	2020	2021	2022
Operating Revenue	739,621	633,419	650,504	692,352	402,605
Gross Profit	255,238	177,083	146,116	229,488	116,429
Operating Income	(28,316)	(118,989)	(140,295)	(3,438)	(121,136)
Non-operating Income and Expenses	2,845	(1,196)	66,592	4,759	(5,558)
Income before Tax	(25,471)	(120,185)	(73,703)	1,321	(126,694)
Net Income for the Period from Continuing Operations	(20,159)	(120,178)	(78,355)	1,158	(156,559)
Loss from Discontinued Operations	0	0	0	0	0
Net Income (Loss) for the Current Period	(20,159)	(120,178)	(78,355)	1,158	(156,559)
Other Comprehensive Income for the Current Period (Net of Tax)	(434)	206	1,840	518	3,412
Total Comprehensive Income or Loss for the Period	(20,593)	(119,972)	(76,515)	1,676	(153,147)
Net Income Attributable to Shareholders of the Parent	(20,159)	(120,178)	(78,355)	1,158	(156,559)
Net Income Attributable to Non-controlling Interests	0	0	0	0	0
Comprehensive Income Attributable to Owners of the Parent	(20,593)	(119,972)	(76,515)	1,676	(153,147)
Comprehensive Income Attributable to Non-controlling Interests	0	0	0	0	0
Earnings per Share	(0.25)	(1.86)	(1.21)	0.02	(2.10)

Note 1. Financial information from 2018 to 2022 has been audited and attested by the CPAs.

Condensed Balance Sheet－Parent Company Only

Unit: NT$ thousand

Item \ Fiscal Year		Financial Information for the Most Recent Five Fiscal Years (Note 1)				
		2018	2019	2020	2021	2022
Current Assets		484,825	303,528	357,337	593,926	518,782
Property, Plant, and Equipment		198,647	186,218	95,330	84,392	57,785
Intangible Assets		23,481	29,999	26,437	20,287	14,177
Other Assets		45,806	48,607	77,658	65,707	38,986
Total Assets		752,759	568,352	556,762	764,312	629,730
Current Liabilities	Before Distribution	182,817	118,403	168,604	104,176	120,988
	After Distribution	182,817	118,403	168,604	104,176	Not yet distributed
Non-current Liabilities		1,320	1,299	16,023	9,330	11,083
Total Liabilities	Before Distribution	184,137	119,702	184,627	113,506	132,071
	After Distribution	184,137	119,702	184,627	113,506	Not yet distributed
Equity Attributable to Owners of the Parent		0	0	0	0	0
Capital Stock		808,596	808,596	646,877	746,877	746,877
Capital Surplus		0	0	0	0	0
Retained Earnings	Before Distribution	(239,974)	(359,946)	(274,742)	(273,066)	(249,218)
	After Distribution	(239,974)	(359,946)	(274,742)	(273,066)	Not yet distributed
Other Equity		0	0	0	0	0
Treasury Stock		0	0	0	0	0
Non-controlling Interests		0	0	0	0	0
Total Equity	Before Distribution	568,622	448,650	372,135	650,806	497,659
	After Distribution	568,622	448,650	372,135	650,806	Not yet distributed

Note: Financial information from 2018 to 2022 has been audited and attested by the CPAs.

Condensed Comprehensive Income Statement－Parent Company Only

Unit: NT$ thousand

Fiscal Year / Item	Financial Information for the Most Recent Five Fiscal Years(Note 1)				
	2018	2019	2020	2021	2022
Operating Revenue	739,460	633,337	650,506	692,359	402,537
Gross Profit	255,066	176,998	146,109	229,462	116,426
Operating Income	(27,912)	(117,947)	(139,990)	(3,357)	(121,056)
Non-operating Income and Expenses	2,441	(2,238)	66,287	4,678	(5,638)
Income before Tax	(25,471)	(120,185)	(73,703)	1,321	(126,694)
Net Income for the Period from Continuing Operations	(20,159)	(120,178)	(78,355)	1,158	(156,559)
Loss from Discontinued Operations	0	0	0	0	0
Net Income (Loss) for the Current Period	(20,159)	(120,178)	(78,355)	1,158	(156,559)
Other Comprehensive Income for the Current Period (Net of Tax)	(434)	206	1,840	518	3,412
Total Comprehensive Income or Loss for the Period	(20,593)	(119,972)	(76,515)	1,676	(153,147)
Net Income Attributable to Shareholders of the Parent	(20,159)	(120,178)	(78,355)	1,158	(156,559)
Net Income Attributable to Non-controlling Interests	0	0	0	0	0
Comprehensive Income Attributable to Owners of the Parent	(20,593)	(119,972)	(76,515)	1,676	(153,147)
Comprehensive Income Attributable to Non-controlling Interests	0	0	0	0	0
Earnings per Share	(0.25)	(1.86)	(1.21)	0.02	(2.10)

Note 1: Financial report audited and attested by the CPAs.

(II) Name of CPAs and Audit Opinions for the Most Recent Five Years

Fiscal Year	Accounting Firm	Name of CPAs	Audit Opinion
2018	KPMG Taiwan	Grace Lu and Alen Yu	Unqualified opinion
2019	KPMG Taiwan	Grace Lu and Alen Yu	Unqualified opinion
2020	KPMG Taiwan	Grace Lu and Alen Yu	Unqualified opinion
2021	KPMG Taiwan	Grace Lu and Alen Yu	Unqualified opinion
2022	KPMG Taiwan	Grace Lu and Alen Yu	Unqualified opinion

II. Financial Analysis for the Most Recent Five Fiscal Years

Financial Analysis－Consolidated

Analysis Item	Fiscal Year	2018	2019	2020	2021	2022
Financial structure (%)	Debt to assets ratio (%)	24.47	21.07	33.17	14.86	20.98
	Ratio of long-term capital to property, plant, and equipment (%)	286.91	241.62	407.17	782.23	880.40
Solvency %	Current ratio (%)	267.03	258.35	213.24	572.01	428.63
	Quick ratio (%)	130.63	123.77	99.01	249.39	104.45
	Times interest earned (%)	(100.88	(86.66	(80.53)	2.03	(188.95)
Operating performance	Accounts receivable turnover (times)	6.57	6.13	9.28	9.65	5.98
	Average collection days	55.56	59.54	39.33	37.82	61.03
	Inventory turnover (times)	2.56	2.27	2.91	1.76	0.79
	Accounts payable turnover (times)	14.61	12.71	14.78	12.02	20.64
	Average days in sale	142.58	160.79	125.42	207.38	462.02
	Property, plant, and equipment turnover (times)	3.75	3.29	4.62	7.70	5.66
	Total assets turnover (times)	1.05	0.96	1.16	1.05	0.58
Profitability	Return on total assets (%)	(2.83)	(18.03)	(13.80)	0.33	(22.38)
	Return on equity (%)	(3.48)	(23.63)	(19.09)	0.23	(27.26)
	Ratio of income before tax to paid-in capital (%)	(3.15)	(14.86)	(11.39)	0.18	(16.96)
	Net profit margin (%)	(2.73)	(18.97)	(12.05)	0.17	(38.89)
	Earnings per share (NT$)	(0.25)	(1.49)	(1.21)	0.02	(2.10)
Cash flow	Cash flow ratio (%)	(50.05)	26.18	(28.45)	(126.23)	(121.56)
	Cash flow adequacy ratio (%)	(96.76)	(72.89)	(65.98)	(66.79)	(68.98)
	Cash reinvestment ratio (%)	(14.25)	5.76	(11.02)	(18.16)	(24.95)
Leverage	Operating leverage	(6.93)	(1.09)	(0.8)	(66.03)	(0.92)
	Financial leverage	0.99	0.99	0.99	0.73	0.99

Reasons for changes in financial ratios for the most recent two fiscal years: (Analysis is not be required if such changes are within 20%.)

1.The increase in the ratio of liabilities to assets was mainly due to the increase in short-term borrowings, resulting in a decrease in the ratio of liabilities.

2. The decrease in current ratio and quick ratio was mainly due to the decrease in cash and the increase in short-term borrowings.

3.The turnover rate of accounts receivable increased, mainly because there were more sales in December and the accounts had not yet been recovered.

4.The decrease in inventory turnover is mainly due to the decrease in operating income and cost

of goods sold due to the decrease in customer demand, and the failure to eliminate inventories.
5.The turnover rate of accounts payable increased, mainly due to the decrease of accounts payable in 2022.
6.The increase in the average days of sales was mainly due to the decrease in the inventory turnover rate.
7.The decrease in return on assets and return on equity was mainly due to the increase in net loss for the period.
8.The increase in operating leverage was mainly due to the increase in variable operating costs and expenses.

Note 1. Financial information from 2018 to 2022 has been audited and attested by the CPAs.

1. Financial structure
   (1) Debt to assets ratio = total liabilities / total assets.
   (2) Ratio of long-term capital to property, plant and equipment = (total equity + non-current liabilities) / net property, plant and equipment.
2. Solvency
   (1) Current ratio = current assets / current liabilities.
   (2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.
   (3) Times interest earned = Earnings before tax and interest expenses / current interest expenses.
3. Operating performance
   (1) Accounts receivable (including accounts receivable and notes receivable arising from business activities) turnover = Net sales / Average accounts receivable balance (including accounts receivable and notes receivable arising from business activities).
   (2) Average collection days = 365 / accounts receivable turnover.
   (3) Inventory turnover = cost of goods sold / average inventory.
   (4) Accounts payable (including accounts payable and notes payable arising from business activities) turnover = cost of goods sold / average accounts payable balance (including accounts payable and notes payable arising from business activities).
   (5) Average days in sales = 365 / inventory turnover.
   (6) Property, plant and equipment turnover = net sales / average net property, plant and equipment.
   (7) Total asset turnover = net sales / average total assets.
4. Profitability
   (1) Return on total assets = (net income + interest expenses * (1 - effective tax rate)) / average total assets.
   (2) Return on equity = net income after tax / average total equity.
   (3) Net profit margin = net income after tax / net sales.
   (4) Earnings per share = (income attributable to owners of parent - preferred stock dividends) / weighted average number of shares outstanding. (Note 4)
5. Cash Flow
   (1) Cash flow ratio = net cash flows from operating activities / current liabilities.
   (2) Net cash flow adequacy ratio = 5-year sum of net cash flow from operating activities / 5-year sum of (capital expenditures + increases in inventory + cash dividends).
   (3) Cash reinvestment ratio = (cash from operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital). (Note 5)
6. Leverage:
   (1) Operating leverage = (net operating revenue – variable operating costs and expenses) / operating income (Note 6).
   (2) Financial leverage = operating income / (operating income – interest expenses).

Financial Analysis－Parent Company Only

Analysis Item	Fiscal Year (Note)	2018	2019	2020	2021	2022
		Financial Analysis for the Most Recent Five Fiscal Years				
Financial structure (%)	Debt to assets ratio (%)	24.46	21.06	33.16	14.85	20.97
	Ratio of long-term capital to property, plant, and equipment (%)	286.91	241.62	407.17	782.23	880.4
Solvency (%)	Current ratio (%)	265.20	256.35	211.94	570.12	428.79
	Quick ratio (%)	129.00	121.78	97.71	247.43	104.45
	Times interest earned (%)	(100.88)	(86.66)	(80.53)	2.03	(188.95)
Operating performance	Accounts receivable turnover (times)	6.57	6.13	9.28	9.65	5.98
	Average collection days	55.56	59.54	39.33	37.82	61.04
	Inventory turnover (times)	2.56	2.27	2.91	1.76	0.79
	Average days in sale	142.58	160.79	125.43	207.39	462.03
	Property, plant, and equipment turnover (times)	3.75	3.29	4.62	7.70	5.66
	Total assets turnover (times)	1.05	0.96	1.16	1.05	0.58
Profitability	Return on total assets (%)	(2.83)	(18.03)	(13.79)	0.33	(22.38)
	Return on equity (%)	(3.48)	(23.63)	(19.09)	0.23	(27.26)
	Ratio of income before tax to paid-in capital (%)	(3.15)	(14.86)	(11.39)	0.18	(16.96)
	Net profit margin (%)	(2.73)	(18.98)	(12.05)	0.17	(38.89)
	Earnings per share (NT$)	(0.25)	(1.49)	(1.21)	0.02	(2.10)
Cash flow	Cash flow ratio (%)	(49.87)	26.95	(28.36)	(126.19)	(121.59
	Cash flow adequacy ratio (%)	(96.28)	(72.20)	(73.41)	(67.36)	(74.73)
	Cash reinvestment ratio (%)	(14.27)	5.95	(11.04)	(18.20)	(24.95)
Leverage	Operating leverage	(7.04)	(1.09)	(0.8)	(64.01)	(0.93)
	Financial leverage	0.99	0.99	0.99	0.72	0.99

Reasons for changes in financial ratios for the most recent two fiscal years: (Analysis is not be required if such changes are within 20%.)

1.The increase in the ratio of liabilities to assets was mainly due to the increase in short-term borrowings, resulting in a decrease in the ratio of liabilities.
2. The decrease in current ratio and quick ratio was mainly due to the decrease in cash and the increase in short-term borrowings.
3.The turnover rate of accounts receivable increased, mainly because there were more sales in December and the accounts had not yet been recovered.
4.The decrease in inventory turnover is mainly due to the decrease in operating income and cost of goods sold due to the decrease in customer demand, and the failure to eliminate inventories.
5.The turnover rate of accounts payable increased, mainly due to the decrease of accounts payable in 2022.
6.The increase in the average days of sales was mainly due to the decrease in the inventory turnover rate.
7.The decrease in return on assets and return on equity was mainly due to the increase in net loss for the period.
8.The increase in operating leverage was mainly due to the increase in variable operating costs and expenses.

Note: Financial information from 2018 to 2022 has been audited and attested by the CPAs.

1. Financial structure
    (1) Debt to assets ratio = total liabilities / total assets.
    (2) Ratio of long-term capital to property, plant and equipment = (total equity + non-current liabilities) / net property, plant and equipment.
2. Solvency
    (1) Current ratio = current assets / current liabilities.
    (2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.
    (3) Times interest earned = Earnings before tax and interest expenses / current interest expenses.
3. Operating performance
    (1) Accounts receivable (including accounts receivable and notes receivable arising from business activities) turnover = Net sales / Average accounts receivable balance (including accounts receivable and notes receivable arising from business activities).
    (2) Average collection days = 365 / accounts receivable turnover.
    (3) Inventory turnover = cost of goods sold / average inventory.
    (4) Accounts payable (including accounts payable and notes payable arising from business activities) turnover = cost of goods sold / average accounts payable balance (including accounts payable and notes payable arising from business activities).
    (5) Average days in sales = 365 / inventory turnover.
    (6) Property, plant and equipment turnover = net sales / average net property, plant and equipment.
    (7) Total asset turnover = net sales / average total assets.
4. Profitability
    (1) Return on total assets = (net income + interest expenses * (1 - effective tax rate)) / average total assets.
    (2) Return on equity = net income after tax / average net equity.
    (3) Net profit margin = net income after tax / net sales.
    (4) Earnings per share = (net income after tax - preferred stock dividends) / weighted average number of shares outstanding. (Note 4)
5. Cash flow
    (1) Cash flow ratio = net cash flows from operating activities / current liabilities.
    (2) Net cash flow adequacy ratio = 5-year sum of net cash flow from operating activities / 5-year sum of (capital expenditures + increases in inventory + cash dividends).
    (3) Cash reinvestment ratio = (cash from operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital). (Note 5)
6. Leverage:
    (1) Operating leverage = (net operating revenue – variable operating costs and expenses) / operating income (Note 6).
    (2) Financial leverage = operating income / (operating income – interest expenses).

III. Audit Committee's Review Report on Financial Statements for the Most Recent Fiscal Year: Please refer to Page 127.

IV. Financial Statement for the Most Recent Fiscal Year: Please refer to Pages 128-183.

V. Parent Company Only Financial Statements for the Most Recent Year Audited and Attested by CPAs: Please refer to the Chinese version Annual Report Pages 184-243

VI. If the Company or its Affiliates have Experienced Financial Difficulties in the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report, the Annual Report shall Explain how Said Difficulties will Affect the Company's Financial Situation: None.

Chapter 7. Review and Analysis of Financial Position and Financial Performance, and Risk Issues

I. Analysis of Financial Position

Unit: NT$ thousand

Item \ Fiscal Year	2022	2021	Difference	
			Amount	%
Current Assets	518,842	596,135	(77,293)	(13)
Property, Plant, and Equipment	57,785	84,392	(26,607)	(32)
Intangible Assets	14,177	20,287	(6,110)	(30)
Other Assets	38,986	63,540	(24,554)	(39)
Total Assets	629,790	764,354	(134,564)	(18)
Current Liabilities	121,048	104,218	16,830	16
Non-current Liabilities	11,083	9,330	1,753	19
Total Liabilities	132,131	113,548	18,583	16
Common Stock	746,877	746,877	-	-
Capital Surplus	-	176,995	(176,995)	(100)
Accumulated Deficits	(249,218)	(273,066)	23,848	9
Total Equity	497,659	650,806	(153,147)	(24)

Explanation of increase (decrease) of 20% or more:
(1)The decrease in property, plant, and equipment was mainly due to the assessment of impairment loss on manufacturing equipment which cannot bring the future economic benefits.
(2)The decrease in other assets was mainly due to the reversal in deferred tax assets resulting from the change in unrecognized deductible temporary differences.
(3)The decrease in capital surplus was mainly due to the use of capital surplus to offset the accumulated deficits.
(4)The decrease in total equity was mainly due to the decrease in capital surplus and the loss for 2022.

II. Analysis of Financial Performance

Unit: NT$ thousand

Item \ Fiscal Year	2022	2021	Amount of Increase (Decrease)	Rate of Change (%)
Operating Revenues	402,605	692,352	(289,747)	(42)
Operating Costs	286,176	462,864	(176,688)	(38)
Gross Profit	116,429	229,488	(113,059)	(49)
Operating Expenses	237,565	232,926	4,639	2
Net Operating Loss	(121,136)	(3,438)	(117,698)	(3,423)
Non-operating Income and Expenses	(5,558)	4,759	(10,317)	(217)
Profit Expenses (Loss) before Tax	(126,694)	1,321	(128,015)	(9,691)
Income Tax Profit Expenses	29,865	163	29,702	18,222
Net (Loss) Profit for the period	(156,559)	1,158	(157,717)	(13,620)

Explanation of increase (decrease) of 20% or more:
(1).The decrease in operating revenues, operating costs, gross profit and net operating profit for the current period was mainly due to the the decline in market demand resulting from the impact of the general economy.

(2).The decrease in non-operating income and expenses was mainly due to the assessment of impairment loss on manufacturing equipment which cannot bring the future economic benefits. (3).The decrease in profit expenses before tax was mainly due to the decrease in operating revenues and non-operating income and expenses. (4).The increase in income tax profit expenses was mainly due to the reversal in deferred tax assets resulting from the change in unrecognized deductible temporary differences. (5).The decrease in net profit for the period was mainly due to the decrease in operating revenues and non-operating income and expenses, and the increase in income tax profit expenses.

III. Cash Flow Analysis

(I) Analysis of Changes in Cash Flows in the Most Recent Fiscal Year

Unit: NT$ thousand

Item \ Fiscal Year	2022	2021	Rate of Change (%)
Operating Activities	(147,142)	(131,555)	(12)
Investing Activities	(13,957)	(16,853)	17
Financing Activities	55,280	225,937	(76)
Total	(105,819)	77,529	(236)
Analysis: 1. The decrease in net cash inflow from financing activities during the current period was mainly due to the increase in capital increase by cash in 2021.			

(II) Future Cash Flow Analysis:

The difference between the actual amount and the estimated amount was NT$228,946 thousand in 2022 cash and cash equivalents.

The actual amount was less than the estimated amount was mainly due to the the decline in market demand resulting from the impact of the general economy which made insufficient cash flow from operating activities.

Unit: NT$ thousand

Cash and cash equivalents at beginning of 2023 (1)	Cash flows from operating activities for the Coming Year (2)	Cash flows used in operating activities for the Coming Year (3)	Cash and cash equivalents at end of 2023 (1)+(2)-(3)	Future plan for unenough cash and cash equivalents	
				Investment plan	Financial plan
65,952	131,790	104,471	93,271	N/A	N/A

1. Future cash flow analysis：
   Operating activities：In 2023, cash flows from operating activities will be mainly due to selling inventories.
   Investing activities：In 2023, cash flows used in investing activities will be mainly due to purchase of equipment and software.
   Financing activities：In 2023, cash flows used in financing activities will be mainly due to repayments of borrowings.
2. Future plan for unenough cash and cash equivalents：N/A

IV. Effect on Financial Operations of Any Major Capital Expenditures during the Most Recent Fiscal Year: None.

V. Reinvestment Policy for the Most Recent Fiscal Year, Main Reasons for Profits/Losses Generated Thereby, Plan for Improving Reinvestment Profitability, and Investment Plans for the Coming Year

Unit: NT$ thousand

Description / Investee	Investment Income	Investment Policies	Main Reasons for Profit or Loss	Improvement Plan	Other Future Investment Plan
VICHIP Corporation Limited	(76)	Cooperate with the Company's MEMS IC to develop related application products	The subsidiary currently sells private label products.	3S liquidated its subsidiary, ViCHIP, on November 3, 2022.As of December 31, 2022, the relate registration procedures have yet to be completed.	

VI. Risk Analysis and Assessment

(I) Effect on the Profit (Loss) of Interest and Exchange Rate Fluctuations and Changes in the Inflation Rate, and Response Measures to Be Taken in the Future

1. Effect on the Profit (Loss) of Changes in Interest Rate and Response Measures to Be Taken in the Future

(1) Effect on the profit (loss) of changes in interest rate

Unit: NT$ thousand; %

Item/Fiscal Year	2022
Interest Expense(A)	667
Net Operating Revenue(B)	402,605
Net Profit (Loss) before Tax(C)	(126,694)
Interest Expense/Operating Revenue(A)/(B)	0.17%
Interest Expense/Net Profit (loss) before Tax(A)/(C)	0.53%

The Company's interest expense was NT$667 thousand in 2022, which accounted for approximately 0.17% of the operating revenue. The changes in interest rate did not have a material impact on the Company's operations.

(2) Specific measures taken by the Company in response to changes in interest rate

The Company always pays attention to the changes in domestic and foreign economic environment and interest rate, and keeps close contact with banks for more favorable interest rate terms.

2. Effect on the Profit (Loss) of Changes in Exchange Rate and Response Measures to Be Taken in the Future

(1) Effect on the profit (loss) of changes in exchange rate

Unit: NT$ thousand; %

Item/Fiscal Year	2022
Net Exchange Gain (Loss)	4,278
Net Operating Revenue	402,605
Net Profit (loss) before Tax	(126,694)
Ratio of Net Exchange Gain (Loss) to Net Operating Revenue	1.06%
Ratio of Net Exchange Gain (Loss) to Net Profit (loss) before Tax	3.38%

The products sold by the Company were mainly denominated in US dollars, and the purchases were also mainly denominated in US dollars. Therefore, the trend of US dollar exchange rate is quite correlated with the change of the Company's exchange gains and losses. The Company's exchange befefits was NT$4,278 thousand in 2022, which accounted for approximately 1.06% of the net operating revenue. The changes in exchange rate did not have a material impact on the Company's earnings.

(2) Specific measures taken by the Company in response to changes in exchange rate

The specific measures taken by the Company in response to the risk of exchange rate fluctuations mainly focused on offsetting the foreign currency payable due to purchase and short-term foreign currency bank loans by the increase in foreign currency receivable from the US dollar transactions, so as to achieve the effect of Natural Hedge. In addition, the financial department collects exchange rate information on a daily basis to analyze the future trends of exchange rate, and purchases forward exchange to hedge the net foreign currency position remained after natural hedging in accordance with the Company's Operation Procedures for Acquisition or Disposal of Assets, so as to reduce the risk of exchange rate fluctuations.

3. Effect on the Profit (Loss) of Changes in the Inflation Ration an Response Measures to Be Taken in the Future

A. Effect on the profit (loss):

The Company is always aware of fluctuations in market prices and has not suffered from any significant impact on profit and loss due to inflation.

B. Response measures to be taken in the future:

The Company pays close attention to the changes in the relevant economic environment and market conditions, keeps a good interaction with suppliers and customers to ensure stable prices for raw materials, and seeks diversified suppliers to reduce the significant impact on profit and loss due to inflation.

(II) Policy regarding High-risk Investments, Highly Leveraged Investments, Loans to Other Parties, Endorsements/Guarantees, and Derivatives Transactions, Main Reasons for the Profit (Loss) Generated Thereby, and Response Measures to Be Taken in the Future

1. The Company has formulated its Operation Procedures for Acquisition and Disposal of Assets, Operation Procedures for Loaning Funds to Others and the Operation Procedures for Endorsements and Guarantees, which have been adopted by the resolution of the shareholders' meeting for compliance. During the current fiscal year and up to the date of publication of the annual report, the Company have carefully evaluated all its investments, and it did not engage in high-risk investments, highly leveraged investments, loans to other parties, endorsements or guarantees.

2. The Company's policy regarding derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future

(1) The Company conducts trading and management of derivatives in accordance with the Operation Procedures for Acquisition and Disposal of Assets adopted by the board of shareholders.

(2) The Company mainly trades derivatives for non-trading purposes, mainly in the form of forward exchange contracts, to avoid the risk of assets or liabilities denominated in foreign currencies arising from exchange rate fluctuations.

(3) The Company conducts operation in a conservative and prudent manner and will continue to hedge its foreign exchange position and avoid inappropriate risky transactions.

(III) R&D Work to Be Carried Out in the Future and Further Expenditures Expected for R&D Work

Unit: NT$ thousand

	Products Description	Current Progress	Expected R&D Expenditure	Expected Mass Production Time	Major Factors Influencing the Success of Future R&D
1	New PCIe4x4 SSD Flash Controller FW&MP For 3D NAND Flash	Under Development	50,000	2023.4Q	1. Product firmware architecture design 2. Finished product compatibility 3. Product read-write speed and high debugging efficiency
2	New USB3.2 Controller for New 3D NAND Flash	Under Development	50,000	2023.3Q	1. Product architecture design 2. Finished product compatibility 3. Product read-write speed
3	High performance Digital MEMS Microphone (Sen-26DB, SNR>67dB)	Under Development	15,000	2022.4Q	1. MEMS diaphragm design 2. Preamp high SNR circuit design 3. Sigma Delta ADC circuit design
4	High performance Digital MEMS Microphone (SNR 65 DB/AOP 130DB)	Under Development	15,000	2022.4Q	1.MEMS diaphragm design 2.Preamp high SNR circuit design 3.Sigma Delta ADC circuit design

(IV) Effect on the Financial Operations of Important Policies Adopted and Changes in the Legal Environment at Home and Abroad, and Measures to Be Taken in Response

The Company abides by national policies and laws. Relevant units pay close attention to changes in important policy and legal environment, and coordinate with the adjustment of the Company's internal system and business activities to ensure smooth operation of the Company. The Company will continue to keep an eye on the changes in important policy and legal environment at home and abroad in the future, and evaluate and respond to the changes as appropriate.

(V) Effect on the Financial Operations of Developments in Science and Technology (Including Cyber Security Risks) as well as Industrial Change, and Measures to Be Taken in Response

The Company attaches great importance to technical support manpower and capabilities, and actively develops deeply in the market to quickly respond to industrial changes. In the future, it will continue to keep eye on the changes and developments in science and technology related to the industry in which it operates, so as to launch products that meet market trends.

The Company has established a comprehensive network and computer-related information security protection measures, including network firewalls, spam attacks, computer anti-virus and anti-hacking, and remote backup of important data. The Company always pays close attention to the new types of information security threats and hardware and software vulnerability attacks, and introduces security equipment as appropriate.

The Corporation continuously reviews and evaluates information security policies and procedures to ensure their appropriateness and effectiveness.

(VI) Effect on the Crisis Management of Changes in the Corporate Image, and Measures to Be Taken in Response

Since its establishment, the Company has been adhering to the business philosophy of integrity, professionalism, quality and innovation, and has moved towards the vision of a world-class manufacturer, actively strengthened internal management and improved management quality and performance, and maintained harmonious labor relations to maintain a good corporate image. No any event that damage the corporate image occurred during the current fiscal year and up to the date of publication of the annual report.

(VII) Expected Benefits and Possible Risks Associated with Any Mergers and Acquisitions, and Measures to Be Taken in Response

The Company has no merger or acquisition plans during the current fiscal year up to the date of publication of the annual report. If any, we will prudently evaluate and consider whether the merger will bring benefits to ensure shareholders' equity.

(VIII) Expected Benefits and Possible Risks Associated with Any Plant Expansion, and Measures to Be Taken in Response

The Company had no plans for plant expansion during the most recent year up to the date of publication of the annual report.

(IX) Risks Associated with Any Consolidation of Sales or Purchasing Operations, and Measures to Be Taken in Response

1. Purchase:

   Since 2021, the production capacity of foundry production and packaging and testing available to the Company has been limited due to the increase in global wafer demand. The Company is currently actively working with major suppliers to increase production capacity and seeking new capacity cooperation with other foundries.

2. Sale:

Based on the characteristics of the industry, each major memory manufacturer supports each IC design company under strategic cooperation, forming the industrial competition alignment. Due to the industrial characteristics of the main products and the business model of the Company, there is sales consolidation of KIOXIA and KDIL. KIOXIA is the second largest Flash Maker in the world, KDIL is a subsidiary of Kingston, and Kingston is the largest Flash Module House in the world, which is an important customer that the Company strives for. Orders from such customers are of significant benefit to the Company's performance. For the Company, the biggest risk of sales consolidation currently comes from order transfers by customers, which has resulted in a large loss of performance. Since the Company and KIOXIA and KDIL are strategic partners, as long as the Company continues to take the lead in technology and product launch, there would be little risk of order transfers by customers. The Company's response measures for sales consolidation are as follows:

(1) Continue to deeply develop technology and do a good job of product planning, and provide customers with the best products in a timely manner.

(2) Strengthen strategic alliances with equity policies (e.g. private placement).

(3) Expand customer base to diversify customer concentration by adding the following products.

A. Add controller IC products that support NAND Flash applications, such as SSD.

B. Add controller IC products that support different NAND Flash companies, such as Micron and YMTC.

(4) Strengthen sales of MEMS microphone IC and USB Audio to increase product lines and diversify product risks.

(5) Develop customers in the Greater China region and expand the customer base to diversify the risk of customer consolidation.

(X) Effect upon and Risk to the Company in the Event a Major Quantity of Shares Belonging to a Director, or Shareholder Holding Greater than a 10 Percent Stake in the Company has been Transferred or has otherwise Changed Hands, and Mitigation Measures being or to be Taken: None

(XI) Effect upon and Risk to Company Associated with Any Change in Governance Personnel or Top Management, and Mitigation Measures being or to be Taken

There has been no change in management control over the Company as there was no significant change in the Company's equity and business team or in its business strategy and policy during the most recent fiscal year up to the date of publication of the annual report.

(XII) Litigation or Non-litigation: None.

(XIII) Other Important Risks, and Mitigation Measures being or to be Taken: None.

(XIV) Organization and Operation of Risk Management

The Company's risk management policy is to define various risks in accordance with the Company's operating policy, prevent possible losses, increase shareholder value, and optimize resource allocation within the scope of tolerable risks, so as to reasonably ensure the achievement of the Company's strategic objectives.

The Company's risk response organization is convened by the President according to the risk management measures established by the Board of Directors of the Company, to coordinate and direct the promotion and operation of the risk management plan, with the participation of the management and employees of each department.

1. Board of Directors:

   The Board of Directors of the Company shall be the highest authority in risk management of the Company. The Board of Directors aims to comply with laws and regulations, promote and implement the overall risk management of the Company, clearly understand the risks faced by the Company's operations, ensure the effectiveness of risk management, and assume the ultimate responsibility for risk management.

2. Auditing Office:

   The auditing office of the Company performs risk monitoring and reports to the Board of Directors to ensure the effectiveness of risk management.

3. President’s Office:

   The President’s Office of the Company is responsible for risk assessment of business decisions and implementation of mitigation strategies and human resources allocation and contingency.

4. Finance Department:

   The Finance Department of the Company is responsible for the assessment of financial risks.

5. Business and management units:

   All department heads and unit heads shall carry out risk assessment and control in their daily management operations, emphasize comprehensive risk control by all staff, and implement multi-level prevention at ordinary times to effectively manage risks.

Risk management is implemented in accordance with the three-tier risk management system:

Risk Management Hierarchy	Operation of Risk Management
Tier 1 responsibility	Heads of functional departments or their undertakers are responsible for initial risk detection, assessment and control, design and prevention.
Tier 2 responsibility	The President is responsible for making decisions on feasibility and assessing, reporting and dealing with various risks.
Tier 3 responsibility	Audits, reports by the Auditing Office and deliberation by the Board of Directors.

Establish information security risk management:

The Company attaches great importance to information security and personal data protection management. The Company has established an information security organization to review various information security policies, assess information system risks, plan appropriate response measures and emergency recovery procedures. The Company conducts data backup and restoration tests on a regular basis, and regularly reviews and drills the emergency response and recovery procedures of the system. The Company has established a personal data protection enforcement team to ensure the compliance of protection and management of personal data with laws and regulations. The Company takes inventory of personal data by category to protect the personal data of employees and external customers and manufacturers. The Company promotes information security to internal colleagues from time to time, and establishes the concept of information security and personal information protection among employees. The Company prevents employees from being attacked by the network when operating the computer information system due to employees' lack of security concept, and prevents the system from being hacked or infected by computer viruses.

VII. Other Important Matters: None.

Chapter 8. Special Disclosure

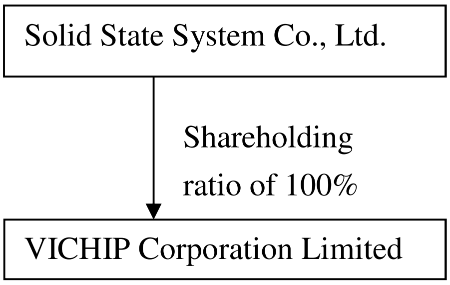
I. Information on Affiliates

(I) Consolidated Business Report of Affiliated Companies

1. Organizational Structure of Affiliated Companies

Investment Chart of Solid State System Co., Ltd.

Date: December 31, 2022



2. Basic Information of Affiliated Companies

Name of Affiliate	Date of Incorporation	Address	Paid-in Capital	Major Lines of Business or Products
VICHIP Corporation Limited	2003.02.27	5F.-1, No. 22, Taiyuan St., Zhubei City, Hsinchu County 302082, Taiwan (R.O.C.)	NT$5,005 thousand	Audio product sales

3. The Shareholders in Common of Companies Presumed to have a Relationship of Control and Subordination: Not applicable.

4. The Industries Covered by the Business Operated by the Affiliates Overall:

The Company and its affiliates are engaged in the research and development, production and sales of integrated circuits, related consulting services and sales of audio products.

5. Directors, Supervisors, and Presidents of Affiliated Companies: Not applicable.

6. Operations Overview of Affiliates

December 31, 2022; Unit: NT$ thousand unless otherwise indicated

Name of Affiliate	Paid-in Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenue for the Current Period	Operating Profit for the Current Period	Profit or Loss (after Tax)	Earnings per Share (NT$) (after Tax)
VICHIP Corporation Limited	5,005	2,159	60	2,099	31	(80)	(76)	(0.02)

Note: 3S liquidated its subsidiary, ViCHIP, on November 3, 2022.As of December 31, 2022, the relate registration procedures have yet to be completed.

(II) Consolidated Financial Statements of Affiliated Companies:

As the "companies" in the business reports of affiliated enterprises are all the same as companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in the International Financial Reporting Standards No.10 (IFRS 10) approved by the Financial Supervisory Commission (FSC), and relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the proceeding consolidated financial statements of parent and subsidiary companies, thus the Company is not required to prepare separate consolidated financial statements of affiliates. Please refer to Page 128 of the Consolidated Financial Statements for the Company's Statement.

(III) Affiliation Reports: The Company does not fall as the subordinate company as stipulated in the affiliated enterprises chapter of the Company Act, so it is not applicable.

II. Private Placement of Securities during the Most Recent Fiscal Year and during the Current Fiscal Year Up to the Date of Publication of the Annual Report: None.

III. Holding or Disposal of Shares in the Company by Subsidiaries during the Most Recent Fiscal Year and during the Current Fiscal Year Up to the Date of Publication of the Annual Report: None.

IV. Other Supplementary Information: None.

V. Any Event That Has A Significant Impact on Shareholders' Equity or Securities Prices as Prescribed by Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act That Have Occurred in the Most Recent Fiscal Year and during the Current Fiscal Year Up to the Date of Publication of the Annual Report: None.

Audit Committee's Review Report

The Audit Committee approved the financial statements of the Company for the year 2022, 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,

2023 General Shareholders' Meeting, Solid State System Co., Ltd.

Convener of the Audit Committee: Cheermore Huang

February 23, 2023

Representation Letter

The entities that are required to be included in the combined financial statements of Solid State System Co., Ltd. as of and for the year ended December 31, 2022 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Solid State System Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Solid State System Co., Ltd.
Chairman: Jeffrey Lin
Date: Febuary 23, 2023

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, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2022 and 2021, 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 as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Account of Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirement. 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, 2022. 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) "Significant Accounting Assumptions and Judgments, and Major Sources of Estimation Uncertainty－Valuation of inventories", and Note 6(3) "Explanation of Significant Accounts－Inventories" to the consolidated financial statements.

Description of key audit matter:

The Company's main products included NAND Flash controller IC and Audio IC, wherein its inventories are measured at the lower of cost and net realizable value. Due to the rapid changes in electronic industry, the old models produced by the Company may quickly be replaced by new ones or may fail to meet the market demand resulting in a risk in which the carrying value of inventories may be higher than its net realizable value. The net realizable value of the inventory is mainly determined based on the assumptions of the estimated selling price of the products within a specific time horizon which might be subject to significant fluctuations. Therefore, the valuation of inventories is one of the key audit matters for our audit.

How the matter was addressed in our audit:

Our principal audit procedures included: 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) "Significant Accounting Assumptions and Judgments, and Major Sources of Estimation Uncertainty－Impairment Assessment on non-financial assets", and Notes 6(4), (5) and (6) "Explanation of Significant Accounts－Property, plant and equipment", "Explanation of Significant Accounts－Right-of-use assets"and "Explanation of Significant Accounts－Intangible assets", respectively, to the consolidated financial statements.

Description of key audit matter:

The Company has performed poorly in operation in recent years, resulting in a risk in which the impairment loss of non-financial assets and the recoverable amount of assets may become lower than the carrying value of assets. The valuation of the impairment loss of assets that are based on the cash flow in the future is subject to the management's judgment which has significant uncertainty, and the audit team needs to discuss the matter with the management to evaluate the adequacy of the valuation. Therefore, the impairment assessment on non-financial assets is one of the key audit matters for our audit.

How the matter was addressed in our audit:

Our principal audit procedures included: Assessing 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, 2022 and 2021, on which we have issued an unmodified opinion.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)
Febuary 23, 2023

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to 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, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2022		December 31, 2021	
Assets	**Amount**	**%**	**Amount**	**%**
Current assets:				
Cash and cash equivalents (note 6(1))	$ 65,952	10	171,771	22
Accounts receivable, net (note 6(2))	13,591	2	21,643	3
Accounts receivable from related parties, net (notes 6(2) and 7)	40,643	6	58,774	8
Inventories (note 6(3))	390,453	62	334,848	44
Other current assets (note 8)	8,203	2	9,099	1
	518,842	82	596,135	78
Non-current assets:				
Property, plant and equipment (note 6(4))	57,785	9	84,392	11
Right-of-use assets (note 6(5))	23,600	4	21,847	3
Intangible assets (note 6(6))	14,177	2	20,287	3
Deferred tax assets (note 6(10))	-	-	29,860	4
Refundable deposits (note 8)	6,779	1	7,095	1
Net defined benefit asset, non-current (note 6(9))	8,490	2	4,205	-
Other non-current assets	117	-	533	-
	110,948	18	168,219	22
Total assets	**$ 629,790**	**100**	**764,354**	**100**

	December 31, 2022		December 31, 2021	
Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
Current liabilities:				
Short-term borrowings (notes 6(7))	$ 66,019	10	-	-
Accounts payable	1,936	-	25,800	4
Accrued payroll and bonus	17,122	3	17,324	2
Other accrued expenses	19,614	3	44,636	6
Current lease liabilities (note 6(8))	10,033	2	7,150	1
Other current liabilities	6,324	1	9,308	1
	121,048	19	104,218	14
Non-current liabilities:				
Deferred tax liabilities (note 6(10))	1,718	-	861	-
Non-current lease liabilities (note 6(8))	8,747	2	7,851	1
Guarantee deposits received	618	-	618	-
	11,083	2	9,330	1
Total liabilities	132,131	21	113,548	15
Equity (notes 6(11) and (12)):				
Common stock	746,877	119	746,877	98
Capital surplus	-	-	176,995	23
Accumulated deficits	(249,218)	(40)	(273,066)	(36)
Total equity	497,659	79	650,806	85
Total liabilities and equity	**$ 629,790**	**100**	**764,354**	**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, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

	For the year ended December 31,			
	2022		2021	
	Amount	%	Amount	%
Operating revenues (notes 6(14) and 7)	$ 402,605	100	692,352	100
Operating costs (notes 6(3), (8) and 12)	286,176	71	462,864	67
Gross profit	116,429	29	229,488	33
Operating expenses (notes 6(8), 7 and 12)**:**				
Selling	67,713	17	65,500	9
General and administrative	35,932	9	31,670	5
Research and development	133,920	33	135,756	20
Total operating expenses	237,565	59	232,926	34
Net operating loss	(121,136)	(30)	(3,438)	(1)
Non-operating income and expenses (note 6(16))**:**				
Interest income	565	-	232	-
Other gains and losses	(5,456)	(1)	5,807	1
Finance costs (note 6(8))	(667)	-	(1,280)	-
Total non-operating income and expenses	(5,558)	(1)	4,759	1
Profit expenses (loss) before tax	(126,694)	(31)	1,321	-
Income tax Profit expenses (note 6(10))	29,865	8	163	-
Net (loss) profit for the period	(156,559)	(39)	1,158	-
Other comprehensive income:				
Items that may not be reclassified subsequently to profit or loss				
Remeasurements of defined benefit plans (note 6(9))	4,265	1	648	-
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note 6(10))	853	-	130	-
Total items that may not be reclassified subsequently to profit or loss	3,412	1	518	-
Other comprehensive income for the period (after tax)	3,412	1	518	-
Total comprehensive income for the period	$ (153,147)	(38)	1,676	-
Earnings per share (New Taiwan Dollars) (note 6(13))				
Basic earnings per share	$ (2.10)		0.02	
Diluted earnings per share	$ (2.10)		0.02	

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, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	Common stock	Capital surplus	Accumulated deficits	Total equity
Balance as of January 1, 2021	$ 646,877	-	(274,742)	372,135
Net income for the period	-	-	1,158	1,158
Other comprehensive income for the period	-	-	518	518
Total comprehensive income for the period	-	-	1,676	1,676
Due to donated assets received	-	868	-	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	746,877	176,995	(273,066)	650,806
Net loss for the period	-	-	(156,559)	(156,559)
Other comprehensive income for the period	-	-	3,412	3,412
Total comprehensive income for the period	-	-	(153,147)	(153,147)
Capital surplus used to offset accumulated deficits	-	(176,995)	176,995	-
Balance as of December 31, 2022	**$ 746,877**	**-**	**(249,218)**	**497,659**

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, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	For the year ended December 31,	
	2022	2021
Cash flows from operating activities:		
(Loss) profit before income tax	$ (126,694)	1,321
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation	36,580	35,703
Amortization	13,072	15,335
Expected credit (gain) loss	(38)	17
Interest expense	667	1,280
Interest income	(565)	(232)
Compensation cost of employee subscription for cash capital increase	-	4,807
Gain on disposal of property, plant and equipment	(1,680)	(3,192)
Recognition of impairment losses on non-financial assets	12,819	-
Provision for inventory devaluation loss (reversed)	30,341	(1,197)
Others	20	-
Total adjustments to reconcile profit (loss)	91,216	52,521
Changes in operating assets and liabilities:		
Changes in operating assets:		
Accounts receivable	8,090	(7,723)
Accounts receivable from related parties	18,131	(9,657)
Inventories	(85,946)	(142,303)
Other operating assets	1,300	2,728
Total changes in operating assets	(58,425)	(156,955)
Changes in operating liabilities:		
Accounts payable	(23,864)	(25,441)
Other operating liabilities	(29,301)	(1,770)
Total changes in operating liabilities	(53,165)	(27,211)
Total changes in operating assets and liabilities	(111,590)	(184,166)
Total adjustments	(20,374)	(131,645)
Cash flows used in operations	(147,068)	(130,324)
Interest received	522	228
Interest paid	(594)	(1,298)
Income taxes paid	(2)	(161)
Net cash flows used in operating activities	(147,142)	(131,555)
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(9,435)	(19,108)
Proceeds from disposal of property, plant and equipment	2,124	10,271
Decrease in refundable deposits	316	1,169
Acquisition of intangible assets	(6,962)	(9,185)
Net cash flows used in investing activities	(13,957)	(16,853)
Cash flows from financing activities:		
Proceeds from borrowings	141,019	333,213
Repayments of borrowings	(75,000)	(367,629)
Decrease in guarantee deposits received	-	(309)
Payment of lease liabilities	(10,739)	(10,658)
Proceeds from issuing shares	-	271,320
Net cash flows from financing activities	55,280	225,937
Net (decrease) increase in cash and cash equivalents for the period	(105,819)	77,529
Cash and cash equivalents at beginning of period	171,771	94,242
Cash and cash equivalents at end of period	**$ 65,952**	**171,771**

See accompanying notes to consolidated financial statements.

Solid State System Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars,
Except for Earnings Per Share Information and Unless Otherwise Specified)

1. Company History

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

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

2. Approval Date and Procedures of the Consolidated Financial Statements

The consolidated financial statements were authorized for issue by the Board of Directors Febuary 23, 2023.

3. New Standards, Amendments and Interpretations Adopted:

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

The Company has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022:

- Amendments to IAS 16 "Property, Plant and Equipment－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"

(2) 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, 2023, would not have a significant impact on its consolidated financial statements:

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

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IFRS16 “Requirements for Sale and Leaseback Transactions”

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 and issued into effect by the Financial Supervisory Commission, R.O.C..

(2) Basis of preparation

A. Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for the following significant accounts in the balance sheets:

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

(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 which the entity operates. The consolidated financial statements are presented in New Taiwan Dollars (“TWD”), which is the Company’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, 2022**	**December 31, 2021**
3S	ViCHIP Corporation Limited (ViCHIP)	Operating electronic components manufacturing, wholesaling, sales and product design business	100%	100%

Note: 3S liquidated its subsidiary, ViCHIP, on November 3, 2022. As of December 31, 2022, the relate registration procedures have yet to be completed.

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.

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 receivable 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.

(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.

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.

(b) Equity instruments

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.

(c) 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.

(d) 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.

(e) 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.

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: 2 to 10 years

(c) Office and other equipment: 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.

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.

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 and other, 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.

(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.

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: 2 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.

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) 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

3S'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 3S, 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. 3S 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. 3S 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 3S 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.

(16) Share-based payment transactions

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions, and there is no true-up for differences between the expected and the actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the liability are recognized in profit or loss.

3S's grant date of a share-based payment award is the date which 3S confirms its employee of the exercise price and number of exercised shares.

(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.

(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(4), (5) and (6) for further description of the impairment assessment on non-financial assets.

6. Explanation of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand and petty cash	$ 53	53
Checking and savings accounts	29,899	112,018
Time deposits	36,000	59,700
	$ 65,952	171,771

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, 2022	December 31, 2021	January 1, 2021
Accounts receivable (including receivables from related parties)	$ 54,250	80,471	63,091
Less: loss allowance	(16)	(54)	(37)
	$ 54,234	80,417	63,054
Accounts receivable, net	$ 13,591	21,643	13,937
Accounts receivable from related parties, net	$ 40,643	58,774	49,117

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

	December 31, 2022		
	Gross carrying amount	**Weighted-average loss rate**	**Expected loss allowance**
Not past due	$ 53,866	0.030%	16
Past due 1~89 days	384	- %	-
Total	$ 54,250		16

	December 31, 2021		
	Gross carrying amount	**Weighted-average loss rate**	**Expected loss allowance**
Not past due	$ 78,256	0.055%	43
Past due 1~89 days	2,215	0.497%	11
Total	$ 80,471		54

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

	For the years ended December 31,	
	2022	**2021**
Beginning balance	$ 54	37
Impairment loss (reversed) recognized	(38)	17
Ending balance	$ 16	54

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

(3) Inventories

	December 31, 2022	**December 31, 2021**
Raw materials	$ 21,248	2,528
Work in process	161,552	132,289
Finished goods	207,653	199,941
Merchandise inventory	-	90
	$ 390,453	334,848

The details of operating costs were as follows:

	For the years ended December 31, 2022	2021
Cost of goods sold	$ 249,830	445,697
Technical service cost	492	14,632
Provision for inventory devaluation loss (reversed)	30,341	(1,197)
Unallocated production overheads	6,334	4,831
Revenue from sale of scrap	(817)	(1,100)
Physical inventory (gain) loss	(4)	1
	$ 286,176	462,864

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

(4) Property, plant and equipment

	Machinery and equipment	Office and other equipment	Total
Cost:			
Balance as of January 1, 2022	$ 131,245	39,819	171,064
Additions	4,999	5,472	10,471
Disposal and write-off	(19,042)	-	(19,042)
Balance as of December 31, 2022	$ 117,202	45,291	162,493
Balance as of January 1, 2021	$ 140,319	35,938	176,257
Additions	14,917	4,191	19,108
Disposal and write-off	(23,991)	(310)	(24,301)
Balance as of December 31, 2021	$ 131,245	39,819	171,064
Accumulated depreciation:			
Balance as of January 1, 2022	$ 65,600	21,072	86,672
Depreciation for the period	17,099	6,716	23,815
Impairment loss	12,819	-	12,819
Disposal and write-off	(18,598)	-	(18,598)
Balance as of December 31, 2022	$ 76,920	27,788	104,708
Balance as of January 1, 2021	$ 65,655	15,272	80,927
Depreciation for the period	16,857	6,110	22,967
Disposal and write-off	(16,912)	(310)	(17,222)
Balance as of December 31, 2021	$ 65,600	21,072	86,672

	Machinery and equipment	Office and other equipment	Total
Book value:			
Balance as of December 31, 2022	$ 40,282	17,503	57,785
Balance as of January 1, 2021	$ 74,664	20,666	95,330
Balance as of December 31, 2021	$ 65,645	18,747	84,392

A. Impairment loss

For the year ended December 31, 2022, the Company assessed the impairment loss on manufacturing equipment due to the changes in production technology to be $12,819, recognized as "Other gains and losses" in the consolidated statement of comprehensive income.

B. Collateral

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

(5) Right-of-use assets

	Buildings
Cost of right of use assets:	
Balance as of January 1, 2022	$ 39,754
Additions	14,518
Decreases	(13,946)
Balance as of December 31, 2022	$ 40,326
Balance as of January 1, 2021	$ 38,698
Additions	2,223
Decreases	(1,167)
Balance as of December 31, 2021	$ 39,754
Accumulated Depreciation:	
Balance as of January 1, 2022	$ 17,907
Depreciation for the period	12,765
Decreases	(13,946)
Balance as of December 31, 2022	$ 16,726
Balance as of January 1, 2021	$ 6,338
Depreciation for the period	12,736
Decreases	(1,167)
Balance as of December 31, 2021	$ 17,907

		Buildings
Book value:		
Balance as of December 31, 2022	$	23,600
Balance as of January 1, 2021	$	32,360
Balance as of December 31, 2021	$	21,847

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 2022 and 2021, 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.

(6) Intangible assets

		Computer software	**Patent and technology license fee**	**Total**
Cost:				
Balance as of January 1, 2022	$	24,973	34,711	59,684
Additions		6,962	-	6,962
Write-off		(4,271)	(10,120)	(14,391)
Balance as of December 31, 2022	$	27,664	24,591	52,255
Balance as of January 1, 2021	$	20,354	33,846	54,200
Additions		7,360	1,825	9,185
Write-off		(2,741)	(960)	(3,701)
Balance as of December 31, 2021	$	24,973	34,711	59,684
Accumulated amortization:				
Balance as of January 1, 2022	$	19,835	19,562	39,397
Amortization for the period		8,703	4,369	13,072
Write-off		(4,271)	(10,120)	(14,391)
Balance as of December 31, 2022	$	24,267	13,811	38,078
Balance as of January 1, 2021	$	12,966	14,797	27,763
Amortization for the period		9,610	5,725	15,335
Write-off		(2,741)	(960)	(3,701)
Balance as of December 31, 2021	$	19,835	19,562	39,397
Book value:				
Balance as of December 31, 2022	$	3,397	10,780	14,177
Balance as of January 1, 2021	$	7,388	19,049	26,437
Balance as of December 31, 2021	$	5,138	15,149	20,287

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 2022 and 2021, 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.

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

(7) Short-term borrowings

	December 31, 2022	December 31, 2021
Unsecured bank loans	$ 66,019	-
Unused credit lines	$ 43,981	110,000
Range of interest rates	2.075%~ 2.825%	- %

(8) Lease liabilities

The carry amounts of lease liabilities were as follows:

	December 31, 2022	December 31, 2021
Current	$ 10,033	7,150
Non-current	$ 8,747	7,851

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, 2022	2021
Interest on lease liabilities	$ 244	283
Expenses relating to short-term leases	$ -	5

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

	For the years ended December 31, 2022	2021
Total cash outflow for leases	$ 10,983	10,946

Information of lease

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

(9) Employee benefit

A. Defined benefit plans

The present value of the defined benefit obligation and the fair adjustments value of the plan assets of 3S were as follows:

	December 31, 2022	December 31, 2021
Present value of the defined benefit obligations	$ -	(11,447)
Fair value of plan assets	8,490	15,652
Net defined benefit assets	**$ 8,490**	**4,205**

3S 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

3S 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.

3S's Bank of Taiwan labor pension reserve account balance amounted to $8,490 as of December 31, 2022. For information on the utilization of the labor pension fund assets including the asset allocation and yield rate of the fund, please refer to the website of the Bureau of Labor Funds.

In accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, 3S applied for a clearance on the remaining years of service of its employees to the competent authority, who approved its application in November and December of the same year. As of December 31, 2022, there were no employees belonging to the old labor pension plan; hence, 3S is expected to apply for the cancellation of its pension reserve account with Bank of Taiwan in April 2023.

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

The movements in present value of the defined benefit obligation of 3S for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31,	
	2022	**2021**
Defined benefit obligation as of January 1	$ (11,447)	(12,476)
Current service costs and interest	(54)	(44)
Remeasurements of the net defined benefit assets		
- Actuarial loss (gain) arising from changes in financial assumptions	-	145
- Actuarial loss (gain) arising from experience adjustments	2,975	264
Benefit paid	8,526	664
Defined benefit obligation as of December 31	$ -	(11,447)

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

The movements in fair value of the defined benefit plan assets of 3S for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31,	
	2022	**2021**
Fair value of plan assets as of January 1	$ 15,652	16,021
Interest income	73	56
Remeasurements of the net defined benefit assets		
- Return on plan assets (excluding current interest)	1,291	239
Benefit paid	(8,526)	(664)
Fair value of plan assets as of December 31	$ 8,490	15,652

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

3S's expenses recognized in profit or losses for the years ended December 31, 2022 and 2021, were as follows:

	For the years end December 31,	
	2022	**2021**
Net interest on the net defined benefit assets	$ (19)	(12)

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

3S's remeasurements of the net defined benefit assets recognized as accumulated in other comprehensive income for the years ended December 31, 2022 and 2021 were as follows:

	For the years end December 31,	
	2022	**2021**
Cumulative amount as of January 1	$ 5,776	5,128
Recognized during the period	4,265	648
Cumulative amount as of December 31	$ 10,041	5,776

(f) Actuarial assumptions

The following are 3S's significant actuarial assumptions of the present value of the defined benefit obligation as of the reporting date:

	December 31, 2022	**December 31, 2021**
Discount rate	1.4019%	0.4690%
Future salary increases	2.0000%	2.0000%

3S 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 3S to the defined benefit plans for the one-year period after December 31, 2022.

The weighted-average duration of the defined benefit obligation is 0 years.

(g) Sensitivity analysis

If there is a change in the actuarial assumptions as of December 31, 2022 and 2021, the impact on the defined benefit obligation would be as follows:

	December 31, 2022		**December 31, 2021**	
	Increase 0.25%	**Decrease 0.25%**	**Increase 0.25%**	**Decrease 0.25%**
Discount rate	$ -	-	(304)	315
Future salary increase rate	$ -	-	306	(297)

Reasonably possible changes to one of the relevant actuarial assumptions on the reporting date, holding other assumptions remain constant, would have affected the defined benefit obligation by the amounts shown above. In practical, the relevant actuarial assumptions are correlated to each other.

The approach used in recognizing the net defined liability in the balance sheets is the same as the one used in developing the sensitivity analysis and the relevant actuarial assumptions in the current and previous years.

B. Defined contribution plans

3S 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, 3S allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

3S's pension costs under the defined contribution method were $7,036 and $7,205 and for the years ended December 31, 2022 and 2021, respectively. Payment was made to the Bureau of Labor Insurance.

(10) Income tax

A. The amount income tax expense were as follows:

The amount income tax expense for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31,	
	2022	**2021**
Current tax expense	$ -	161
Deferred tax expense		
Origination and reversal of temporary differences	29,865	2
Income tax expense	**$ 29,865**	**163**

The amount of tax expense recognized in other comprehensive income for the years ended December 31, 2022 and 2021 was as follows:

	For the years ended December 31,	
	2022	**2021**
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of the defined benefit plans	**$ 853**	**130**

The reconciliation of income tax expense and (loss) income before tax for the years ended December 31, 2022 and 2021, is as follows:

	For the years ended December 31, 2022	2021
(Loss) Income before tax	$ (126,694)	1,321
Income tax using the 3S's domestic tax rate	(25,339)	264
Recognized domestic investment losses under the equity methods	15	16
Tax-exempt income	(1)	-
Changes in unrecognized tax losses	29,560	3,985
Change in unrecognized deductible temporary differences	25,630	(4,262)
Overseas withholding tax	-	160
	$ 29,865	163

B. Deferred income tax assets and liabilities

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

	December 31, 2022	December 31, 2021
Tax effect of deductible Temporary Differences	$ 25,693	63
Tax losses	185,816	180,560
	$ 211,509	180,623

The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting 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 therefrom.

As of December 31, 2022, the unused operating loss carry forwards were as described below:

Year loss occurred	Unused operating loss Carry forwards	Expiration year
2013 (assessed)	$ 62,048	2023
2014 (assessed)	125,006	2024
2015 (assessed)	195,249	2025
2016 (assessed)	37,349	2026
2017 (assessed)	70,214	2027
2018 (assessed)	22,429	2028
2019 (assessed)	110,711	2029
2020 (assessed)	138,247	2030
2021 (filed)	20,024	2031
2022 (estimated)	147,801	2032
	$ 929,078	

(b) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2022 and 2021 were as follows:

Deferred tax assets:

	January 1, 2021	Recognized in profit or loss	Recognized in other comprehen-sive income	December 31, 2021	Recognized in profit or loss	Recognized in other comprehen-sive income	December 31, 2022
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, 2021	Recognized in profit or loss	Recognized in other comprehen-sive income	December 31, 2021	Recognized in profit or loss	Recognized in other comprehen-sive income	December 31, 2022
Defined benefit plans	$ 729	2	130	861	4	853	1,718

C. 3S 's income tax returns had been assessed by the tax authorities through 2020.

(11) Capital and other equity interest

A resolution was approved during the meeting of Board of Directors held on August 18, 2021, for the issuance of 10,000 new shares for cash, and with par value of $10 (dollars) per share, amounting to $100,000. 3S has received approval from the FSC No. 110358456 for capital increase on November 23, 2021. The relevant registration procedures had already been completed. In addition, 3S recognized the compensation cost of this cash capital increase reserved for employees to subscribe for shares amounting to $4,807.

As of December 31, 2022 and 2021, 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 $746,877 thousand dollars for both years, and with par value of $10 per share.

3S's outstanding capital reconciliation (expressed in thousands of stocks):

	Common stocks	
	For the year ended December 31,	
	2022	**2021**
Number of outstanding capitals on January 1	74,688	64,688
Add: capital increase	-	10,000
Number of outstanding capitals on December 31	**74,688**	**74,688**

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.

(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 stock. As of the report date, the abovementioned restriction had not yet been lifted.

B. Capital surplus

3S's capital surplus was as follows:

	December 31, 2022	December 31, 2021
Donation from shareholders	$ -	868
Issue of shares	-	171,320
Compensation cost of employee stock options at cash capital increase	-	4,807
	$ -	**176,995**

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

C. 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.

A resolution was approved during the stockholders' meeting held on June 21, 2022 for 3S to use its the capital surplus to offset its accumulated deficits in 2021 at the amount of $176,995. There were no deficit compensation for 2020 according to the decision made during the stockholders' meeting held on July 8, 2021. The deficit compensation mentioned above were consistent with the decisions made by Board of Directors. The information will be available on the Market Observation Post System website.

The deficit compensation for 2022 was presented for a resolution in the Board of Directors' meeting on February 23, 2023, which are then to be approved in annual stockholders' meeting. The information will be available on the Market Observation Post System website.

(12) Share-based payment

Capital increase reserved for employees
The issuance of the capital increase reserved for employee subscription was approved by the Board of Directors on August 18, 2021, and reserved 907 thousand shares as employee subscriptions in accordance with the R.O.C Company Act. If employees are undersubscribed or give up subscription, the shares of 3S shall be authorized by the Board of Directors to negotiate with specific persons to subscribe for them.

3S used the European Option pricing model in measuring the fair value of the share-based payment at the grant date. The measurement inputs were as follows:

	2021 Cash capital increase reserved for employee subscription
Fair value at grant date	$ 5.30
Share price at grant date	$ 32.50
Exercise price	$ 27.20
Expected volatility (%)	44.694%
Expected life (Date)	3
Expected dividend	-
Risk-free interest rate (%)	0.629%

Expected volatility is based on the weighted average of historical volatility, and it is considered when there is additional market information about the volatility. 3S determined the expected dividends and risk-free rate during the life of the option. These rates are determined based on government bonds, and they are in accordance with the regulations.

3S incurred the compensation cost for cash capital increase reserved for employee's subscription right amounting to $4,807 for the year ended December 31, 2021.

(13) Earnings per share

		For the years ended December 31, 2022	2021
Basic and diluted earnings per share:			
Net income (loss) attributable to 3S's stockholders	$	(156,559)	1,158
Weighted average common stocks outstanding (thousand shares)		74,688	65,729
Basic and diluted EPS (TWD)	$	(2.10)	0.02

There were no dilutive potential ordinary shares for the years ended December 31, 2022 and 2021.

(14) Revenue from contracts with customers

Disaggregation of revenue

		For the years ended December 31, 2022	2021
Primary geographical markets			
America	$	211,610	266,207
North-east Asia		88,071	109,683
China		56,658	152,731
Taiwan		40,714	152,525
Others		5,552	11,206
	$	402,605	692,352
Major products			
Revenue from IC	$	386,979	648,546
Technical Service Income		15,626	43,806
	$	402,605	692,352

(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.

Because 3S incurred a net loss for the years ended December 31, 2022, compensation to employees and directors were not accrued. For the years ended December 31, 2021, the employees' and directors' remuneration that were estimated, based on the net income before tax, after offsetting the employees' and directors' remuneration and the accumulated deficit, then the remainder was multiplied by the percentage in accordance with the 3S's Articles of Incorporation. Because there is no remaining amount after offsetting accumulated deficit, there is no remainder shall be appropriated as employees' and directors' remuneration.

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,	
	2022	**2021**
Interest income from bank deposits	$ 529	179
Other interest income	36	53
	$ 565	**232**

B. Other gains and losses

	For the years ended December 31,	
	2022	**2021**
Gain on disposals of property, plant and equipment	$ 1,680	3,192
Recognition of impairment losses on non-financial assets	(12,819)	-
Foreign exchange (losses) gains, net	4,278	(13)
Others	1,405	2,628
	$ (5,456)	**5,807**

C. Finance costs

	For the years ended December 31,	
	2022	2021
Interest expense－short-term borrowings and other	$ 423	997
Interest expense－lease liabilities	244	283
	$ 667	1,280

(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 considers that there is no concentration of credit risk in regard to cash and cash equivalents.

The Company’s sales to individual clients constituting over 10% of total sales revenue for the years ended December 31, 2022 and 2021, were 71% and 74%, 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, 2022 and 2021. 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, 2022				
Non-derivative financial liabilities				
Short-terms borrowing	$ 66,019	66,508	66,508	-

	Carrying amount	Contractual cash flows	Within 1 years	1~5 years
Accounts payable	1,936	1,936	1,936	-
Accrued payroll and bonus	17,122	17,122	17,122	-
Other accrued expenses	19,614	19,614	19,614	-
Lease liabilities (included in current and non-current)	18,780	19,063	10,250	8,813
Guarantee deposits received	618	618	-	618
	$ 124,089	124,861	115,430	9,431

	Carrying amount	Contractual cash flows	Within 1 years	1~5 years
December 31, 2021				
Non-derivative financial liabilities				
Accounts payable	$ 25,800	25,800	25,800	-
Accrued payroll and bonus	17,324	17,324	17,324	-
Other accrued expenses	44,636	44,636	44,636	-
Lease liabilities (included in current and non-current)	15,001	15,286	7,297	7,989
Guarantee deposits received	618	618	-	618
	$ 103,379	103,664	95,057	8,607

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, 2022			December 31, 2021		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets						
Monetary items						
USD	$ 1,851	30.72	56,863	3,119	27.66	86,272
Financial liabilities						
Monetary items						
USD	$ 151	30.72	4,639	974	27.66	26,941

(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, 2022 and 2021, would have decreased or increased the net loss by $418 and $475, 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:

	2022		2021	
	Foreign exchange gains (losses)	Average rate	Foreign exchange gains (losses)	Average rate
USD	$ 4,278	-	(13)	-

D. Fair value of financial instruments

(a) Categories of financial instruments and fair value

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

	December 31, 2022				
	Carrying Amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 65,952	-	-	-	-
Accounts receivable (including receivables from related parties)	54,234	-	-	-	-
Refundable deposits	6,779	-	-	-	-
	$ 126,965	-	-	-	-
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 66,019	-	-	-	-
Accounts payable	1,936	-	-	-	-
Accrued payroll and bonus	17,122	-	-	-	-
Other accrued expenses	19,614	-	-	-	-
Lease lilibilities (included in current and non-current)	18,780	-	-	-	-
Guarantee deposits received	618	-	-	-	-
	$ 124,089	-	-	-	-

	December 31, 2021				
	Carrying Amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 171,771	-	-	-	-
Accounts receivable (including receivables from related parties)	80,417	-	-	-	-
Refundable deposits	7,095	-	-	-	-
	$ 259,283	-	-	-	-
Financial liabilities measured at					

amortized cost					
Accounts payable	25,800	-	-	-	-
Accrued payroll and bonus	17,324	-	-	-	-
Other accrued expenses	44,636	-	-	-	-
Lease liabilities (included in current and non-current)	15,001	-	-	-	-
Guarantee deposits received	618	-	-	-	-
	$ 103,379	-	-	-	-

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

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

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

(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, 2022 and 2021, 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.

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, 2022, the Company has unused short-term bank facilities of $43,981.

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.

3S's approach to capital management during the year ended December 31, 2022, was the same as that in 2021.

	December 31, 2022	December 31, 2021
Total liabilities	$ 132,131	113,548
Total equity	$ 497,659	650,806
Debt-to-capital ratio	26.55%	17.45%

As of December 31, 2022, the debt-to-adjusted-capital ratio had increased due to the increase in net loss for the current period, resulting in a decrease in the 3S's equity.

(20) Financing activities not affecting current cash flow

Reconciliation of liabilities arising from financing activities were as follows:

	Short-term borrowings	Lease liabilities	Guarantee deposits received	Total liabilities from financing activities
Balance as of January 1, 2022	$ -	15,001	618	15,619
Cash flows:				
Proceeds from borrowings	141,019	-	-	141,019
Repayments of borrowings	(75,000)	-	-	(75,000)
Payment of lease liabilities	-	(10,739)	-	(10,739)
Interest paid	-	(244)	-	(244)
Non-cash flow:				
Increase in lease liabilities	-	14,518	-	14,518
Interest expense	-	244	-	244
Balance as of December 31, 2022	**$ 66,019**	**18,780**	**618**	**85,417**
Balance as of January 1, 2021	$ 34,416	23,436	927	58,779
Cash flows:				
Proceeds from borrowings	333,213	-	-	333,213
Repayments of borrowings	(367,629)	-	-	(367,629)
Payment of lease liabilities	-	(10,658)	-	(10,658)
Interest paid	-	(283)	-	(283)
Decrease in guarantee deposits received	-	-	(309)	(309)
Non-cash flow:				
Increase in lease liabilities	-	2,223	-	2,223
Interest expense	-	283	-	283
Balance as of December 31, 2021	**$ -**	**15,001**	**618**	**15,619**

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)	A member of the board of 3S

(2) Significant transactions with related parties

A. Sales and service revenue from related parties

Related Party Category	For the years ended December 31, 2022	2021
Other related-parties:		
KDIL	$ 211,610	266,021
KIC	72,364	99,926
	$ 283,974	365,947

The collection terms for sales to related parties will be 30 to 45 days or after the month-end; the prices of the products sold to related parties, which were determined by the products' specifications and fair market value, have no significant differences as compare to those of the other parties.

B. Accounts receivable from related parties

Related Party Category	December 31, 2022	December 31, 2021
Other related-parties:		
KDIL	$ 40,635	40,911
KIC	8	17,863
	$ 40,643	58,774

(3) Transactions with key management personnel

Key management personnel compensation comprised:

	For the years ended December 31, 2022	For the years ended December 31, 2021
Short-term employee benefits	$ 12,805	5,655
Post-employment benefits	324	324
Share-based payment	-	1,431
	$ 13,129	7,410

8. Pledged Assets

The carrying values of 3S's pledged assets are as follows:

Assets	Purpose of Pledged	December 31, 2022	December 31, 2021
Time deposits (recorded in other current financial assets)	Customs duty guarantee	$ 900	900
Refundable deposits	Warranty guarantee	4,000	4,336
		$ 4,900	5,236

9. Commitments and Contingencies

Except for notes 6(8) 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. Losses Due to Major Disasters: None.

11. Subsequent Events: None.

12. Others

(1) 3S incurred a net loss amounting to $249,218 as of December 31, 2022. 3S intends to adopt the following countermeasures to maintain it's operation:

A. Marketing plans

(a) Continue optimpzing customer and product portfolios in order to provide higher vlaue-added and profitable services.

(b) Continue to enhance operation efficiency through improving material cost management and production efficiency to maximize profit.

B. Financial structure improvement plans

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

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

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

(d) Control the labor expenditure, as well as review and improve the daily expenses of 3S in order to avoid unnecessary expenses at all costs.

(2) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By function / By item	2022			2021		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits						
Salary	3,974	145,232	149,206	17,127	127,237	144,364
Labor and health insurance	356	11,407	11,763	290	11,448	11,738
Pension	188	6,829	7,017	148	7,045	7,193
Others	233	6,238	6,471	561	5,854	6,415
Depreciation	15,000	21,580	36,580	14,585	21,118	35,703
Amortization	-	13,072	13,072	-	15,335	15,335

13. Other disclosures:

(1) Information on Significant Transactions:

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

A. Loans to other parties: None

B. Guarantees and endorsements for other parties: None

C. Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures): None

D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock: None

E. Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None

F. Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None

G. Related-party transactions for purchases and sales with amounts exceeding the lower of NT$300 million or 20% of the capital stock:

Name of Company	Related Party	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sales	Amount	Percentage of Total Purchases/ Sales	Payment Terms	Unit Price	Payment Terms	Ending Balance	Percentage of Total Notes/Accounts Receivable (Payable)	
3S	KDIL	The subsidiary of its director	Sales and miscellaneous	211,610	53%	30~45 days	Note	30~45 days	40,635	75%	

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

H. Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock: None

I. Trading in derivative instruments: None

J. Business relationships and significant intercompany transactions: None

(2) Information on Investees:

The following is the information on investees for the year ended December 31, 2022 (excluding information on investees in Mainland China):

Name of Investor	Name of Investee	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2022			Highest Percentage of Ownership	Net Income (Losses) of Investee	Share of Profits/ Losses of Investee	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of Ownership	Carrying Value				
3S	ViCHIP	Hsin chu	Operating electronic components manufacturing, wholesaling, sales and product design business	52,400	52,400	500	100%	-	100.00%	(76)	(76)	Note 2

Note1: The intercompany transactions and balances had been eliminated in the consolidated financial report.

Note 2: 3S liquidated its subsidiary, ViCHIP, on November 3, 2022.As of December 31, 2022, the relate registration procedures have yet to be completed.

(3) Information on Investment in Mainland China:

A. The names of investees in Mainland China, the main businesses and products, and other information: None

B. Limitation on investment in Mainland China: None

C. Significant transactions: None

(4) Major shareholders:

Shareholding Shareholder's Name	Shares	Percentage
Kingston Digital International Ltd	5,231,190	7.00%
KIOXIA Corporation	5,065,847	6.78%
CHIH LIANG TSAO	4,007,374	5.36%

Note:

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

14. Segment Information

(1) General information and segment information

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

(2) Products and services information

Please refer to note 6(14) on information regarding products and services for the years ended December 31, 2022 and 2021.

(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, 2022	December 31, 2021
Non-current assets:			
Taiwan	$	95,562	126,526

Please refer to note 6(14) for the revenues from external customers for the years ended December 31, 2022 and 2021.

(4) Major customer information

The amounts of sales to customers representing greater than 10% of the revenues were as follows:

		For the years end December 31, 2022	2021
KDIL	$	211,610	266,021
HTL		-	147,348
KIC		72,364	99,926
	$	283,974	513,295

Independent Auditors' Report

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

Opinion

We have audited the parent-company-only financial statements of Solid State System Co., Ltd., which comprise the balance sheets as of December 31, 2022 and 2021, and the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2022 and 2021, and notes to the parent-company-only financial statements, including a summary of significant accounting policies

In our opinion, the accompanying financial statements present fairly, in all material respects, the parent-company-only financial position of Solid State System Co., Ltd. as of December 31, 2022 and 2021, and its parent-company-only financial performance and its parent-company-only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent-Company-Only Financial Statements section of our report. We are independent of Solid State System Co., Ltd. in accordance with the Norm of Professional Ethics for Certified Public Account of Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent-company-only financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the parent-company-only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Based on our judgment, the key audit matters should be reflected in our report are as follow:

1. Valuation of inventories

Please refer to Note 4(7) “Summary of Significant Accounting Policies－Inventories”, Note5(1) “Significant Accounting Assumptions and Judgments, and Major Sources of Estimation Uncertainty－Valuation of inventories”, and Note 6(3) “Explanation of Significant Accounts－Inventories” to the parent-company-only financial statements.

Description of key audit matter:

Solid State System Co., Ltd.' s main products included NAND Flash controller IC and Audio IC, wherein its inventories are measured at the lower of cost and net realizable value. Due to the rapid changes in electronic industry, the old models produced by Solid State System Co., Ltd. may quickly be replaced by new ones or may fail to meet the market demand resulting in a risk in which the carrying value of inventories may be higher than its net realizable value. The net realizable value of the inventory is mainly determined based on the assumptions of the estimated selling price of the products within a specific time horizon which might be subject to significant fluctuations. Therefore, the valuation of inventories is one of the key audit matters for our audit.

How the matter was addressed in our audit:

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

2. Impairment assessment on non-financial assets

Please refer to Note 4(12) "Summary of Significant Accounting Policies－Impairment of non-financial assets", Note 5(2) "Significant Accounting Assumptions and Judgments, and Major Sources of Estimation Uncertainty－Impairment Assessment on non-financial assets", and Notes 6(5), (6) and (7) "Explanation of Significant Accounts－Property, plant and equipment", "Explanation of Significant Accounts－Right-of-use assets" and "Explanation of Significant Accounts－Intangible assets", respectively, to the parent-company-only financial statements.

Description of key audit matter:

Solid State System Co., Ltd. has performed poorly in operation in recent years, resulting in a risk in which the impairment loss of non-financial assets and the recoverable amount of assets may become lower than the carrying value of assets. The valuation of the impairment loss of assets that are based on the cash flow in the future is subject to the management' s judgment which has significant uncertainty, and the audit team needs to discuss the matter with the management to evaluate the adequacy of the valuation. Therefore, the impairment assessment on non-financial assets is one of the key audit matters for our audit.

How the matter was addressed in our audit:

Our principal audit procedures included: Assessing 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.

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

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

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

Those charged with governance (including the Audit Committee) are responsible for overseeing Solid State System Co., Ltd.' s financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the parent-company-only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor' s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent-company-only financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent-company-only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Solid State System Co., Ltd.' s internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management' s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Solid State System Co., Ltd.' s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent-company-only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Solid State System Co., Ltd. to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent-company-only financial statements, including the disclosures, and whether the parent-company-only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in entities accounted for using equity method to express an opinion on the parent-company-only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)
Febuary 23, 2023

Notes to Readers

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

The independent auditors' report and the accompanying parent-company-only 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 parent-company-only financial statements, the Chinese version shall prevail.

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese.)

Solid State System Co., Ltd.
Balance Sheets
December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2022 Amount	%	December 31, 2021 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(1))	$ 64,616	10	170,402	22
1170	Accounts receivable, net (note 6(2))	13,532	2	21,637	3
1180	Accounts receivable from related parties, net (notes 6(2) and 7)	40,643	6	58,774	8
130X	Inventories (note 6(3))	390,453	62	334,791	44
1479	Other current assets (note 8)	9,538	2	8,322	1
		518,782	82	593,926	78
	Non-current assets:				
1550	Investments accounted for using equity method (note 6(4))	-	-	2,167	-
1600	Property, plant and equipment (note 6(5))	57,785	9	84,392	11
1755	Right-of-use assets (note 6(6))	23,600	4	21,847	3
1780	Intangible assets (note 6(7))	14,177	2	20,287	3
1840	Deferred tax assets (note 6(11))	-	-	29,860	4
1920	Refundable deposits (note 8)	6,779	1	7,095	1
1975	Net defined benefit asset, non-current (note 6(10))	8,490	2	4,205	-
1990	Other non-current assets	117	-	533	-
		110,948	18	170,386	22
	Total assets	**$ 629,730**	**100**	**764,312**	**100**

	Liabilities and Equity	December 31, 2022 Amount	%	December 31, 2021 Amount	%
	Current liabilities:				
2100	Short-term borrowings (notes 6(8))	$ 66,019	10	-	-
2170	Accounts payable	1,936	-	25,800	4
2201	Accrued payroll and bonus	17,122	3	17,324	2
2209	Other accrued expenses	19,614	3	44,634	6
2280	Current lease liabilities (note 6(9))	10,033	2	7,150	1
2399	Other current liabilities	6,264	1	9,268	1
		120,988	19	104,176	14
	Non-current liabilities:				
2570	Deferred tax liabilities (note 6(11))	1,718	-	861	-
2580	Non-current lease liabilities (note 6(9))	8,747	2	7,851	1
2645	Guarantee deposits received	618	-	618	-
		11,083	2	9,330	1
	Total liabilities	132,071	21	113,506	15
	Equity (notes 6(12) and (13)):				
3110	Common stock	746,877	119	746,877	98
3200	Capital surplus	-	-	176,995	23
3300	Accumulated deficits	(249,218)	(40)	(273,066)	(36)
	Total equity	497,659	79	650,806	85
	Total liabilities and equity	**$ 629,730**	**100**	**764,312**	**100**

See accompanying notes to parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese.)

Solid State System Co., Ltd.
Statements of Comprehensive Income
For the years ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

		For the year ended December 31,			
		2022		2021	
		Amount	%	Amount	%
	Operating revenues (notes 6(15) and 7)	$ 402,537	100	692,359	100
5000	**Operating costs** (notes 6(3), (9) and 12)	286,118	71	462,897	67
	Gross profit	116,419	29	229,462	33
5910	Realized (unrealized) profit or loss from sales	7	-	(2)	-
	Realized gross profit	116,426	29	229,460	33
6000	**Operating expenses** (notes 6(9), 7 and 12)**:**				
6100	Selling	67,702	17	65,445	9
6200	General and administrative	35,860	9	31,616	5
6300	Research and development	133,920	33	135,756	20
6450	**Total operating expenses**	237,482	59	232,817	34
	Net operating loss	(121,056)	(30)	(3,357)	(1)
7000	**Non-operating income and expenses** (note 6(17))**:**				
7100	Interest income	561	-	229	-
7020	Other gains and losses	(5,456)	(1)	5,807	1
7050	Finance costs (note 6(9))	(667)	-	(1,280)	-
7070	Share of profit (loss) of associates and joint ventures accounted for using equity method, net (note 6(4))	(76)	-	(78)	-
	Total non-operating income and expenses	(5,638)	(1)	4,678	1
7900	**Profit expenses (loss) before tax**	(126,694)	(31)	1,321	-
7950	**Income tax Profit expenses** (note 6(11))	29,865	8	163	-
	Net (loss) profit for the period	(156,559)	(39)	1,158	-
8300	**Other comprehensive income:**				
8310	**Items that may not be reclassified subsequently to profit or loss**				
8311	Remeasurements of defined benefit plans (note6 (10))	4,265	1	648	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note 6(11))	853	-	130	-
	Total items that may not be reclassified subsequently to profit or loss	3,412	1	518	-
8300	**Other comprehensive income for the period (after tax)**	3,412	1	518	-
	Total comprehensive income for the period	$ (153,147)	(38)	1,676	-
	Earnings per share (New Taiwan Dollars) (note 6(14))				
9750	Basic earnings per share	$	(2.10)		0.02
9850	Diluted earnings per share	$	(2.10)		0.02

See accompanying notes to parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese.)

Solid State System Co., Ltd.
Statements of Changes in Equity
For the years ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	Common stock	Capital surplus	Accumulated deficits	Total equity
Balance as of January 1, 2021	$ 646,877	-	(274,742)	372,135
Net income for the period	-	-	1,158	1,158
Other comprehensive income for the period	-	-	518	518
Total comprehensive income for the period	-	-	1,676	1,676
Due to donated assets received	-	868	-	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	746,877	176,995	(273,066)	650,806
Net loss for the period	-	-	(156,559)	(156,559)
Other comprehensive income for the period	-	-	3,412	3,412
Total comprehensive income for the period	-	-	(153,147)	(153,147)
Capital surplus used to offset accumulated deficits	-	(176,995)	176,995	-
Balance as of December 31, 2022	**$ 746,877**	**-**	**(249,218)**	**497,659**

See accompanying notes to parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese.)

Solid State System Co., Ltd.
Statements of Cash Flows
For the years ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	For the year ended December 31, 2022	2021
Cash flows from operating activities:		
(Loss) profit before income tax	$ (126,694)	1,321
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation	36,580	35,703
Amortization	13,072	15,335
Expected credit (gain) loss	(38)	17
Interest expense	667	1,280
Interest income	(561)	(229)
Compensation cost of employee subscription for cash capital increase	-	4,807
Share of loss of subsidiaries accounted for using equity method	76	78
Realized loss (profit) from sales	(7)	2
Gain on disposal of property, plant and equipment	(1,680)	(3,192)
Recognition of impairment losses on non-financial assets	12,819	-
Provision for inventory devaluation loss (reversed)	30,341	(1,197)
Others	20	-
Total adjustments to reconcile profit (loss)	91,289	52,604
Changes in operating assets and liabilities:		
Changes in operating assets:		
Accounts receivable	8,143	(7,735)
Accounts receivable from related parties	18,131	(9,657)
Inventories	(86,003)	(142,271)
Other operating assets	1,286	2,720
Total changes in operating assets	(58,443)	(156,943)
Changes in operating liabilities:		
Accounts payable	(23,864)	(25,441)
Other operating liabilities	(29,319)	(1,766)
Total changes in operating liabilities	(53,183)	(27,207)
Total changes in operating assets and liabilities	(111,626)	(184,150)
Total adjustments	(20,337)	(131,546)
Cash flows used in operations	(147,031)	(130,225)
Interest received	518	225
Interest paid	(594)	(1,298)
Income taxes paid	(2)	(161)
Net cash flows used in operating activities	(147,109)	(131,459)
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(9,435)	(19,108)
Proceeds from disposal of property, plant and equipment	2,124	10,271
Decrease in refundable deposits	316	1,169
Acquisition of intangible assets	(6,962)	(9,185)
Net cash flows used in investing activities	(13,957)	(16,853)
Cash flows from financing activities:		
Proceeds from borrowings	141,019	333,213
Repayments of borrowings	(75,000)	(367,629)
Decrease in guarantee deposits received	-	(309)
Payment of lease liabilities	(10,739)	(10,658)
Proceeds from issuing shares	-	271,320
Net cash flows from financing activities	55,280	225,937
Net (decrease) increase in cash and cash equivalents for the period	(105,786)	77,625
Cash and cash equivalents at beginning of period	170,402	92,777
Cash and cash equivalents at end of period	**$ 64,616**	**170,402**

See accompanying notes to parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese.)

Solid State System Co., Ltd.

Notes to the Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars,

Except for Earnings Per Share Information and Unless Otherwise Specified)

1. Company History

Solid State System Co., Ltd. ("the Company") 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 the Company's registered office is 5F-1 No. 22 Tai Yuen Street, Tai Yuen Hi-Tech Industrial Park, Zhubei City, Hsinchu 302, Taiwan, R. O. C.. The Company's common stocks have been publicly listed on Taipei Exchange since December 24, 2007.

The main activities of the Company is the design, research, development, manufacture and sale of integrated circuits (ICs).

2. Approval Date and Procedures of the Financial Statements

The Parent-Company-Only financial statements were authorized for issue by the Board of Directors on Febuary 23, 2023.

3. New Standards, Amendments and Interpretations Adopted:

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

The Company has initially adopted the following new amendments, which do not have a significant impact on its parent-company-only financial statements, from January 1, 2022:

- Amendments to IAS 16 "Property, Plant and Equipment－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"

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

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its parent-company-only financial statements:

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

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

The Company does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its parent-company-only 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 1 "Non-current Liabilities with Covenants"
- Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 – Comparative Information"
- Amendments to IFRS16 "Requirements for Sale and Leaseback Transactions"

4. Summary of Significant Accounting Policies

The significant accounting policies applied in the preparation of these parent-company-only 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 parent-company-only financial statements.

(1) Statement of compliance

The parent-company-only 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).

(2) Basis of preparation

A. Basis of measurement

The parent-company-only financial statements have been prepared on a historical cost basis except for the following significant accounts in the balance sheets:

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

(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 the Company is determined based on the primary economic environment in which the entity operates. The parent-company-only financial statements are presented in New Taiwan Dollars ("TWD"), which is the

Company's functional currency. All financial information presented in TWD has been rounded to the nearest thousand.

(3) Foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies 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.

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.

(4) 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.

(5) 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.

(6) Financial instruments

Accounts receivable 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.

(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.

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.

(b) Equity instruments

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.

(c) 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.

(d) 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.

(e) 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.

(7) 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.

(8) Investment in subsidiaries

The Company's subsidiaries are accounted for using the equity method when preparing their parent company only financial statements. Under the equity method, profit, other comprehensive income and equity in the parent-company-only financial statements are equivalent to those of the profit, other comprehensive income and equity which are contributed to the owners of the parent in the consolidated financial statements.

The changes in the parent's interest in its subsidiaries that do not result in a loss of control are accounted as equity transactions.

(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.

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: 2 to 10 years

(c) Office and other equipment: 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.

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.

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 and other, 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.

(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.

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: 2 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.

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) 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.

(16) Share-based payment transactions

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions, and there is no true-up for differences between the expected and the actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the liability are recognized in profit or loss.

The Company's grant date of a share-based payment award is the date which the Company confirms its employee of the exercise price and number of exercised shares.

(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.

(18) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to common stockholders of the Company. The calculation of basic earnings per share is based on the profit attributable to the common stockholders of the Company 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 the Company, 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

The Company has disclosed operating segment information in consolidated financial statements. Hence, this information is not required to be disclosed in these parent-company-only financial statements.

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

The preparation of the parent-company-only 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.

6. Explanation of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand and petty cash	$ 53	53
Checking and savings accounts	29,563	111,649
Time deposits	35,000	58,700
	$ 64,616	170,402

Please refer to note 6(19) 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, 2022	December 31, 2021	January 1, 2021
Accounts receivable (including receivables from related parties)	$ 54,191	80,465	63,073
Less: loss allowance	(16)	(54)	(37)
	$ 54,175	80,411	63,036
Accounts receivable, net	$ 13,532	21,637	13,919
Accounts receivable from related parties, net	$ 40,643	58,774	49,117

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

	December 31, 2022		
	Gross carrying amount	Weighted-average loss rate	Expected loss allowance
Not past due	$ 53,807	0.030%	16
Past due 1~89 days	384	- %	-
Total	$ 54,191		16

	December 31, 2021		
	Gross carrying amount	Weighted-average loss rate	Expected loss allowance
Not past due	$ 78,250	0.055%	43
Past due 1~89 days	2,215	0.497%	11
Total	$ 80,465		54

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

	For the years ended December 31, 2022	2021
Beginning balance	$ 54	37
Impairment loss (reversed) recognized	(38)	17
Ending balance	$ 16	54

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

(3) Inventories

	December 31, 2022	December 31, 2021
Raw materials	$ 21,248	2,528
Work in process	161,552	132,289
Finished goods	207,653	199,941
Merchandise inventory	-	33
	$ 390,453	334,791

The details of operating costs were as follows:

	For the years ended December 31, 2022	2021
Cost of goods sold	$ 249,772	445,730
Technical service cost	492	14,632
Provision for inventory devaluation loss (reversed)	30,341	(1,197)
Unallocated production overheads	6,334	4,831
Revenue from sale of scrap	(817)	(1,100)
Physical inventory (gain) loss	(4)	1
	$ 286,118	462,897

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

(4) Investments accounted for using equity method

The Company’s financial information for investments accounted for using the equity method at the reporting date was as follows:

	December 31, 2022	December 31, 2021
Subsidiaries	$ -	2,174
Unrealized sales gains and losses within the Company (downstream transactions)	-	(7)
	$ -	2,167

For the years ended December 31, 2022 and 2021, share of loss of the subsidiary amounted to $76 and $78, respectively.

The Company liquidated its subsidiary, ViCHIP, on November 3, 2022 with the approval of the board. As of December 31, 2022, the relate registration procedures have yet to be completed.

Please refer to consolidated financial statements for the year ended December 31, 2022 for the subsidiary information.

(5) Property, plant and equipment

	Machinery and equipment	Office and other equipment	Total
Cost:			
Balance as of January 1, 2022	$ 131,245	39,819	171,064
Additions	4,999	5,472	10,471
Disposal and write-off	(19,042)	-	(19,042)
Balance as of December 31, 2022	$ 117,202	45,291	162,493
Balance as of January 1, 2021	$ 140,319	35,938	176,257
Additions	14,917	4,191	19,108
Disposal and write-off	(23,991)	(310)	(24,301)
Balance as of December 31, 2021	$ 131,245	39,819	171,064
Accumulated depreciation:			
Balance as of January 1, 2022	$ 65,600	21,072	86,672
Depreciation for the period	17,099	6,716	23,815
Impairment loss	12,819	-	12,819
Disposal and write-off	(18,598)	-	(18,598)
Balance as of December 31, 2022	$ 76,920	27,788	104,708
Balance as of January 1, 2021	$ 65,655	15,272	80,927
Depreciation for the period	16,857	6,110	22,967
Disposal and write-off	(16,912)	(310)	(17,222)
Balance as of December 31, 2021	$ 65,600	21,072	86,672

	Machinery and equipment	Office and other equipment	Total
Book value:			
Balance as of December 31, 2022	$ 40,282	17,503	57,785
Balance as of January 1, 2021	$ 74,664	20,666	95,330
Balance as of December 31, 2021	$ 65,645	18,747	84,392

A. Impairment loss

For the year ended December 31, 2022, the Company assessed the impairment loss on manufacturing equipment due to the changes in production technology to be $12,819, recognized as "Other gains and losses" in the consolidated statement of comprehensive income.

B. Collateral

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

(6) Right-of-use assets

	Buildings
Cost of right of use assets:	
Balance as of January 1, 2022	$ 39,754
Additions	14,518
Decreases	(13,946)
Balance as of December 31, 2022	$ 40,326
Balance as of January 1, 2021	$ 38,698
Additions	2,223
Decreases	(1,167)
Balance as of December 31, 2021	$ 39,754
Accumulated Depreciation:	
Balance as of January 1, 2022	$ 17,907
Depreciation for the period	12,765
Decreases	(13,946)
Balance as of December 31, 2022	$ 16,726
Balance as of January 1, 2021	$ 6,338
Depreciation for the period	12,736
Decreases	(1,167)
Balance as of December 31, 2021	$ 17,907

		Buildings
Book value:		
Balance as of December 31, 2022	$	23,600
Balance as of January 1, 2021	$	32,360
Balance as of December 31, 2021	$	21,847

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 2022 and 2021, 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.

(7) Intangible assets

		Computer software	Patent and technology license fee	Total
Cost:				
Balance as of January 1, 2022	$	24,973	34,711	59,684
Additions		6,962	-	6,962
Write-off		(4,271)	(10,120)	(14,391)
Balance as of December 31, 2022	$	27,664	24,591	52,255
Balance as of January 1, 2021	$	20,354	33,846	54,200
Additions		7,360	1,825	9,185
Write-off		(2,741)	(960)	(3,701)
Balance as of December 31, 2021	$	24,973	34,711	59,684
Accumulated amortization:				
Balance as of January 1, 2022	$	19,835	19,562	39,397
Amortization for the period		8,703	4,369	13,072
Write-off		(4,271)	(10,120)	(14,391)
Balance as of December 31, 2022	$	24,267	13,811	38,078
Balance as of January 1, 2021	$	12,966	14,797	27,763
Amortization for the period		9,610	5,725	15,335
Write-off		(2,741)	(960)	(3,701)
Balance as of December 31, 2021	$	19,835	19,562	39,397
Book value:				
Balance as of December 31, 2022	$	3,397	10,780	14,177
Balance as of January 1, 2021	$	7,388	19,049	26,437
Balance as of December 31, 2021	$	5,138	15,149	20,287

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 2022 and 2021, 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.

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

(8) Short-term borrowings

	December 31, 2022	December 31, 2021
Unsecured bank loans	$ 66,019	-
Unused credit lines	$ 43,981	110,000
Range of interest rates	2.075%~ 2.825%	- %

(9) Lease liabilities

The carry amounts of lease liabilities were as follows:

	December 31, 2022	December 31, 2021
Current	$ 10,033	7,150
Non-current	$ 8,747	7,851

For the maturity analysis, please refer to note 6(18) of the financial instruments.

The amounts recognized in profit or loss were as follows:

	For the year ended December 31,	
	2022	2021
Interest on lease liabilities	$ 244	283
Expenses relating to short-term leases	$ -	5

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

	For the years ended December 31,	
	2022	2021
Total cash outflow for leases	$ 10,983	10,946

Information of lease

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

(10) Employee benefit

A. Defined benefit plans

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

	December 31, 2022	December 31, 2021
Present value of the defined benefit obligations	$ -	(11,447)
Fair value of plan assets	8,490	15,652
Net defined benefit assets	**$ 8,490**	**4,205**

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 $8,490 as of December 31, 2022. For information on the utilization of the labor pension fund assets including the asset allocation and yield rate of the fund, please refer to the website of the Bureau of Labor Funds.

In accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, 3S applied for a clearance on the remaining years of service of its employees to the competent authority, who approved its application in November and December of the same year. As of December 31, 2022, there were no employees belonging to the old labor pension plan; hence, 3S is expected to apply for the cancellation of its pension reserve account with Bank of Taiwan in April 2023.

(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, 2022 and 2021 were as follows:

	For the years ended December 31,	
	2022	**2021**
Defined benefit obligation as of January 1	$ (11,447)	(12,476)
Current service costs and interest	(54)	(44)
Remeasurements of the net defined benefit assets		
- Actuarial loss (gain) arising from changes in financial assumptions	-	145
- Actuarial loss (gain) arising from experience adjustments	2,975	264
Benefit paid	8,526	664
Defined benefit obligation as of December 31	$ -	(11,447)

(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, 2022 and 2021 were as follows:

	For the years ended December 31,	
	2022	**2021**
Fair value of plan assets as of January 1	$ 15,652	16,021
Interest income	73	56
Remeasurements of the net defined benefit assets		
- Return on plan assets (excluding current interest)	1,291	239
Benefit paid	(8,526)	(664)
Fair value of plan assets as of December 31	$ 8,490	15,652

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

The Company's expenses recognized in profit or losses for the years ended December 31, 2022 and 2021, were as follows:

	For the years end December 31,	
	2022	**2021**
Net interest on the net defined benefit assets	$ (19)	(12)

(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, 2022 and 2021 were as follows:

	For the years end December 31,	
	2022	**2021**
Cumulative amount as of January 1	$ 5,776	5,128
Recognized during the period	4,265	648
Cumulative amount as of December 31	**$ 10,041**	**5,776**

(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, 2022	**December 31, 2021**
Discount rate	1.4019%	0.4690%
Future salary increases	2.0000%	2.0000%

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, 2022.

The weighted-average duration of the defined benefit obligation is 0 years.

(g) Sensitivity analysis

If there is a change in the actuarial assumptions as of December 31, 2022 and 2021, the impact on the defined benefit obligation would be as follows:

	December 31, 2022		**December 31, 2021**	
	Increase 0.25%	**Decrease 0.25%**	**Increase 0.25%**	**Decrease 0.25%**
Discount rate	**$ -**	**-**	**(304)**	**315**
Future salary increase rate	**$ -**	**-**	**306**	**(297)**

Reasonably possible changes to one of the relevant actuarial assumptions on the reporting date, holding other assumptions remain constant, would have affected the defined benefit obligation by the amounts shown above. In practical, the relevant actuarial assumptions are correlated to each other.

The approach used in recognizing the net defined liability in the balance sheets is the same as the one used in developing the sensitivity analysis and the relevant actuarial assumptions in the current and previous years.

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 $7,036 and $7,205 and for the years ended December 31, 2022 and 2021, respectively. Payment was made to the Bureau of Labor Insurance.

(11) Income tax

A. The amount income tax expense were as follows:

The amount income tax expense for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31,	
	2022	**2021**
Current tax expense	$ -	161
Deferred tax expense		
Origination and reversal of temporary differences	29,865	2
Income tax expense	**$ 29,865**	**163**

The amount of tax expense recognized in other comprehensive income for the years ended December 31, 2022 and 2021 was as follows:

	For the years ended December 31,	
	2022	**2021**
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of the defined benefit plans	**$ 853**	**130**

The reconciliation of income tax expense and (loss) income before tax for the years ended December 31, 2022 and 2021, is as follows:

	For the years ended December 31, 2022	2021
(Loss) Income before tax	$ (126,694)	1,321
Income tax using the the Company's domestic tax rate	(25,339)	264
Recognized domestic investment losses under the equity methods	15	16
Tax-exempt income	(1)	-
Changes in unrecognized tax losses	29,560	3,985
Change in unrecognized deductible temporary differences	25,630	(4,262)
Overseas withholding tax	-	160
	$ 29,865	**163**

B. Deferred income tax assets and liabilities

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

	December 31, 2022	December 31, 2021
Tax effect of deductible Temporary Differences	$ 25,693	63
Tax losses	185,816	180,048
	$ 211,509	**180,111**

The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting 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 therefrom.

As of December 31, 2022, the unused operating loss carry forwards were as described below:

Year loss occurred	Unused operating loss Carry forwards	Expiration year
2013 (assessed)	$ 62,048	2023
2014 (assessed)	125,006	2024
2015 (assessed)	195,249	2025
2016 (assessed)	37,349	2026
2017 (assessed)	70,214	2027
2018 (assessed)	22,429	2028
2019 (assessed)	110,711	2029
2020 (assessed)	138,247	2030
2021 (filed)	20,024	2031
2022 (estimated)	147,801	2032
	$ 929,078	

(b) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2022 and 2021 were as follows:

Deferred tax assets:

	January 1, 2021	Recognized in profit or loss	Recognized in other comprehen-sive income	December 31, 2021	Recognized in profit or loss	Recognized in other comprehen-sive income	December 31, 2022
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, 2021	Recognized in profit or loss	Recognized in other comprehen-sive income	December 31, 2021	Recognized in profit or loss	Recognized in other comprehen-sive income	December 31, 2022
Defined benefit plans	$ 729	2	130	861	4	853	1,718

C. the Company ’s income tax returns had been assessed by the tax authorities through 2020.

(12) Capital and other equity interest

A resolution was approved during the meeting of Board of Directors held on August 18, 2021, for the issuance of 10,000 new shares for cash, and with par value of $10 (dollars) per share, amounting to $100,000. The Company has received approval from the FSC No. 110358456 for capital increase on November 23, 2021. The relevant registration procedures had already been completed. In addition, the Company recognized the compensation cost of this cash capital increase reserved for employees to subscribe for shares amounting to $4,807.

As of December 31, 2022 and 2021, the authorized capital are both $1,200,000 according to the Company'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 $0 $746,877 thousand dollars for both years, and with par value of $10 per share.

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

	Common stocks	
	For the year ended December 31,	
	2022	2021
Number of outstanding capitals on January 1	74,688	64,688
Add: capital increase	-	10,000
Number of outstanding capitals on December 31	74,688	74,688

A. Common stock

(a) First private placement of common stock in 2008

In order to appeal to strategic investors for the purpose of strengthening the Company'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.

(b) First private placement of common stock in 2013

In order to appeal to strategic investors for the purpose of strengthening the Company'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 the Company 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. Capital surplus

The Company's capital surplus was as follows:

	December 31, 2022	December 31, 2021
Donation from shareholders	$ -	868
Issue of shares	-	171,320
Compensation cost of employee stock options at cash capital increase	-	4,807
	$ -	**176,995**

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

C. 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

The Company'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.

A resolution was approved during the stockholders' meeting held on June 21, 2022 for 3S to use its the capital surplus to offset its accumulated deficits in 2021 at the amount of $176,995. There were no deficit compensation for 2020 according to the decision made during the stockholders' meeting held on July 8, 2021. The deficit compensation mentioned above were consistent with the decisions made by Board of Directors. The information is available at the Market Observation Post System website.

The deficit compensation for 2022 was presented for a resolution in the Board of Directors' meeting on February 23, 2023, which are then to be approved in annual stockholders' meeting. The information will be available on the Market Observation Post System website.

(13) Share-based payment

Capital increase reserved for employees
The issuance of the capital increase reserved for employee subscription was approved by the Board of Directors on August 18, 2021, and reserved 907 thousand shares as employee subscriptions in accordance with the R.O.C Company Act. If employees are undersubscribed or give up subscription, the shares of the Company shall be authorized by the Board of Directors to negotiate with specific persons to subscribe for them.

The Company used the European Option pricing model in measuring the fair value of the share-based payment at the grant date. The measurement inputs were as follows:

	2021 Cash capital increase reserved for employee subscription
Fair value at grant date	$ 5.30
Share price at grant date	$ 32.50
Exercise price	$ 27.20
Expected volatility (%)	44.694%
Expected life (Date)	3
Expected dividend	- %
Risk-free interest rate (%)	0.629%

Expected volatility is based on the weighted average of historical volatility, and it is considered when there is additional market information about the volatility. The Company determined the expected dividends and risk-free rate during the life of the option. These rates are determined based on government bonds, and they are in accordance with the regulations.

The Company incurred the compensation cost for cash capital increase reserved for employee's subscription right amounting to $4,807 for the year ended December 31, 2021.

(14) Earnings per share

	For the years ended December 31, 2022	2021
Basic and diluted earnings per share:		
Net income (loss) attributable to the Company's stockholders	$ (156,559)	1,158
Weighted average common stocks outstanding (thousand shares)	74,688	65,729
Basic and diluted EPS (TWD)	$ (2.10)	0.02

There were no dilutive potential ordinary shares for the years ended December 31, 2022 and 2021.

(15) Revenue from contracts with customers

Disaggregation of revenue

	For the years ended December 31, 2022	2021
Primary geographical markets		
America	$ 211,610	266,207
North-east Asia	88,071	109,683
China	56,658	152,731
Taiwan	40,646	152,532
Others	5,552	11,206
	$ 402,537	692,359
Major products		
Revenue from IC	$ 386,911	648,553
Technical Service Income	15,626	43,806
	$ 402,537	692,359

(16) Compensation of employees and directors

According to the Company's articles of incorporation, the Company'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 the Company are distributed on a monthly fixed term and excluded from the above-mentioned distribution.

Because the Company incurred a net loss for the years ended December 31, 2022, compensation to employees and directors were not accrued. For the years ended December 31, 2021, the employees' and directors' remuneration that were estimated, based on the net income before tax, after offsetting the employees' and directors' remuneration and the accumulated deficit, then the remainder was multiplied by the percentage in accordance with the the Company's Articles of Incorporation. Because there is no remaining amount after offsetting accumulated deficit, there is no remainder shall be appropriated as employees' and directors' remuneration.

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 the Company's compensation to employees and directors will be available at the Market Observation Post System website.

(17) Non-operating income and expenses

A. Interest income

	For the years ended December 31,	
	2022	**2021**
Interest income from bank deposits	$ 525	176
Other interest income	36	53
	$ 561	229

B. Other gains and losses

	For the years ended December 31,	
	2022	**2021**
Gain on disposals of property, plant and equipment	$ 1,680	3,192
Recognition of impairment losses on non-financial assets	(12,819)	-
Foreign exchange (losses) gains, net	4,278	(13)
Others	1,405	2,628
	$ (5,456)	5,807

C. Finance costs

	For the years ended December 31, 2022	2021
Interest expense－short-term borrowings and other	$ 423	997
Interest expense－lease liabilities	244	283
	$ 667	1,280

(18) 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 considers that there is no concentration of credit risk in regard to cash and cash equivalents.

The Company's sales to individual clients constituting over 10% of total sales revenue for the years ended December 31, 2022 and 2021, were 71% and 74%, 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, 2022 and 2021. 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(6).

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, 2022				
Non-derivative financial liabilities				
Short-terms borrowing	$ 66,019	66,508	66,508	-

Accounts payable	1,936	1,936	1,936	-
Accrued payroll and bonus	17,122	17,122	17,122	-
Other accrued expenses	19,614	19,614	19,614	-
Lease liabilities (included in current and non-current)	18,780	19,063	10,250	8,813
Guarantee deposits received	618	618	-	618
	$ 124,089	124,861	115,430	9,431

		Carrying amount	Contractual cash flows	Within 1 years	1~5 years
December 31, 2021					
Non-derivative financial liabilities					
Accounts payable	$	25,800	25,800	25,800	-
Accrued payroll and bonus		17,324	17,324	17,324	-
Other accrued expenses		44,634	44,634	44,634	-
Lease liabilities (included in current and non-current)		15,001	15,286	7,297	7,989
Guarantee deposits received		618	618	-	618
	$	103,377	103,662	95,055	8,607

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, 2022			December 31, 2021		
		Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets							
Monetary items							
USD	$	1,851	30.72	56,863	3,119	27.66	86,272
Financial liabilities							
Monetary items							
USD	$	151	30.72	4,639	974	27.66	26,941

(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, 2022 and 2021, would have decreased or increased the net loss by $418 and $475, 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:

	2022		2021	
	Foreign exchange gains (losses)	Average rate	Foreign exchange gains (losses)	Average rate
USD	$ 4,278	-	(13)	-

D. Fair value of financial instruments

(a) Categories of financial instruments and fair value

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

	December 31, 2022				
	Carrying Amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 64,616	-	-	-	-
Accounts receivable (including receivables from related parties)	54,175	-	-	-	-
Refundable deposits	6,779	-	-	-	-
	$ 125,570	-	-	-	-
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 66,019	-	-	-	-
Accounts payable	1,936	-	-	-	-
Accrued payroll and bonus	17,122	-	-	-	-
Other accrued expenses	19,614	-	-	-	-
Lease libilities (included in current and non-current)	18,780	-	-	-	-
Guarantee deposits received	618	-	-	-	-
	$ 124,089	-	-	-	-

	December 31, 2021				
	Carrying	Fair value			
	Amount	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 170,402	-	-	-	-
Accounts receivable (including receivables from related parties)	80,411	-	-	-	-
Refundable deposits	7,095	-	-	-	-
	$ 257,908	-	-	-	-
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 25,800	-	-	-	-
Accrued payroll and bonus	17,324	-	-	-	-
Other accrued expenses	44,634	-	-	-	-
Lease liabilities (included in current and non-current)	15,001	-	-	-	-
Guarantee deposits received	618	-	-	-	-
	$ 103,377	-	-	-	-

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

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

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

(19) 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 parent-company-only 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(18). 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, 2022 and 2021, 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.

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, 2022, the Company has unused short-term bank facilities of $43,981.

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.

(20) 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.

The Company' s approach to capital management during the year ended December 31, 2022, was the same as that in 2021.

	December 31, 2022	December 31, 2021
Total liabilities	$ 132,071	113,506
Total equity	$ 497,659	650,806
Debt-to-capital ratio	26.54%	17.44%

As of December 31, 2022, the debt-to-adjusted-capital ratio had increased due to the increase in net loss for the current period, resulting in a decrease in the Company's equity.

(21) Financing activities not affecting current cash flow

Reconciliation of liabilities arising from financing activities were as follows:

	Short-term borrowings	Lease liabilities	Guarantee deposits received	Total liabilities from financing activities
Balance as of January 1, 2022	$ -	15,001	618	15,619
Cash flows:				
Proceeds from borrowings	141,019	-	-	141,019
Repayments of borrowings	(75,000)	-	-	(75,000)
Payment of lease liabilities	-	(10,739)	-	(10,739)
Interest paid	-	(244)	-	(244)
Decrease in guarantee deposits and margin received	-	-	-	-
Non-cash flow:				
Increase in lease liabilities	-	14,518	-	14,518
Interest expense	-	244	-	244
Balance as of December 31, 2022	$ 66,019	18,780	618	85,417
Balance as of January 1, 2021	$ 34,416	23,436	927	58,779
Cash flows:				
Proceeds from borrowings	333,213	-	-	333,213
Repayments of borrowings	(367,629)	-	-	(367,629)
Payment of lease liabilities	-	(10,658)	-	(10,658)
Interest paid	-	(283)	-	(283)
Decrease in guarantee deposits received	-	-	(309)	(309)
Non-cash flow:				
Increase in lease liabilities	-	2,223	-	2,223

Interest expense	-	283	-	283
Balance as of December 31, 2021	**$ -**	**15,001**	**618**	**15,619**

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 parent-company-only financial statements.

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

Note: 3s liquidated its subsidiary, Vichip, on November 3, 2022 with the approval of the board. As of December 31, 2022, the relate registration procedures have yet to be completed.

(2) Significant transactions with related parties

A. Sales and service revenue from related parties

Related Party Category	For the years ended December 31, 2022	2021
Other related-parties:		
KDIL	$ 211,610	266,021
KIC	72,364	99,926
Subsidiary	(37)	97
	$ 283,937	366,044

The collection terms for sales to related parties will be 30 to 45 days or after the month-end; the prices of the products sold to related parties, which were determined by the products' specifications and fair market value, have no significant differences as compare to those of the other parties.

As of December 31, 2022 and 2021, the unrealized profit or loss from sales with the investees under equity method amounted to $0 and $7, respectively, which were deducted from the investments accounted for using the equity method.

B. Accounts receivable from related parties

Related Party Category	December 31, 2022	December 31, 2021
Other related-parties:		
KDIL	$ 40,635	40,911
KIC	8	17,863
	$ 40,643	58,774

(3) Transactions with key management personnel

Key management personnel compensation comprised:

	For the years ended December 31, 2022	For the years ended December 31, 2021
Short-term employee benefits	$ 12,805	5,655
Post-employment benefits	324	324
Share-based payment	-	1,431
	$ 13,129	7,410

8. Pledged Assets

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

Assets	Purpose of Pledged	December 31, 2022	December 31, 2021
Time deposits (recorded in other current financial assets)	Customs duty guarantee	$ 900	900
Refundable deposits	Warranty guarantee	4,000	4,336
		$ 4,900	5,236

9. Commitments and Contingencies

Except for notes 6(9) of the parent-company-only financial statements, the Company has obtained licenses to use other companies'technology, which requires a monthly royalty payment based on its sales volume. The Company must also guarantee the minimum production capacity required by some outsourcing factories.

10. Losses Due to Major Disasters: None.

11. Subsequent Events: None.

12. Others

(1) The Company incurred a net loss amounting to $249,218 as of December 31, 2022. The Company intends to adopt the following countermeasures to maintain its operation:

A. Marketing plans

(a) Continue optimpzing customer and product portfolios in order to provide higher vlaue-added and profitable services.

(b) Continue to enhance operation efficiency through improving material cost management and production efficiency to maximize profit.

B. Financial structure improvement plans

(a) Enforce inventory management, analyze the sales status and adjust inventory levels when necessary, and close out the slow-moving inventory in order to reducethe 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, in order to have sound financial structure and enrich working capital.

(d) Control the labor expenditure, as well as review and improve the daily expenses of the Company 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 / By item	2022			2021		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits						
Salary	3,974	144,020	147,994	17,127	125,944	143,071
Labor and health insurance	356	11,407	11,763	290	11,448	11,738
Pension	188	6,829	7,017	148	7,045	7,193
Remuneration of directors	-	1,212	1,212	-	1,293	1,293
Others	233	6,238	6,471	561	5,854	6,415
Depreciation	15,000	21,580	36,580	14,585	21,118	35,703
Amortization	-	13,072	13,072	-	15,335	15,335

The amount of employees and employee benefits for the years ended December 31, 2022 and 2021, were as follows:

	For the years December 31,	
	2022	**2021**
The number of employees	**136**	**142**
The number of directors who were not holding as a position of employee	**5**	**6**
The Average of employee benefits	**$ 1,322**	**1,238**
The Average of Salaries	**$ 1,130**	**1,052**
The Average of salary adjust rate	7%	
The remuneration to supervisors	**$ -**	**-**

Note: The Company set up an audit committee in place of a supervisor. Therefore, no remuneration to supervisor was accrued.

The information of the Company's salaries and remunerations policy (including director, executive officersand employees) is as follow:

The Company inspects, and compares with, its peers or talent competitors annually to ensure the competitiveness of its employee remuneration, so as to achieve the purpose of seeking, motivating and retaining talents. The Company's remuneration is divided into two parts: fixed and variable. The manager's performance target incentive reward is set, and consequently, it seeks to fully reflect the performance of the individual and the team.

The procedures of the Company's remuneration to directors and managers are determined using the Company's board performance evaluation method and employee performance appraisal. In addition to referring to the Company's operating performance, future risks, development strategies and industrial trends, the Company also considers the individual's contribution to the Company's performance to give reasonable remuneration. The performance evaluation and distribution of remuneration are reviewed and approved by the remuneration committee and the board of directors in accordance with the regulations. The Company will review the remuneration distribution policy in a timely manner according to the overall environment and business strategy, so as to take into account the Company's sustainable operation and the interests of its stakeholders. The remuneration of independent directors is fixed and is paid on a monthly basis.

13. Other disclosures:

(1) Information on Significant Transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company:

A. Loans to other parties: None

B. Guarantees and endorsements for other parties: None

C. Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures): None

D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock: None

E. Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None

F. Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None

G. Related-party transactions for purchases and sales with amounts exceeding the lower of NT$300 million or 20% of the capital stock:

Company Name	Related Party	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sales	Amount	Percentage of Total Purchases/ Sales	Payment Terms	Unit Price	Payment Terms	Ending Balance	Percentage of Total Notes/Accounts Receivable (Payable)	
The Company	KDIL	The subsidiary of its director	Sales and miscellaneous	211,610	53%	30~45 days	Note	30~45 days	40,635	75%	

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

H. Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock: None

I. Trading in derivative instruments: None

(2) Information on Investees:

The following is the information on investees for the years ended December 31, 2022 (excluding information on investees in Mainland China):

Name of Investor	Name of Investee	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2022			Net Income (Losses) of Investee	Share of Profits/ Losses of Investee	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of Ownership	Carrying Value			
The Company	ViCHIP	Hsin chu	Operating electronic components manufacturing, wholesaling, sales and product design business	52,400	52,400	500	100%	-	(76)	(76)	Note

Note: The Company liquidated its subsidiary, ViCHIP, on November 3, 2022. As of December 31, 2022, the relate registration procedures have yet to be completed.

(3) Information on Investment in Mainland China:

A. The names of investees in Mainland China, the main businesses and products, and other information: None

B. Limitation on investment in Mainland China: None

C. Significant transactions: None

(4) Major shareholders:

Shareholding / Shareholder's Name	Shares	Percentage
Kingston Digital International Ltd	5,231,190	7.00%
KIOXIA Corporation	5,065,847	6.78%
CHIH LIANG TSAO	4,007,374	5.36%

Note:

1. The information on major shareholders, which is provided by the Taiwan Depository & Clearing Corporation, summarized the shareholders who held over 5% of the total non physical common stocks and preferred stocks (including treasury stocks) on the last business date of each quarter. The registered non physical stocks may be different from the capital stocks disclosed in the financial statement due to different calculations basis.

2. In the case of the above information, if the shareholder delivers the shares to the trust, the shares will be disclosed as a personal account under the trust account of the principal opened by the trustee. As for the shareholders' declaration of more than 10% of the insider's shareholdings under the Securities and Exchange Act, the shareholders' stocks should be included in their own shareholdings, plus, the shares delivered to the trust, wherein the shareholders have the right of decision on using the trust property. For information on insider's equity declaration, please refer to market observation post system.

14. Segment Information

Please refer to consolidated financial statements for the year ended December 31, 2022.

Solid State System Co., Ltd.

Chairman: Jeffrey Lin