Stock Code:2945

SIMPLE MART RETAIL CO., LTD.

Parent Company Only Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2023 and 2022

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Table of contents

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Independent Auditors' Report

To the Board of Directors of
Simple Mart Retail Co., Ltd.:

Opinion

We have audited the financial statements of Simple Mart Retail Co., Ltd.("the Company"), which comprise the balance sheet as of December 31, 2023 and 2022, the statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policies.

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. 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. In our judgment, the key audit matters we communicated in the auditors' report were as follows:

1. Recognition of retail sales revenue:

   Please refer to Note 4(m) for the accounting policy of the recognition of retail sales revenue and Note 6(o) for the details of related disclosures.

Description of the key audit matter:

Retail sales revenue is generated by point of sale (POS) terminals, which record sales information (inclusive of merchandise name, quantity, sales price, and total sales amount) of each transaction using pre-established merchandise master file data. After the daily closing process, the store sales information is uploaded to the ERP (enterprise resource planning) system, which summarizes all sales and automatically generates sales revenue journal entries.

As retail sales revenue comprises numerous small amount transactions and highly relies on the system transition, the process of summarizing and recording sales revenue through these systems are important with regard to the completeness and accuracy of the recognition of retail sales revenues, and thus has been identified as a key audit matter.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain audit procedures including evaluating the control of which sales information in POS terminals was periodically and completely transferred to the ERP system and automatically generated sales revenue journal entries, and inspecting manual sales journal entries and relevant documents; inspecting the amount consistency between daily cash reports and bank statement.

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

Management is responsible for the preparation and fair presentation of the 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 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 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 members of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the 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 other entities accounted for using the equity method to express an opinion on this 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 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 Hsiao, Pei-Ju and Yu, Chi-Lung.

KPMG

Taipei, Taiwan (Republic of China)
February 23, 2024

Notes to Readers

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

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

SIMPLE MART RETAIL CO., LTD.

Balance Sheets

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2023		December 31, 2022	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 824,233	15	494,023	9
1110	Financial assets at fair value through profit or loss - current (notes 6(b)(q) and 13)	5,345	-	5,807	-
1170	Accounts receivable, net (note 6(c))	61,211	1	69,054	1
1180	Accounts receivable - related parties, net (notes 6(c) and 7)	4,321	-	2,847	-
1197	Finance lease receivable-current (notes 6(d) and 7)	675	-	2,906	-
1200	Other receivables (note 7)	11,736	-	11,173	-
1300	Inventories (note 6(e))	1,484,724	26	1,649,379	30
1410	Prepayments (note 7)	31,176	1	35,044	1
1476	Other current financial assets (notes 6(a) and 8)	120,200	2	151,500	3
		2,543,621	45	2,421,733	44
	Non-current assets:				
1551	Investments accounted for using the equity method (notes 6(f)(g) and 13)	138,850	3	107,083	2
1600	Property, plant and equipment (notes 6(h) and 7)	1,126,053	20	1,228,841	22
1755	Right-of-use assets (notes (i) and 7)	1,699,052	30	1,572,789	29
1780	Intangible assets	15,731	-	18,709	-
1840	Deferred tax assets (note 6(l))	25,583	-	23,210	-
1920	Guarantee deposits paid (note 7)	89,318	2	94,584	2
194D	Finance lease receivable - non-current (notes 6(d) and 7)	3,246	-	-	-
1980	Other non-current financial assets (notes 6(a) and 8)	23,845	-	27,064	1
		3,121,678	55	3,072,280	56
	Total assets	**$ 5,665,299**	**100**	**5,494,013**	**100**

		December 31, 2023		December 31, 2022	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2130	Contract liabilities - current (note 6(o))	$ 49,663	1	55,393	1
2150	Notes payable (note 6(q))	153	-	252	-
2170	Accounts payable (note 6(q))	1,318,685	23	1,402,524	26
2180	Accounts payable - related parties (notes 6(q) and 7)	6,302	-	4,336	-
2200	Other payables (notes 6(q) and 7)	483,785	9	453,418	8
2280	Lease liabilities - current (notes 6(j)(q)(t) and 7)	437,860	8	426,895	8
2300	Other current liabilities	112,527	2	50,247	1
		2,408,975	43	2,393,065	44
	Non-Current liabilities:				
2527	Contract liabilities - non-current (note 6(o))	6,674	-	8,196	-
2550	Non-current provisions	6,734	-	3,740	-
2570	Deferred tax liabilities (note 6(l))	556	-	-	-
2580	Lease liabilities - non-current (notes 6(j)(q)(t) and 7)	1,310,836	23	1,192,365	22
2645	Guarantee deposits received (notes 6(q) and 7)	86,114	1	101,539	2
		1,410,914	24	1,305,840	24
	Total liabilities	3,819,889	67	3,698,905	68
	Equity: (notes 6(g)(m))				
3110	Ordinary share	675,000	12	675,000	12
3200	Capital surplus	1,001,310	18	1,001,300	18
	Retained earnings:				
3310	Legal reserve	69,044	1	63,514	1
3350	Unappropriated retained earnings	100,056	2	55,294	1
		169,100	3	118,808	2
	Total equity	1,845,410	33	1,795,108	32
	Total liabilities and equity	**$ 5,665,299**	**100**	**5,494,013**	**100**

See accompanying notes to parent company only financial statements.

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

SIMPLE MART RETAIL CO., LTD.

Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

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

		2023		2022	
		Amount	%	Amount	%
4000	**Operating revenue** (notes 6(o) and 7)	$ 13,565,837	100	13,643,311	100
5000	**Operating costs** (notes 6(e) and 7)	10,095,129	74	10,289,332	75
	Gross margin from operations	3,470,708	26	3,353,979	25
	Operating expenses: 6(c)(h)(i)(j)(k)(p), 7 and 12)				
6100	Selling expenses	2,966,119	22	2,900,450	21
6200	Administrative expenses	354,757	3	375,801	3
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS9	(3,434)	-	8,793	-
	Total operating expenses	3,317,442	25	3,285,044	24
	Net operating income	153,266	1	68,935	1
	Non-operating income and expenses:				
7100	Interest income (note 6(j))	4,910	-	2,867	-
7190	Other income (note 7)	18,645	-	33,689	-
7230	Foreign exchange gains	1,821	-	2,647	-
7235	(Losses) gains on financial assets at fair value through profit or loss	(462)	-	65	-
7070	Share of loss of subsidiaries, associates and joint ventures accounted for using equity method, net (note 6(f))	(16,654)	-	(16,000)	-
7510	Interest expenses (notes 6(j) and 7)	(24,185)	-	(18,441)	-
7590	Miscellaneous disbursements	(8,741)	-	(3,998)	-
7610	Losses on disposals of property, plant and equipment (notes 6(h) and 7)	(2,248)	-	(3,814)	-
7670	Impairment losses (note 6(h))	(847)	-	(1,949)	-
		(27,761)	-	(4,934)	-
	Profit from continuing operations before tax	125,505	1	64,001	1
7950	**Less: Income tax expenses** (note 6(l))	24,359	-	12,831	-
	Profit	101,146	1	51,170	1
8300	**Other comprehensive income, net of tax**	-	-	-	-
8500	**Total comprehensive income**	**$ 101,146**	**1**	**51,170**	**1**
	Profit , attributable to:				
	Owners of parent	$ 101,146	1	55,294	1
	Former owner of business combination under common control	-	-	(4,124)	-
		$ 101,146	**1**	**51,170**	**1**
	Comprehensive income attributable to:				
	Owners of parent	$ 101,146	1	55,294	1
	Former owner of business combination under common control	-	-	(4,124)	-
		$ 101,146	**1**	**51,170**	**1**
9750	Basic earnings per share (note 6(n))	**$**	**1.50**		**0.82**
9850	Diluted earnings per share (note 6(n))	**$**	**1.50**		**0.82**

See accompanying notes to parent company only financial statements.

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

SIMPLE MART RETAIL CO., LTD.

Statements of Changes in Equity

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

			Retained earnings			
	Ordinary shares	Capital surplus	Legal reserve	Unappropriated retained earnings	Equity attributable to former owner of business combination under common control	Total equity
Balance at January 1, 2022	$ 675,000	992,115	44,064	194,503	94,028	1,999,710
Distribution of retained earnings:						
Legal reserve appropriated	-	-	19,450	(19,450)	-	-
Cash dividends of ordinary share	-	-	-	(175,053)	-	(175,053)
	-	-	19,450	(194,503)	-	(175,053)
Other changes in capital surplus:						
Other changes in capital surplus	-	122	-	-	-	122
Net income	-	-	-	55,294	(4,124)	51,170
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	55,294	(4,124)	51,170
Reorganization	-	9,326	-	-	(89,904)	(80,578)
Unrealized gain or loss in the intragroup transaction	-	(263)	-	-	-	(263)
Balance at December 31, 2022	675,000	1,001,300	63,514	55,294	-	1,795,108
Distribution of retained earnings:						
Legal reserve appropriated	-	-	5,530	(5,530)	-	-
Cash dividends of ordinary share	-	-	-	(49,275)	-	(49,275)
	-	-	5,530	(54,805)	-	(49,275)
Other changes in capital surplus:						
Other changes in capital surplus	-	10	-	-	-	10
Net income	-	-	-	101,146	-	101,146
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	101,146	-	101,146
Changes in ownership interests in subsidiaries	-	-	-	(1,579)	-	(1,579)
Balance at December 31, 2023	**$ 675,000**	**1,001,310**	**69,044**	**100,056**	**-**	**1,845,410**

See accompanying notes to parent company only financial statements.

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

SIMPLE MART RETAIL CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

		2023	2022
Cash flows from (used in) operating activities:			
Profit before tax	$	125,505	64,001
Adjustments:			
Adjustments to reconcile profit (loss):			
Depreciation expenses		677,812	693,694
Amortization expenses		10,212	15,526
(Reversal of expected credit loss) expected credit loss		(3,434)	8,793
Net loss (gain) on financial assets or liabilities at fair value through profit or loss		462	(65)
Interest expenses		24,185	18,441
Interest income		(4,910)	(2,867)
Shares of loss of subsidiaries, associates and joint ventures accounted for using the equity method		16,654	16,000
Losses on disposal of property, plant and equipment		2,248	3,814
Profit from lease modification		(742)	(878)
Losses on disposal of intangible assets		-	1
Impairment losses on non-financial assets		847	1,949
Total adjustments to reconcile profit		723,334	754,408
Changes in operating assets and liabilities:			
Decrease (increase) in accounts receivable		11,277	(25,272)
(Increase) decrease in accounts receivable - related parties		(1,474)	560
(Increase) decrease in other receivables		(445)	1,947
Decrease (increase) in inventories		164,655	(175,318)
Decrease (increase) in prepayments		3,868	(12,439)
Decrease (increase) in other financial assets		31,300	(1,500)
(Decrease) increase in contract liabilities		(7,252)	23,218
(Decrease) increase in notes payable		(99)	178
(Decrease) increase in accounts payable		(83,839)	100,032
Increase (decrease) in accounts payable - related parties		1,966	(2,997)
Increase (decrease) in other payables		27,650	(7,021)
Increase in other current liabilities		47,274	24,327
Total adjustments		918,215	680,123
Cash inflow generated from operations		1,043,720	744,124
Interest received		4,435	2,878
Interest paid		(24,153)	(18,441)
Income taxes paid		(10,850)	(46,071)
Net cash flows generated from operating activities		1,013,152	682,490
Cash flows from (used in) investing activities:			
Acquisition of financial assets at fair value through profit or loss		-	(5,742)
Acquisition of investments accounted for using the equity method		(50,000)	-
Acquisition of property, plant and equipment		(118,048)	(153,868)
Proceeds from disposal of property, plant and equipment		859	146
Decrease in guarantee deposits paid		5,266	5,411
Acquisition of intangible assets		(7,234)	(10,148)
Decrease in finance lease receivable		3,216	10,918
Decrease in other financial assets		3,219	-
Increase in other financial assets		-	(18,314)
Net cash flows used in investing activities		(162,722)	(171,597)
Cash flows from (used in) financing activities:			
Decrease in guarantee deposits received		(15,425)	(17,269)
Payment of lease liabilities		(455,530)	(456,869)
Cash dividends paid		(49,275)	(175,053)
Payments of reorganization		-	(8,899)
Other changes in capital surplus		10	122
Net cash flows used in financing activities		(520,220)	(657,968)
Net increase (decrease) in cash and cash equivalents		330,210	(147,075)
Cash and cash equivalents at beginning of period		494,023	641,098
Cash and cash equivalents at end of period	$	**824,233**	**494,023**

See accompanying notes to parent company only financial statements.

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

SIMPLE MART RETAIL CO., LTD.

Notes to the Financial Statements

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

Simple Mart Retail Co., Ltd. (the "Company") was incorporated on February 7, 2013 as a company limited authorized by the Ministry of Economic Affairs. The Company has registered office located at B1, No. 4, Section 3, Minquan East Road, Zhongshan District, Taipei City 10477, Taiwan (R.O.C.). The main engagement is in supermarket operation, and retail sales in kinds of foods, beverage and daily commodities, etc.

As of October 24, 2018, the Company got approval for public offering, and were listed on the Taiwan Stock Exchange (TWSE) on November 30, 2021.

(2) Approval date and procedures of the financial statements:

The Board of Directors authorized the accompanying financial statements on February 23, 2024.

(3) New standards, amendments and interpretations adopted:

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

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

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

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

- Amendments to IAS 12 "International Tax Reform—Pillar Two Model Rules"

(b) 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, 2024, would not have a significant impact on its financial statements:

- Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"
- Amendments to IAS 1 "Non-current Liabilities with Covenants"
- Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"
- Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"

(Continued)

(c) 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 financial statements:

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"
- IFRS 17 " Insurance Contracts" and amendments to IFRS 17 " Insurance Contracts"
- Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 – Comparative Information"
- Amendments to IAS21 "Lack of Exchangeability"

(4) Summary of material accounting policies:

The material accounting policies presented in the financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the financial statements.

(a) Statement of compliance

These 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").

(b) Basis of preparation

(i) Basis of measurement

Except for financial instruments at fair value through profit or loss are measured at fair value, the financial statements have been prepared on a historical cost basis.

(ii) Functional and presentation currency

The functional currency of each entity of the Company is determined based on the primary economic environment in which the entity operates. The financial statements are presented in New Taiwan Dollar (NTD), which is the Company's functional currency.

(c) Foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of Company entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date, exchange differences are generally recognized in profit or loss.

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

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

(i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) The asset is cash or a 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.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

An entity shall classify a liability as current when:

(i) It is expected to be settled in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period; or

(iv) The Company 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 issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises cash on hand and bank deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. 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 should be recognized as cash equivalents.

(f) Financial instruments

Trade receivables and debt securities issued 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 or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

(i) 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, debt instrument measured at fair value through other comprehensive income, equity instrument measured at fair value through other comprehensive income and financial asset at fair value though profit or loss. 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.

1) 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.

2) Financial assets at fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above (e.g., financial assets held for trading and those that are managed and whose performance is evaluated on a fair value basis) are measured at FVTPL. These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

3) 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, accounts receivable, other receivable, leases receivable, guarantee deposit paid and other financial assets).

The Company measures loss allowances at an amount equal to lifetime expected credit loss (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 trade receivables are always measured at an amount equal to lifetime ECL.

(Continued)

SIMPLE MART RETAIL CO., LTD.
Notes to the Financial Statements

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 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

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.

As the Company's bank deposits, time deposits and reverse repurchase agreement are dealt with financial institutions with good credit rating and graded above investment level, hence, there is no significant credit risk arising.

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

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. 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.

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset; is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

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

(Continued)

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. 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.

4) 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.

(ii) Financial liabilities and equity instruments

1) 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.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Financial liabilities

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

4) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

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.

(Continued)

5) 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.

(g) Inventories

Inventories are measured at actual cost. The cost of inventories is calculated using the weighted average method. Thereafter, allowance for inventory obsolescence losses is recognized for obsolescent and overdue goods, the obsolescence losses are recognized as cost in the current period.

(h) Investment in subsidiaries

When preparing the financial statements, investment in subsidiaries which are controlled by the Company is accounted for using the equity method. Under the equity method, profit or loss and other comprehensive income recognized in parent company only financial statement is in line with total comprehensive income attributable to shareholders of the Company in the consolidated financial statements.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control of a subsidiary are equity transactions with owners.

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost (inclusive of capitalized borrowing costs) less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful life, 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.

(ii) Subsequent expenditure

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

(iii) 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 life of each component of an item of property, plant and equipment.

Land is not depreciated.

(Continued)

SIMPLE MART RETAIL CO., LTD.
Notes to the Financial Statements

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

1)	Buildings	50 years
2)	Plant and equipment	3~10 years
3)	Leasehold improvements	1~11 years

Depreciation methods, useful life and residual values are reviewed at least at each annual reporting date and adjusted if appropriate, the change is processed in accordance with the accounting estimate change policy.

(j) Leases

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.

(i) 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:

1) fixed payments, including in-substance fixed payments;

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

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

4) 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:

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

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

3) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or

4) there is a change of its assessment on whether it will exercise a extension or termination option; or

5) there is 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 presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

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

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

SIMPLE MART RETAIL CO., LTD.
Notes to the Financial Statements

The lessor recognizes a finance lease receivable at an amount equal to its net investment in the lease. Initial direct costs, such as lessors to negotiate and arrange a lease, are included in the measurement of the net investment. The lessor recognizes the interest income over the lease term based on a pattern reflecting a constant periodic rate of return on the lessor' s net investment in the lease. The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of "rental income".

(k) Intangible assets

Intangible assets are acquired by the Company are measured at cost less accumulated amortization and any accumulated impairment losses.

(i) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(ii) 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 life of intangible assets, from the date that they are available for use.

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

Computer software and others	2~8 years

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

(l) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories 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).

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.

(Continued)

SIMPLE MART RETAIL CO., LTD.
Notes to the Financial Statements

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

(m) Revenue from contracts 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.

(i) Sale of goods

The Company manufactures and sells consumer foods, beverage and daily commodities in the retail market. The Company recognizes revenue when a customer takes possession of the product. Payment of the transaction price is due immediately when the customer purchases the product.

(ii) Customer loyalty program

The Company operates a customer loyalty program to its retail customers. Retail customers obtain points for purchases made, which entitle them to discount on future purchases. The Company considers that the points provide a material right to customers. The stand-alone selling price of the product sold is estimated on the basis of the retail price. The Company has recognized contract liability at the time of sale on the basis of the principle mentioned above. Revenue from the award points is recognized when the points are redeemed or when they expire.

(iii) Other operating income

The Company provides kinds of service, including advertisement, product launch, franchisee, etc.. The Company recognizes revenue when the service is provided to customers during the reporting period.

(iv) 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.

(n) Government grants

The Company recognizes an unconditional government grant in profit or loss as other income when the grant becomes receivable. Grants that compensate the Company for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(Continued)

(o) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

Contributions to defined benefit retirement plans are expensed as the related service is provided.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans 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.

(p) Income taxes

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 are 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 at the reporting date and their respective tax bases. Deferred taxes are recognized except for the following:

(i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination at the time of the transaction (i) affects neither accounting nor taxable profits (losses) and (ii) does not give rise to equal taxable and deductible temporary differences;

(ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) taxable temporary differences arising on the initial recognition of goodwill.

(Continued)

SIMPLE MART RETAIL CO., LTD.
Notes to the Financial Statements

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, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

(i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of 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 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.

(q) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares.

(r) Operating segments

The Company discloses the operating segment information in the consolidated financial statements. Therefore, the Company does not disclose the operating segment information in the parent company only financial statements.

(s) Business combination

Accounting to the Questions and Answers " Accounting issues about business combinations under common control" issued by Accounting Research and Development Foundation on October 26, 2018, there is no explicit standard about business combinations under common control in IFRS3 "Business Combinations"; therefore, the reorganizational structure of the Group should follow the explanation issued and use the carrying value method for its accounting treatment, recognize the adjustment in the statements of changes in equity as "equity attributed to the former owner of the business combination under common control"; as well as recognize the profit in the statement of comprehensive income as "net profit attributed to the former owner of business combination under common control".

(Continued)

SIMPLE MART RETAIL CO., LTD.
Notes to the Financial Statements

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the financial statements in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The Company has assessed having no assumptions and estimated uncertainties that could have a material impact on the consolidated financial statements.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash on hand	$ 61,957	57,842
Bank deposits	262,234	196,166
Reverse repurchase agreement	500,042	240,015
	$ 824,233	**494,023**

Time deposits are not held for the purpose of meeting short-term cash commitments and are readily convertible into cash with low risk of changes in value. They are classified as other financial assets as follows:

	December 31, 2023	December 31, 2022
Restricted time deposits	**$ 144,045**	**178,564**

Please refer to note 6(r) and (s) for the sensitivity analysis, interest rate risk and offseting of the financial assets and liabilities of the Company.

(b) Fair value through profit or loss (FVTPL)

	December 31, 2023	December 31, 2022
Stock in listed companies	**$ 5,345**	**5,807**

(c) Accounts receivable (including related parties)

	December 31, 2023	December 31, 2022
Accounts receivable - measured at amortized cost	$ 63,451	77,911
Accounts receivable (related parties) - measured at amortized cost	4,321	2,847
Less: loss allowance	(2,240)	(8,857)
	$ 65,532	**71,901**

(Continued)

SIMPLE MART RETAIL CO., LTD.
Notes to the Financial Statements

Most of the Company's receivable are generated from the customer which paid by credit cards and e-payment.

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, receivables have been Companied based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information.

The aging analyses of overdue accounts receivable, based on the past due date, were as follows:

	December 31, 2023	December 31, 2022
	Gross carrying amount	Gross carrying amount
Current	$ 65,155	69,528
1-60 days past due	540	2,630
61-120 days past due	203	58
121-180 days past due	34	4,371
More than 180 days past due	1,840	4,171
	$ 67,772	80,758

The movement in the allowance for accounts receivable were as follows:

	For the years ended	
	2023	2022
Beginning balance of the period	$ 8,857	64
Add: Impairment losses recognized	-	8,793
Less: Impairment losses reversed	(3,434)	-
Less: Amounts written off	(3,183)	-
Ending balance of the period	$ 2,240	8,857

(d) Finance leases receivable

The Company subleases the leased office and retail stores. It classified the sublease as a finance lease, because the sublease is for the whole of the remaining terms of the head lease.

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date, is as follows:

	December 31, 2023	December 31, 2022
Less than one year	$ 878	2,910
One to five years	3,218	-
Total lease payments receivable	4,096	2,910
Unearned finance income	(175)	(4)
Present value of lease payments receivable	$ 3,921	2,906

(Continued)

SIMPLE MART RETAIL CO., LTD.
Notes to the Financial Statements

(e) Inventories

		December 31, 2023	December 31, 2022
Merchandise inventories	$	1,459,163	1,611,738
Inventory in transit		25,561	37,641
	$	**1,484,724**	**1,649,379**

		2023	2022
Cost of goods sold	$	10,054,863	10,242,501
Inventory losses from obsolescence and others		40,266	46,831
Cost of sales	**$**	**10,095,129**	**10,289,332**

As of December 31, 2023 and 2022, the Company did not provide any merchandise inventories as collateral for its loans.

(f) Investments accounted for using the equity method

The components of investments accounted for using the equity method at the reporting date is as follows:

		December 31, 2023	December 31, 2022
Subsidiary	**$**	**138,850**	**107,083**

(i) Subsidiary

Please refer to the consolidated financial statement for the year ended December 31, 2023 for further details.

In order to diversify its retail business, the Company acquired 6,000 thousand ordinary shares (6% of the issued shares) of Sanyou Drugstores Co., Ltd., by cash, at the amount of $8,899 thousand, from its parent company, Mercuries & Associates Holding Ltd., on April 14, 2022, based on the resolution approved during the board meeting held on February 25. As a result, the shareholding ratio increased from the original 45% to 51%.2022. The above transaction had been completed on April 15, 2022. While Sanyou Drugstores Co., Ltd., and the Company were under control of the same Parent Company, Mercuries & Associates Holding Ltd., the transaction is an organizational reorganization under common control and used the carrying value method, credited the surplus of purchase consideration exceeding net value as capital reserves.

(ii) Collateral

The Company did not provide any investments accounted for using the equity method as collateral for its loans.

SIMPLE MART RETAIL CO., LTD.
Notes to the Financial Statements

(g) Changes in a parent's ownership interest in a subsidiary

(i) Acquisitions of NCI

On December 1, 2023, the Company acquired an additional interest in Sanyou Drugstores Co., Ltd., one of the subsidiaries of the Company, for $50,000 thousand in cash, increasing its ownership from 51% to 67.33%.

The effects of the changes in shareholdings were as follows:

	2023
Carrying amount of non-controlling interest on acquisition	$ 48,421
Less: Consideration paid to non-controlling interests	(50,000)
Unappropriated retained earnings deduction arising from differences between the actual acquisition price and the carrying amount of the subsidiaries' shares acquired	**$ (1,579)**

(h) Property, plant and equipment

The movement of the cost, accumulated depreciation and impairment losses of the property, plant and equipment of the Company for the year ended December 31, 2023 and 2022 were as follows:

	Land	Buildings	Machinery and equipment	Leasehold improvements	Prepayment for business facilities and construction in progress	Total
Cost:						
Balance at January 1, 2023	$ 537,599	220,887	1,072,294	823,795	3,326	2,657,901
Additions	-	-	57,099	51,285	12,381	120,765
Transfer from (to)	-	-	796	1,000	(1,796)	-
Scraps	-	-	(22,303)	(29,903)	-	(52,206)
Disposal	-	-	(2,686)	(1,111)	-	(3,797)
Balance at December 31, 2023	**$ 537,599**	**220,887**	**1,105,200**	**845,066**	**13,911**	**2,722,663**
Balance at January 1, 2022	$ 537,599	220,887	1,019,958	798,038	-	2,576,482
Additions	-	-	79,193	44,789	3,326	127,308
Scraps	-	-	(22,054)	(18,916)	-	(40,970)
Disposal	-	-	(4,803)	(116)	-	(4,919)
Balance at December 31, 2022	**$ 537,599**	**220,887**	**1,072,294**	**823,795**	**3,326**	**2,657,901**
Accumulated depreciation and impairment losses:						
Balance at January 1,2023	$ -	27,950	772,683	628,427	-	1,429,060
Depreciation	-	4,336	138,171	77,092	-	219,599
Scraps	-	-	(21,890)	(27,606)	-	(49,496)
Disposal	-	-	(2,540)	(860)	-	(3,400)
Impairment losses	-	-	-	847	-	847
Balance at December 31, 2023	**$ -**	**32,286**	**886,424**	**677,900**	**-**	**1,596,610**

(Continued)

SIMPLE MART RETAIL CO., LTD.
Notes to the Financial Statements

		Land	Buildings	Machinery and equipment	Leasehold improvements	Prepayment for business facilities and construction in progress	Total
Balance at January 1, 2022	$	-	23,614	636,676	565,890	-	1,226,180
Depreciation		-	4,336	161,257	77,267	-	242,860
Scraps		-	-	(20,744)	(16,563)	-	(37,307)
Disposal		-	-	(4,506)	(116)	-	(4,622)
Impairment losses		-	-	-	1,949	-	1,949
Balance at December 31, 2022	$	-	27,950	772,683	628,427	-	1,429,060
Carrying amounts:							
Balance at December 31, 2023	$	537,599	188,601	218,776	167,166	13,911	1,126,053
Balance at January 1, 2022	$	537,599	197,273	383,282	232,148	-	1,350,302
Balance at December 31, 2022	$	537,599	192,937	299,611	195,368	3,326	1,228,841

Investing activities that are partially paid in cash:

		2023	2022
Acquisition of Property, plant and equipment	$	120,765	127,308
Add: Payables on equipment, beginning of period		26,032	52,592
Less: Payables on equipment, end of period		(28,749)	(26,032)
Cash paid	$	118,048	153,868

(i) Right-of-use assets

The movement of the cost, accumulated depreciation and impairment losses of the leased buildings and office equipment of the Company were as follows:

		Buildings	Machinery and equipment	Total
Cost:				
Balance at January 1, 2023	$	2,977,517	2,086	2,979,603
Additions		599,473	-	599,473
Derecognized		(178,401)	-	(178,401)
Balance at December 31, 2023	$	3,398,589	2,086	3,400,675
Balance at January 1, 2022	$	2,578,453	2,086	2,580,539
Additions		481,355	-	481,355
Derecognized		(82,291)	-	(82,291)
Balance at December 31, 2022	$	2,977,517	2,086	2,979,603

(Continued)

SIMPLE MART RETAIL CO., LTD.
Notes to the Financial Statements

		Buildings	Machinery and equipment	Total
Accumulated depreciation and impairment losses:				
Balance at January 1, 2023	$	1,405,738	1,076	1,406,814
Depreciation		457,944	269	458,213
Derecognized		(163,404)	-	(163,404)
Balance at December 31, 2023	$	**1,700,278**	**1,345**	**1,701,623**
Balance at January 1, 2022	$	1,014,483	807	1,015,290
Depreciation		450,565	269	450,834
Derecognized		(59,310)	-	(59,310)
Balance at December 31, 2022	$	**1,405,738**	**1,076**	**1,406,814**
Carrying amounts:				
Balance at December 31, 2023	$	**1,698,311**	**741**	**1,699,052**
Balance at January1, 2022	$	**1,563,970**	**1,279**	**1,565,249**
Balance at December 31, 2022	$	**1,571,779**	**1,010**	**1,572,789**

(j) Lease liabilities

The carrying amount of the Company's lease liabilities were as follows:

		December 31, 2023	December 31, 2022
Current	$	**437,860**	**426,895**
Non-current	$	**1,310,836**	**1,192,365**

For the maturity analysis, please refer to note 6(r).

The amounts recognized in profit or loss were as follows:

		2023	2022
Interests on lease liabilities	$	**22,487**	**16,901**
Income from subleasing right-of-use assets (recognized as interest income)	$	**(37)**	**(83)**
Expenses relating to short-term leases	$	**11,743**	**7,927**
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	$	**1,974**	**2,252**

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

		2023	2022
Total cash outflow for leases	$	**491,697**	**483,866**

SIMPLE MART RETAIL CO., LTD.
Notes to the Financial Statements

(i) Real estate leases

The Company leases land and buildings for its retail stores, warehouse and office space. The leases of office space typically run for a period of 3 to 5 years, and of retail stores for 3 to 10 years. Some leases include an option to renew the lease for an additional period after the end of the contract term.

The Company subleases some of its right-of-use assets under finance leases; please refer to note 6(d).

(ii) Other leases

The Company leases machinery and equipment, with lease terms of 1 to 8 years. These leases are short-term or leases of low-value assets. The Company has elected not to recognize right-of-use assets and lease liabilities of these leases.

(k) Employee benefit

(i) Defines benefit plan

The Company makes defined benefit plan contributions based on 2% of monthly salary to the bank account. The details of expenses were as follows:

	2023	2022
	$ 69	69

(ii) Defined contribution plans

The Company makes defined benefit plan contributions based on 6% of monthly salary to the employee's individual pension fund account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company has no legal or constructive obligation to pay additional amounts once the Company has contributed a fixed amount to the Bureau of Labor Insurance.

The following pension expenses under the provisions of the Labor Pension Act were as follow:

	2023	2022
	$ 76,865	74,330

SIMPLE MART RETAIL CO., LTD.
Notes to the Financial Statements

(l) Income taxes

(i) Income tax expenses

The components of income tax for 2023 and 2022 were as follows:

		2023	2022
Current tax expenses			
Current period	$	25,858	20,240
Adjustments for prior years		318	(628)
		26,176	19,612
Deferred tax expenses			
Current period		(745)	(6,046)
Adjustments for prior years		(1,072)	(735)
		(1,817)	(6,781)
Income tax expenses	**$**	**24,359**	**12,831**

There is no income tax directly recognized under equity for 2023 and 2022.

Reconciliation of income tax and profit before tax for 2023 and 2022 were as follows:

		2023	2022
Income before income tax	$	125,505	64,001
Income tax using the Company's domestic tax rate		25,101	12,800
Prior year's income tax adjustment		(754)	(1,363)
Others		12	1,394
Income tax expenses	**$**	**24,359**	**12,831**

(ii) Deferred income tax assets and liabilities

1) Recognized deferred tax assets

Changes in the amounts of deferred tax assets for 2023 and 2022 were as follows:

		Loss on investment	Unrealized loss on inventories	Deferred income	Compesation for unused annual leave	Impairment loss	Others	Total
Deferred income tax assets:								
Balance at January 1, 2023	$	5,580	2,240	7,136	6,444	1,781	29	23,210
Recognized in profit or loss		2,358	(186)	(635)	147	(143)	832	2,373
Balance at December 31, 2023	**$**	**7,938**	**2,054**	**6,501**	**6,591**	**1,638**	**861**	**25,583**
Balance at January 1, 2022	$	3,762	2,435	4,490	4,976	1,340	191	17,194
Recognized in profit or loss		1,818	(195)	2,646	1,468	441	(162)	6,016
Balance at December 31, 2022	**$**	**5,580**	**2,240**	**7,136**	**6,444**	**1,781**	**29**	**23,210**

(Continued)

SIMPLE MART RETAIL CO., LTD.
Notes to the Financial Statements

2) Recognized deferred tax liabilities

	Profit on investment	Right-of-use assets	Total
Deferred tax liabilities:			
Balance at January 1, 2023	$ -	-	-
Recognized in profit or loss	-	556	556
Balance at December 31, 2023	**$ -**	**556**	**556**
Balance at January 1, 2022	$ (765)	-	(765)
Recognized in profit or loss	765	-	765
Balance at December 31, 2022	**$ -**	**-**	**-**

(iii) The tax authorities have examined the Company's income tax for the year 2021.

(m) Capital and other equity

As of December 31, 2023 and 2022, the Company's authorized capital consisted of 80,000 thousand shares, amounting to $800,000 thousand, with par value of $10 per share. On December 31, 2023 and 2022, all of the issued and outstanding shares were ordinary shares consisted of 67,500 thousand shares.

(i) Capital surplus

The balances of capital surplus were as follows:

	December 31, 2023	December 31, 2022
Premium on issuance of common stock	$ 959,010	959,010
Others	42,300	42,290
	$ 1,001,310	**1,001,300**

According to the Company Act, capital surplus shall be used to offset a deficit first, 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.

(ii) Retained earningsk

The Company's Articles of Incorporation stipulate that if there is a surplus at year-end, after the payment of income tax and offsetting accumulated deficits, 10% of the remaining balance should be set aside as legal reserve until such retention equals to the total paid-in capital, and then any remaining profit together with any undistributed retained earnings of previous years and the adjustment of the undistributed earnings of the current year shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the shareholders' meeting for approval.

SIMPLE MART RETAIL CO., LTD.
Notes to the Financial Statements

1) Legal reserve

When the Company incurs no loss, it may pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Earnings distribution

The appropriations of earnings for 2022 and 2021 had been approved in the shareholders' meeting held on May 29, 2023 and May 25, 2022, respectively. These earnings were appropriated as follows:

	2022	2021
Legal reserve	$ 5,530	19,450
Dividends distributed to ordinary shareholders:		
Cash	49,275	175,053
Total	**$ 54,805**	**194,503**

On February 23, 2024, the Company's Board of Directors resolved to appropriate the earnings for 2023 as follows:

	2023
Dividends distributed to ordinary shareholders:	
Cash	**$ 81,000**

The related information can be accessed on the Market Observation Post System website.

(n) Earnings per share

Earnings per share and diluted earnings per share were computed as follows:

	2023	2022
Earnings per share:		
Profit or loss attributable to ordinary shareholders of the Company	**$ 101,146**	**55,294**
Weighted-average number of ordinary shares outstanding	**67,500**	**67,500**
Earnings per share	**$ 1.50**	**0.82**
Diluted earnings per share:		
Profit or loss attributable to ordinary shareholders of the Company	**$ 101,146**	**55,294**
Weighted-average number of ordinary shares outstanding	67,500	67,500
Effect of dilutive potential ordinary shares - employee share bonus	67	62
Weighted-average number of ordinary shares outstanding (diluted)	**67,567**	**67,562**
Diluted earnings per share	**$ 1.50**	**0.82**

SIMPLE MART RETAIL CO., LTD.
Notes to the Financial Statements

(o) Revenue from contracts with customers

(i) Details of revenue

The Company derives revenue from the transfer of goods services over time or from the transfer of goods or services at a point in time, and the amounts of revenue for the years ended December 31, 2023 and 2022, were as follows:

	2023	2022
Sale of goods	$ 12,890,457	12,978,424
Others operating income	675,380	664,887
	$ 13,565,837	**13,643,311**

(ii) Contract balances

1) Recognition of contract liabilities relating to revenue from customer contracts were as follows:

	December 31, 2023	December 31, 2022
Contract liabilities - current - gift voucher revenue	$ 12,658	14,091
Contract liabilities - current - customer loyalty program	32,506	35,682
Contract liabilities - current -franchise royalty fee	4,499	5,620
Total	**$ 49,663**	**55,393**
Contract liabilities - non-current -franchise royalty fee	**$ 6,674**	**8,196**

2) The amount of revenue recognized for the years ended December 31, 2023 and 2022, was included in the contract liabilities balance at the beginning of the period, were $50,966 thousand and $30,631 thousand, respectively.

(p) Remunerations to employees and directors

In accordance with the Articles of Incorporation the Company should contribute no less than 1% of the profit as employee remuneration and no higher than 3% as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

For the years ended December 31, 2023 and 2022, the Company estimated its employee remuneration amounted to $2,700 thousand and $2,362 thousand, and directors' remuneration amounted to $1,800 thousand and $0 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration of employees and directors of each period, multiplied by the percentage of remuneration of employees and directors as specified in the Company's articles. These remunerations were expensed under operating expenses for the years ended December 31, 2023 and 2022. If there are any subsequent adjustments to the actual remuneration amounts, the adjustment will be regarded as changes in accounting estimates

(Continued)

SIMPLE MART RETAIL CO., LTD.
Notes to the Financial Statements

and will be reflected in profit or loss in the following year. The amounts, as stated in the financial statements, are identical to those of the actual distributions for 2023 and 2022. Related information would be available at the Market Observation Post System website.

(q) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

The Company has a large and unrelated customer base. therefore, concentrationof credit risk is limited.

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments.

	Carrying amount	Contractual cash flows	Within 1 year	More than 1 year
December 31, 2023				
Non derivative financial liabilities				
Notes payable	$ 153	153	153	-
Accounts payable	1,318,685	1,318,685	1,318,685	-
Accounts payable - related parties	6,302	6,302	6,302	-
Other payables	483,785	483,785	483,785	-
Lease liabilities (include current and non-current)	1,748,696	1,819,342	459,813	1,359,529
Guarantee deposits received	86,114	86,114	-	86,114
	$ **3,643,735**	**3,714,381**	**2,268,738**	**1,445,643**
December 31, 2022				
Non derivative financial liabilities				
Notes payable	$ 252	252	252	-
Accounts payable	1,402,524	1,402,524	1,402,524	-
Accounts payable - related parties	4,336	4,336	4,336	-
Other payables	453,418	453,418	453,418	-
Lease liabilities (include current and non-current)	1,619,260	1,669,335	442,751	1,226,584
Guarantee deposits received	101,539	101,539	-	101,539
	$ **3,581,329**	**3,631,404**	**2,303,281**	**1,328,123**

(Continued)

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

(iii) Currency risk

1) Exposure to foreign currency risk

The Company’s significant exposure to foreign currency risk was as follows:

	December 31, 2023			December 31, 2022		
	Foreign currency	**Exchange rate**	**TWD**	**Foreign currency**	**Exchange rate**	**TWD**
Financial assets						
Monetary items						
JPY	$ 27,387	0.215	5,894	3,333	0.230	768
EUR	98	33.780	3,312	11	32.520	361
USD	11	30.655	326	62	30.660	1,911
Financial liabilities						
Monetary items						
EUR	141	33.780	4,770	125	32.520	4,073
USD	-	-	-	123	30.660	3,772

2) Sensitivity analysis

The Company’ s exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on financial assets and liabilities that are denominated in foreign currency. A depreciation or appreciation of 1% of the NTD against the USD, EUR, and JPY as of December 31, 2023 and 2022 would have increased or decreased the net profit after tax by $38 thousand for the year ended December 31, 2023, and decreased or increased the net profit after tax by $38 thousand for the year ended December 31, 2022, respectively, assuming all other factors remain constant. The analysis is performed on the same basis for both periods.

(iv) Interest rate analysis

Please refer to the notes 6(s) on interest rate exposure of the Company’s financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of non-derivative financial instruments on the reporting date. Regarding assets and liabilities with variable interest rates, the analysis is based on the assumption that the amount of assets and liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.5% when reporting to management internally, which also represents the Company management’s assessment of the reasonably possible interest rate change. The Company's assets and liabilities with variable interest rates have no significant impact on net profit after tax for the years ended December 31, 2023 and 2022.

(v) Other market price risk

The sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

Prices of securities at the reporting date	December 31, 2023 Other comprehensive income after tax	December 31, 2023 Net income	December 31, 2022 Other comprehensive income after tax	December 31, 2022 Net income
Increasing 5%	$ -	214	-	232
Decreasing 5%	$ -	(214)	-	(232)

(vi) Fair value of financial instruments

1) Fair value hierarchy

The management of the Company believes the carrying amount of loans and receivables, financial assets measured at amortized cost, and financial liabilities measured at amortized cost are reasonably closed to its fair value in the current period. Also, a disclosure of the fair value information for lease liabilities is not required under regulations. The Company valued its financial assets measured at fair value through profit or loss based on recurring fair value measurement method. The details are as follows:

	December 31, 2023				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	$ 5,345	5,345	-	-	5,345

	December 31, 2022				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	$ 5,807	5,807	-	-	5,807

2) Valuation techniques for financial instruments measured at fair value

If there is a quoted price in an active market for a financial instrument, the fair value is based on the quoted price in an active market. The fair value of listed (or over the counter) equity instruments is based on the quoted price on major exchanges.

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above conditions are not met, the market is considered inactive. Generally speaking, a very wide bid ask spread, a significant increase in bid ask spread or low trading volume are all indicators of an inactive market.

SIMPLE MART RETAIL CO., LTD.
Notes to the Financial Statements

The fair value of listed (or over the counter) stocks held by the Company with standard terms and conditions and traded in an active market is based on the quoted market price.

(vii) Offsetting financial assets and financial liabilities

The Company has no financial instruments transactions applicable to the Sections 42 of International Financial Reporting Standards NO. 32 approved by the FSC which required for offsetting. Financial assets and liabilities relating those transactions are recognized in the net amount of the balance sheets.

The Company only performs transactions not applicable to the Sections 42 of International Financial Reporting Standards NO. 32, but the Company has an exercisable master netting arrangement or similar agreement (e.g., global master repurchase agreement and global securities lending agreement) in place with its counterparties, and both parties reach a consensus regarding net settlement. The aforesaid exercisable master netting arrangement or similar agreement can be net settled after offsetting the financial assets and financial liabilities. Otherwise, the transaction can be settled at the total amount. In the event of default involving one of the parties, the other party can have the transaction net settled.

The following tables present the aforesaid offsetting financial assets and financial liabilities:

	December 31, 2023					
	Financial assets that are offset and have an exercisable master netting arrangement or a similar agreement					
				Amounts not offset in the balance sheet (d)		
	Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet(c)=(a)-(b)	Financial instruments (Note)	Cash collateral received	Net amount (e)=(c)-(d)
Offsetting agreement	$ 500,042	-	500,042	500,042	-	-

	December 31, 2022					
	Financial assets that are offset and have an exercisable master netting arrangement or a similar agreement					
				Amounts not offset in the balance sheet(d)		
	Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Financial instruments (Note)	Cash collateral received	Net amount (e)=(c)-(d)
Offsetting agreement	$ 240,015	-	240,015	240,015	-	-

Note: Master netting arrangements and non cash financial collateral are included.

(r) Financial risk management

(i) Overview

The Company have exposures to the following risks from its financial instruments:

1) Credit risk

2) Liquidity risk

3) Market risk

The following likewise discusses the Company' s objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the financial statements.

(Continued)

SIMPLE MART RETAIL CO., LTD.
Notes to the Financial Statements

(ii) Structure of risk management

The Board of Directors supervises the management team in monitoring the compliance and review of the financial risk management policies and procedures of the Company, as well as theadequacy of the related financial risk management framework. The internal auditors assists the board of directors in itssupervisory role over the Company.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and bank deposits. The Company's bank deposits are placed with creditworthy financial institutions, and there are no significant credit risks as there are no major performance concerns. The Company's accounts receivable are mainly due from credit cards, which are received from creditworthy banks and do not give rise to significant credit risks.

(iv) 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 capital and working capital are sufficient to meet all contractual obligations, and has sufficient bank facilities to cover its daily operating turnover. Therefore, there is no liquidity risk due to the inability to raise funds to meet contractual obligations.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, 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.

1) Currency risk

The Company's functional currency is TWD, some of its purchase transactions are denominated in EUR, USD and JPY. The Company always buy foreign currency at spot rate, and these transactions do not expose any significant exchange rate risk.

2) Interest rate risk

Interest risk is the risk that changes in market interest rates will affect the fair value of the Company's financial instrument or cash flow. The Company's bank deposits are subject to floating interest rates. Therefore, there is a risk that changes in market interest rates will cause the effective interest rates to change accordingly, resulting in fluctuations in its future cash flows. However, the Company have no significant interest rate risk arising from these transactions.

3) Market price risk

The Company is exposed to equity price risk due to its investments in equity securities.

SIMPLE MART RETAIL CO., LTD.
Notes to the Financial Statements

(s) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor, and market's confidence, and to sustain future development of the business. The Company's policy is to manage its capital to safeguard the capacity to continue as a going concern, to continue to provide returns for shareholders, maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

As of December 31, 2023, the Company's capital management was remaining constant.

(t) Financing activities not affecting current cash flow

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2023	Cash flows	Non-cash changes: Changes in lease	December 31, 2023
Lease liabilities	$ 1,619,260	(455,530)	584,966	1,748,696

	January 1, 2022	Cash flows	Non-cash changes: Changes in lease	December 31, 2022
Lease liabilities	$ 1,618,684	(456,869)	457,445	1,619,260

(u) Business combination

In order to diversify its retail business, the Company acquired 6,000 thousand ordinary shares (6% of the issued shares) of Sanyou Drugstores Co., Ltd., by cash, at the amount of $8,899 thousand, from its parent company, Mercuries & Associates Holding Ltd on April 14, 2022, based on the resolution approved during the board meeting held on February 25, 2022. As a result, the shareholding ratio increased from the original 45% to 51%. The above transaction had been completed on April 15, 2022. Since Sanyou Drugstores Co., Ltd. and the Company were under the control of the same parent company, Mercuries & Associates Holding Ltd., the transaction was regarded as business combination under common control of the parent company using the carrying value method, wherein the surplus of purchase consideration exceeding net value was recognized as capital surplus.

The amount of the Company' s equity attributed to the former owner of the business combination under common control amounting to $89,904 was offset on the acquisition date.

(7) Related-party transactions:

(a) Parent company and ultimate controller

Mercuries & Associates, Holding Ltd is the parent company and ultimate controlling party of the Group, owned the Company 60.76% of common shares. Mercuries & Associates, Holding Ltd has prepared a consolidated financial report for public use.

SIMPLE MART RETAIL CO., LTD.
Notes to the Financial Statements

(b) Names and relationship with related-parties

Related companies trading within the financial reporting period were as follows:

Name of related-party	Relationship with the Company
Mercuries & Associates Holding Ltd.	Parent Company
Simple Mart Plus Co., Ltd.	Subsidiary
Sanyou Drugstores Co., Ltd.	Subsidiary
Sumitomo Corporation	An entity with significant influence over the Company
Mercuries Data Systems Ltd.	Other related party
Mercuries Liquor & Food Co., Ltd.	Other related party
Mercuries & Associates Ltd.	Other related party
Mercuries Fu Bao Ltd.	Other related party
Mercuries F&B Co., Ltd.	Other related party
Mercuries Life Insurance Co., Ltd.	Other related party
Horizon Securities Co., Ltd.	Other related party
Mercuries Social Welfare and Charity Foundation, Taoyuan County	Other related party
Criminal Investigation and Prevention Association, R.O.C.	Other related party
Simple Mart Retail Co., Ltd. Employee Welfare Committee	Other related party
Sanyou Drugstores Co., Ltd. Employee Welfare Committee	Other related party
Foundation for Chinese Dietary Culture	Other related party
Taiwan Chain Stores and Franchise Association	Other related party
INSIGHT EDGE, INC	Other related party
The Company's directors, general manager and vice general managers	

(c) Significant transactions with related parties

(i) Sales

The amounts of sales to related parties is less than 1% of the total annual revenue.

The sales prices and trade terms to its related parties were mutually agreed between the two parties.

SIMPLE MART RETAIL CO., LTD.
Notes to the Financial Statements

(ii) Purchases

The amounts of purchases from related parties were as follows:

	2023	2022
Subsidiary	$ 78,840	29,648
Other related parties	18,761	20,352
	$ 97,601	50,000

The purchase prices and payment terms from its subsidiary and other related parties were mutually agreed between the two parties.

(iii) Receivable from related parties

The receivables from related parties were as follows:

Accounts	Type of related-parties	December 31, 2023	December 31, 2022
Accounts receivable	Subsidiary	$ 2,988	2,176
Accounts receivable	Other related parties	1,333	671
Other receivables	Subsidiary(excluding property and lease transaction)	238	96
		$ 4,559	2,943

The receivables from related parties are generated by sales of goods.

(iv) Payables from related parties

The payables from related parties were as follows:

Accounts	Type of related-parties	December 31, 2023	December 31, 2022
Accounts payable	Subsidiary	$ 4,329	1,172
Accounts payable	Other related parties	1,973	3,164
Other payables	Subsidiary	-	27
Other payables	Other related parties	2,493	3,270
		$ 8,795	7,633

The payables from related parties are generated by the payment of goods purchased and other disbursement.

(v) Prepayments

The prepayments to related parties were as follows:

	December 31, 2023	December 31, 2022
Other related parties	$ 3,184	3,032

(Continued)

SIMPLE MART RETAIL CO., LTD.
Notes to the Financial Statements

The prepayments are insurance premium and others expenses.

(vi) Property transactions

1) The Company acquired 6,000 thousand ordinary shares of Sanyou Drugstores Co., Ltd., by cash, amounting to $8,899 thousand, from its parent company, Mercuries & Associates Holding Ltd., in April 2022. As a result, the shareholding ratio increased from the original 45% to 51%. The Company acquired control of Sanyou Drugstore Co., Ltd. which became a subsidiary of the Company from that date.

2) The amounts of equipment acquired from related parties were summarized as follows:

	2023	2022
Subsidiary	$ 752	-
Other related parties	-	2,655
	$ 752	**2,655**

As of December 31, 2023 and 2022, the remaining unpaid balances were $635 thousand and $2,788 thousand, respectively, and were recorded as other payables.

3) The disposals of equipment to related parties were summarized as follows:

	2023		2022	
Type of related parties	**Proceeds**	**Gain (loss) on disposal**	**Proceeds**	**Gain (loss) on disposal**
Subsidiary	$ 3	3	-	-
Other related parties	-	-	32	(198)
	$ 3	**3**	**32**	**(198)**

For the year ended December 31, 2023 and 2022, the Company sold its office equipment to subsidaries and other related parties at the amounts of $3 thousand and $32 thousand, respectively, which had been fully received.

(vii) Leases

The Company rented office space from other related parties. For the year ended December 31, 2023 and 2022, the Company recognized $24 thousand and $11 thousand as interest expenses, respectively. As of December 31, 2023 and 2022, the balance of lease liabilities amounted to $3,246 thousand and $762 thousand, respectively.

The Company subleases the leased office space to its subsidiary, and classified it as finance leases. As of December 31, 2023 and 2022, the balance of finance leases receivable amounting to $3,921 thousand and $1,431 thousand, respectively.

(viii) Guarantee deposits paid

	December 31, 2023	December 31, 2022
Other related parties	**$ 292**	**292**

(Continued)

SIMPLE MART RETAIL CO., LTD.
Notes to the Financial Statements

The above transactions were guarantee deposits of office leases.

(ix) Guarantee deposits received

	December 31, 2023	December 31, 2022
Subsidiary	$ 200	214
Other related parties	-	100
	$ 200	314

The above transactions were guarantee deposits of stores leases.

(x) Other operating expenses

	2023	2022
Subsidiary	$ 4	28
Other related parties:		
Criminal Investigation and Prevention Association, R.O.C.	300	-
Mercuries Social Welfare and Charity Foundation, Taoyuan County	300	-
Foundation for Chinese Dietary Culture	-	1,500
Other related parties	6,496	6,100
	$ 7,100	7,628

The above transactions were donations, insurance and maintenance fees, etc.

(xi) Other incomes

	2023	2022
Subsidiary	$ 1,024	1,979

The above transactions were the payment for services provided.

(d) Key management personnel compensation

	2023	2022
Short-term employee benefits	$ 31,172	28,677
Post-employment benefits	821	880
	$ 31,993	29,557

(Continued)

SIMPLE MART RETAIL CO., LTD.
Notes to the Financial Statements

(8) Pledged assets:

The carrying amounts of the Company's pledged assets were as follows:

Pledged Assets	Pledged to secure	December 31, 2023	December 31, 2022
Time deposits (Recorded as current and non-current other financial assets)	performance guarantee for purchasing and collection business	$ 128,950	160,250
Bank deposits (Recorded as current and non-current other financial assets)	Charitable trust of gift voucher	15,095	18,314
		$ 144,045	178,564

(9) Commitments and contingencies:

(a) The Company issued guarantee notes to obtain short-term loan facility, as of December 31, 2023 and 2022, the balance was $1,000,000 thousand and $800,000 thousand, respectively.

(b) The Company rent several buildings as retail stores for operation, the lease term is 5 years. The lease payments for the stores are based on a percentage of the determined revenue for each period. If the actual revenue exceeds the determined level, then the lease payments shall be calculated based on actual revenue of the period.

(10) Losses due to major disasters:None

(11) Subsequent events:None

(12) Others:

A summary of employee benefits, depreciation, and amortization, by function, is as follows:

By function / By item	2023			2022		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee benefits						
Salary	-	1,415,122	1,415,122	-	1,366,965	1,366,965
Labor and health insurance	-	165,896	165,896	-	159,357	159,357
Pension	-	76,934	76,934	-	74,399	74,399
Remuneration to directors	-	3,300	3,300	-	1,500	1,500
Others	-	89,116	89,116	-	88,827	88,827
Depreciation	-	677,812	677,812	-	693,694	693,694
Amortization	-	10,212	10,212	-	15,526	15,526

SIMPLE MART RETAIL CO., LTD.
Notes to the Financial Statements

For the years ended December 31, 2023 and 2022, the total numbers of employees and employee benefits were as follows:d

	2023	2022
Number of employees	3,832	3,856
Number of directors who were not employees	8	7
The average employee benefit	$ 457	439
The average salaries and wages	$ 370	355
The adjustment rate of average employee salaries	4.23 %	(0.28)%
Compensation to supervisors	$ -	-

The Company's policy (for directors, executive officers and employees) is as follows:

The Compensation Committee determined the compensation with reference to the general pay level in the industry, individual performance appraisal, the Company' s overall operating performance, and other related risks. The remuneration of independent directors and functional committee members should consider the business size and overall operating performance of the Company, the time devoted by the independent directors and the fulfillment, responsibility and risks that are taken by functional committee members. Besides, compensation distribution to directors and supervisors shall be reviewed and evaluated by the Compensation Committee and approved by the Board of Directors pursuant to the "Regulations Governing the Compensation to Supervisors and Functional Committee Members". To maintain the independence of the independent directors, the compensation of the independent directors is not linked to the profit or loss of the Company.

To attract and retain talented employees, the Company not only complies with the Labor Act on wages payment, but also considers the correlation between the Company' s operating performance and the compensation of its employees. In addition to the monthly salary and the various bonuses or allowances for other duties, the Company also includes performance bonuses for its employees. The bonuses of employees are determined based on the achievement of sales performance, and the targeted sales are reviewed on a quarterly or semi-annually basis for all employees at the store and head office. Salaries are not differentiated by gender, religion, party, or marital status, and are adjusted annually in accordance with the Company's operating performance. The overall adjustment will not only ensure salaries are consistent with the market price index but also will encourage talented employees to focus on following the Company's policies.

(Continued)

SIMPLE MART RETAIL CO., LTD.
Notes to the Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The followings were the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company for the years ended December 31, 2023:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number (Note)	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note1)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
0	The Company	Sanyou Drudstores Co., Ltd.	Other receivables-related parties	Yes	30,000	30,000	-	-	2	-	Working capital	-		-	184,541	738,164

Note: The numbers denote the following:

1. "0" represents the Company
2. Subsidiaries are numbered starting from "1".

Note1: Purpose of fund financing for the borrower:

1. For those companies with business transaction with the Company, please fill in 1.
2. For those companies with short-term financing needs, please fill in 2.

(ii) Guarantees and endorsements for other parties: None

(iii) Securities held as of December 31, 2023 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Mercuries Life Insurance Co., Ltd.	Other related party	FVTPL - current	1,050,000	5,345	0.02 %	5,345	-

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

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

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

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock: None

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

(ix) Trading in derivative instruments: None

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2023 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars/Shares)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2023			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2023	December 31, 2022	Shares	Percentage of ownership	Carrying value			
The Company	Sanyou Drugstores Co., Ltd	Taiwan	Retail sales of drugs and cosmetics	114,879	64,879	10,100	67.33 %	96,652	(36,729)	(17,800)	Subsidiary
The Company	Simple Mart Plus Co., Ltd	Taiwan	Retail sales of food and beverage	60,000	60,000	6,000	100 %	42,198	1,146	1,146	Subsidiary

(Continued)

SIMPLE MART RETAIL CO., LTD.
Notes to the Financial Statements

(c) Information on investment in mainland China: None

(d) Information major shareholders:

Shareholding Shareholder's Name	Shares	Percentage
Mercuries & Associates Holding Ltd.	41,018,951	60.76 %
Sumitomo Corporation	13,200,000	19.55 %

(14) Segment information:

Please refer to the consolidated financial statements for the year ended December 31, 2023.

SIMPLE MART RETAIL CO., LTD.

Statement of Cash and Cash Equivalents

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Cash on hand (including working capital)		$ 61,957
Bank deposits		
Check deposits		1,810
Demand deposits		250,892
Foreign currency deposits	Euro dollars are $98 thousand with the exchange rate at 33.780；Japanese yen is $27,387 thousand with the exchange rate at 0.215; U.S dollars is $11 thousands with exchange rate at 30.655.	9,532
		262,234
Reverse repurchase agreement		500,042
		$ 824,233

Statement of Inventories

Item	Amount		Remark
	Cost	Market price	
Merchandise inventories	$ 1,469,432	**2,102,489**	The market price is according to the net realizable value.
Inventory in transit	25,561		
	1,494,993		
Less: allowance for inventory valuation and obsolescence losses	(10,269)		
Total	**$ 1,484,724**		

SIMPLE MART RETAIL CO., LTD.

Statement of changes in Investments under Equity Method

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

	Beginning balance		Addition (Note1)		Decrease (Note2)		Ending balance			Market value or net assets value			
Name of investee	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Percentage of ownership	Amount	Unit price	Total amount	Collateral	Note
Sanyou Drugstores Co., Ltd.	51,000,000	$ 66,031	5,000,000	50,000	45,900,000	(19,379)	10,100,000	67.33 %	96,652	9.60	96,924	None	Note 1 and Note 2
Simple Mart Plus Co., Ltd.	6,000,000	41,052	-	1,146	-	-	6,000,000	100 %	42,198	7.03	42,198	None	Note2
		$ 107,083		**51,146**		**(19,379)**			**138,850**		**139,122**		

Note1: The Company participated in capital increase in cash amounted to $50,000 thousand and recognizes gains on investment amounted to $1,146 thousand.

Note2: A decrease in shares was due to the capital reduction of the invested company to offset accumulated deficits; a decrease in carrying amount was due to the Company's recognition of losses on investment amounting to $17,800 thousand and the recognition of the difference between the actual acquisition price and the carrying amount of the subsidiaries' shares amounting to $1,579 thousand.

SIMPLE MART RETAIL CO., LTD.

Statement of Accounts Payable

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Vendor name	Description	Amount
Taiwan Tobacco & Liquor Corporation	Unrelated party	$ 81,338
Vendor B	〃	76,487
Others (Note)	〃	1,160,860
		$ 1,318,685

Note: The amount of individual vendor in others does not exceed 5% of the account balance.

Statement of Other Payables

Item	Amount
Salaries and bonuses payable	$ 188,413
Labor insurance, health insurance and pension expense payable	50,483
Bonus payable on unutilized annual leave	32,954
Payable on service rendered by franchisees	31,361
Payable on equipment	28,749
Others (Note)	151,825
Total	**$ 483,785**

Note: The amount of each item in others does not exceed 5% of the account balance.

SIMPLE MART RETAIL CO., LTD.

Statement of Lease Liabilities

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Lease term	Discount rate	Ending balance
Buildings	2012.1~2033.12	0.90%~2.13%	$ 1,747,937
Machinery and equipment	2018.10~2026.10	1.04 %	759
			1,748,696
Less: lease liabilities - current			(437,860)
Lease liabilities - non-current			**$ 1,310,836**

Statement of Operating Revenue

For the years ended December 31, 2023

Item	Amount	Remark
Sales revenue	$ 12,892,457	
Less: sales return and discount	(2,000)	
Net sales	12,890,457	Retail sales in daily commodities
Other operating income	675,380	Advertisement, product launch, franchisee, etc.
Total	**$ 13,565,837**	

SIMPLE MART RETAIL CO., LTD.

Statement of Operating Costs

For the years ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Inventories, beginning of period	$ 1,659,443
Purchases	10,748,517
Less: purchase bonuses for vendors	(858,104)
Less: inventories, end of period	(1,494,993)
Losses from inventory valuation	205
Other costs	40,061
Total	**$ 10,095,129**

Statement of Selling Expenses

Item	Amount
Salaries expense (Salaries, meal, and pension expense)	$ 1,306,027
Depreciation	668,024
Expense on bonuses for franchisee	357,645
Utilities expense	266,616
Others (Note)	367,807
Total	**$ 2,966,119**

Note: The amount of each item in others does not exceed 5% of the account balance.

SIMPLE MART RETAIL CO., LTD.

Statement of Administrative Expenses

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Salaries expense (Salaries, meal, and pension expense)	$ 250,202
Insurance expense	25,123
Others (Note)	79,432
Total	**$ 354,757**

Note: The amount of each item in others does not exceed 5% of the account balance.

Please refer to note 6(h) for the movement of cost of the property, plants and equipment.

Please refer to note 6(h) for the movement of accumulated depreciation of the property, plants and equipment.

Please refer to note 6(h) for the movement of accumulated impairment of the property, plant and equipment.

Please refer to note 6(i) for the movement of cost of the right-of-use assts.

Please refer to note 6(i) for the movement of accumulated depreciation of the right-of-use assts.

Please refer to note 6(i) for the movement of accumulated impairment of the right-of-use assts.