Stock Code:2945

SIMPLE MART RETAIL CO., LTD.

Parent Company Only Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2022 and 2021

Address: B1, No. 4, Section 3, Minquan East Road, Zhongshan District, Taipei City 10477, Taiwan, R.O.C.
Telephone: (02)2506-1166

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

Table of contents

安侯建業聯合會計師事務所
KPMG
台北市110615信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)
電 話 Tel + 886 2 8101 6666
傳 真 Fax + 886 2 8101 6667
網 址 Web kpmg.com/tw

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 sheets as of December 31, 2022 and 2021, 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 significant 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, 2022 and 2021, 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 Auditing and Attestation of Financial Statements by Certified Public Accounts 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 Account of Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Emphasis of Matter

As stated in Notes 1 and 6(v), on April 15, 2022, the Company acquired Sanyou Drugstores Co., Ltd. as part of the Group internal restructuring process under common control. In accordance with the Interpretations (2012) No. 301 issued by Accounting Research and Development Foundation, when compiling financial report for comparative purposes, it should be regarded as a consolidation from the beginning. The Company had restated the financial statements for the year ended December 31, 2021. Our opinion is not modified in respect of this matter.

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, among others, 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 Chou, Pao-Lian and Chen, Cheng-Chien.

KPMG

Taipei, Taiwan (Republic of China)
March 3, 2023.

<u>**Notes to Readers**</u>

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' report 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, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2022		December 31, 2021 (restated)	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 494,023	9	641,098	12
1110	Financial assets at fair value through profit or loss - current (notes 6(b)(r))	5,807	-	-	-
1170	Accounts receivable, net (note 6(c))	69,054	1	52,575	1
1180	Accounts receivable - related parties, net (notes 6(c) and 7)	2,847	-	3,407	-
1197	Finance lease receivable-current (notes 6(d) and 7)	2,906	-	11,004	-
1200	Other receivables (note 7)	11,173	-	8,428	-
1300	Inventories (note 6(e))	1,649,379	30	1,474,061	26
1410	Prepayments (note 7)	35,044	1	22,605	-
1476	Other current financial assets (notes 6(a) and 8)	151,500	3	150,000	3
		2,421,733	44	2,363,178	42
	Non-current assets:				
1551	Investments accounted for using the equity method (notes 6(f) and 7)	107,083	2	195,025	3
1600	Property, plant and equipment (notes 6(g) and 7)	1,228,841	22	1,350,302	24
1755	Right-of-use assets (notes 6(h) and 7)	1,572,789	29	1,565,249	28
1840	Deferred tax assets (note 6(k))	23,210	-	17,194	-
1920	Guarantee deposits paid (note 7)	94,584	2	99,995	2
194D	Finance lease receivable - non-current (notes 6(d) and 7)	-	-	2,872	-
1980	Other non-current financial assets (notes 6(a) and 8)	27,064	1	8,750	-
1990	Other non-current assets	18,709	-	24,087	1
		3,072,280	56	3,263,474	58
	Total assets	$ 5,494,013	100	5,626,652	100

		December 31, 2022		December 31, 2021 (restated)	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2130	Contract liabilities - current (note 6(o))	55,393	1	29,727	-
2150	Notes payable (note 6(r))	252	-	74	-
2170	Accounts payable (note 6(r))	1,402,524	26	1,302,492	23
2180	Accounts payable - related parties (notes 6(r) and 7)	4,336	-	7,333	-
2200	Other payables (notes 6(r) and 7)	453,418	8	486,999	9
2280	Lease liabilities - current (notes 6(i)(r)(u) and 7)	426,895	8	435,839	8
2300	Other current liabilities	50,247	1	47,676	1
		2,393,065	44	2,310,140	41
	Non-Current liabilities:				
2527	Contract liabilities - non-current (note 6(o))	8,196	-	10,644	-
2550	Non-current provisions	3,740	-	3,740	-
2570	Deferred tax liabilities (note 6(k))	-	-	765	-
2580	Lease liabilities - non-current (notes 6(i)(r)(u) and 7)	1,192,365	22	1,182,845	21
2645	Guarantee deposits received (notes 6(r) and 7)	101,539	2	118,808	2
		1,305,840	24	1,316,802	23
	Total liabilities	3,698,905	68	3,626,942	64
	Equity: (notes 6(l)(v))				
3110	Ordinary share	675,000	12	675,000	12
3200	Capital surplus	1,001,300	18	992,115	18
	Retained earnings:				
3310	Legal reserve	63,514	1	44,064	1
3350	Unappropriated retained earnings	55,294	1	194,503	3
		118,808	2	238,567	4
35XX	Equity attributable to former owner of business combination under common control	-	-	94,028	2
	Total equity	1,795,108	32	1,999,710	36
	Total liabilities and equity	$ 5,494,013	100	5,626,652	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, 2022 and 2021

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

		2022		2021(restated)	
		Amount	%	Amount	%
4000	**Operating revenue** (notes 6(o) and 7)	$ 13,643,311	100	13,964,763	100
5000	**Operating costs** (notes 6(e) and 7)	10,289,332	75	10,463,741	75
	Gross margin from operations	3,353,979	25	3,501,022	25
	Operating expenses: 6(c)(g)(h)(i)(j)(m)(p), 7 and 12)				
6100	Selling expenses	2,900,450	21	2,862,614	20
6200	Administrative expenses	375,801	3	388,877	3
6450	Expected credit losses	8,793	-	7	-
	Total operating expenses	3,285,044	24	3,251,498	23
	Net operating income	68,935	1	249,524	2
	Non-operating income and expenses:				
7100	Interest income (note 6(i))	2,867	-	1,544	-
7190	Other income (notes 6(q) and 7)	33,689	-	30,197	-
7230	Foreign exchange gains	2,647	-	220	-
7235	Gains on financial assets at fair value through profit or loss	65	-	-	-
7070	Share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method, net (note 6(f))	(16,000)	-	6,924	-
7510	Interest expenses (notes 6(i) and 7)	(18,441)	-	(18,099)	-
7590	Miscellaneous disbursements	(3,998)	-	(9,222)	-
7610	Loss on disposals of property, plant and equipment (notes 6(g) and 7)	(3,814)	-	(12,380)	-
7670	Impairment loss (note 6(g))	(1,949)	-	(2,038)	-
		(4,934)	-	(2,854)	-
	Profit from continuing operations before tax	64,001	1	246,670	2
7950	**Less: Income tax expenses** (note 6(k))	12,831	-	46,301	-
	Profit	51,170	1	200,369	2
8300	**Other comprehensive income, net of tax**	-	-	-	-
8500	**Total comprehensive income**	**$ 51,170**	**1**	**200,369**	**2**
	Profit , attributable to:				
	Owners of parent	$ 55,294	1	194,503	2
	Former owner of business combination under common control	(4,124)	-	5,866	-
		$ 51,170	**1**	**200,369**	**2**
	Comprehensive income attributable to:				
	Owners of parent	$ 55,294	1	194,503	2
	Former owner of business combination under common control	(4,124)	-	5,866	-
		$ 51,170	**1**	**200,369**	**2**
9750	Basic earnings per share (note 6(n))	**$**	**0.82**		**3.21**
9850	Diluted earnings per share (note 6(n))	**$**	**0.82**		**3.21**

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, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

			Retained earnings				
	Ordinary shares	Capital surplus	Legal reserve	Unappropriated retained earnings	Treasury stocks	Equity attributable to former owner of business combination under common control	Total equity
Balance at January 1, 2021	$ 600,000	537,938	25,867	181,966	(25,365)	-	1,320,406
Retrospective adjustment of equity attributable to former owner due to reorganization of entities under common control	-	-	-	-	-	88,162	88,162
Equity at beginning of period after adjustments	600,000	537,938	25,867	181,966	(25,365)	88,162	1,408,568
Distribution of retained earnings:							
Legal reserve appropriated	-	-	18,197	(18,197)	-	-	-
Cash dividends of ordinary share	-	-	-	(163,769)	-	-	(163,769)
	-	-	18,197	(181,966)	-	-	(163,769)
Net income	-	-	-	194,503	-	5,866	200,369
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	194,503	-	5,866	200,369
Treasury stocks sold to employees	-	(2,246)	-	-	25,365	-	23,119
Capital increase by cash	75,000	453,967	-	-	-	-	528,967
Share-based payment transactions	-	2,456	-	-	-	-	2,456
Balance at December 31, 2021(restated)	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**

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, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

		2022	2021 (restated)
Cash flows from operating activities:			
Profit before tax	$	64,001	246,670
Adjustments:			
Adjustments to reconcile profit (loss):			
Depreciation expenses		693,694	701,214
Amortization expenses		15,526	19,295
Expected credit losses		8,793	7
Net gain on financial assets or liabilities at fair value through profit or loss		(65)	-
Interest expenses		18,441	18,099
Interest income		(2,867)	(1,544)
Share-based payment compensation costs		-	4,518
Shares of loss (gain) of subsidiaries, associates and joint ventures accounted for using the equity method		16,000	(6,924)
Losses on disposal of property, plant and equipment		3,814	12,380
(Profit) loss from lease modification		(878)	315
Losses on disposal of intangible assets		1	7
Impairment losses on non-financial assets		1,949	2,038
Total adjustments to reconcile profit		754,408	749,405
Changes in operating assets and liabilities:			
Increase in accounts receivable		(25,272)	(12,288)
Decrease in accounts receivable - related parties		560	48
Decrease in other receivables		1,947	904
(Increase) decrease in inventories		(175,318)	31,810
(Increase) decrease in prepayments		(12,439)	116,706
Increase in other financial assets		(1,500)	(7,571)
Increase (decrease) in contract liabilities		23,218	(8,013)
Increase (decrease) in notes payable		178	(874)
Increase in accounts payable		100,032	287,419
(Decrease) increase in accounts payable - related parties		(2,997)	5,519
(Decrease) increase in other payables		(7,021)	38,277
Increase in other current liabilities		24,327	9,528
Total adjustments		680,123	1,210,870
Cash inflow generated from operations		744,124	1,457,540
Interest received		2,878	1,536
Interest paid		(18,441)	(18,045)
Income taxes paid		(46,071)	(79,811)
Net cash flows generated from operating activities		682,490	1,361,220
Cash flows from investing activities:			
Acquisition of financial assets at fair value through profit or loss		(5,742)	-
Acquisition of property, plant and equipment		(153,868)	(298,517)
Proceeds from disposal of property, plant and equipment		146	670
Decrease in guarantee deposits paid		5,411	3,013
Acquisition of intangible assets		(10,148)	(2,480)
Decrease in finance lease receivable		10,918	10,885
Increase in other financial assets		(18,314)	-
Net cash flows used in investing activities		(171,597)	(286,429)
Cash flows from financing activities:			
Decrease in short-term loans		-	(100,000)
Decrease in short-term notes and bills payable		-	(399,863)
Decrease in guarantee deposits received		(17,269)	(15,675)
Payment of lease liabilities		(456,869)	(442,079)
Cash dividends paid		(175,053)	(163,769)
Capital increase by cash		-	528,967
Treasury stocks sold to employees		-	21,057
Payments of reorganization		(8,899)	-
Other changes in capital surplus		122	-
Net cash flows used in financing activities		(657,968)	(571,362)
Net (decrease) increase in cash and cash equivalents		(147,075)	503,429
Cash and cash equivalents at beginning of period		641,098	137,669
Cash and cash equivalents at end of period	$	**494,023**	**641,098**

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, 2022 and 2021

(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, 2003 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 manufacture, 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.

Due to the Group's organizational structure, the Company acquired 6% equity interest of Sanyou Drugstores Co., Ltd., by cash, from its parent company, Mercuries & Associates Holding Ltd. on April 15, 2022, holding a total of 51% equity. While under common control of the parent company, the transaction is regarded as a consolidation from the beginning.

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

The Board of Directors authorized the accompanying financial statements on March 3, 2023.

(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, 2022:

- Amendments to IAS 16 "Property, Plant and Equipment－Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contracts－Cost of Fulfilling a Contract"
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 "Reference to the Conceptual Framework"

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

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

(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 IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information “
- IFRS16 “Requirements for Sale and Leaseback Transactions”

(4) Summary of significant accounting policies:

The significant 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

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.

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

(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.

(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.

(Continued)

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

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 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, notes and 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.

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 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)

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

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) Treasury stock

Repurchased shares are recognized under treasury stocks (a contra-equity account) based on their repurchase price (including all directly accountable costs), net of tax. Gains on disposal of treasury stocks should be recognized under Capital Reserve – Treasury Stock Transactions; Losses on disposal of treasury stocks should be offset against existing capital reserves arising from similar types of treasury stocks. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings. The carrying amount of treasury stocks should be calculated using the weighted average of different types of repurchase.

4) 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.

(Continued)

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

5) 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.

6) 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.

(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.

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;

(Continued)

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.

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

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.

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.

(Continued)

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

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

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.

1) 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.

2) 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.

3) 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.

4) 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)

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

(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) Share-based payment

The grant date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as a cost, with a corresponding increase in equity, over the vesting period of the awards.

Grant date of a share-based payment award is the base date which the Board of Directors had authorized.

(q) 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 for financial reporting purposes 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 and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

(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.

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.

(r) 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.

(s) 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.

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

(t) 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, restate the statement of financial position as of December 31, 2021, adjust the balance sheets and changes in equity and recognize the adjustment as equity attributed to the former owner of the business combination under common control for the year then ended; as well as restate the statement of comprehensive income as of December 31, 2021 and recognize the profit as profit attributed to the former owner of business combination under common control for the year then.

(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, 2022	December 31, 2021
Cash on hand	$ 57,842	52,650
Bank deposits	196,166	188,448
Repurchase agreement	240,015	400,000
	$ 494,023	**641,098**

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, 2022	December 31, 2021
Restricted time deposits	**$ 178,564**	**158,750**

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

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

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

	December 31, 2022	December 31, 2021
Stock in listed companies	$ 5,807	-

(c) Notes and accounts receivable (including related parties)

	December 31, 2022	December 31, 2021
Accounts receivable - measured at amortized cost	$ 77,911	52,639
Accounts receivable (related parties) - measured at amortized cost	2,847	3,407
Less: loss allowance	(8,857)	(64)
	$ 71,901	55,982

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 loss allowances were determined as follows:

	December 31, 2022	December 31, 2021
	Gross carrying amount	Gross carrying amount
Current	$ 69,528	55,743
1-60 days past due	2,630	246
61-120 days past due	58	-
121-180 days past due	4,371	-
More than 180 days past due	4,171	57
	$ 80,758	56,046

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

	2022	2021
Beginning balance of the period	$ 64	57
Add:Impairment losses recognized	8,793	7
Ending balance of the period	$ 8,857	64

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

(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, 2022	December 31, 2021
Less than one year	$ 2,910	11,086
One to five years	-	2,877
Total lease payments receivable	2,910	13,963
Unearned finance income	(4)	(87)
Present value of lease payments receivable	**$ 2,906**	**13,876**

(e) Inventories

	December 31, 2022	December 31, 2021
Merchandise inventories	$ 1,611,738	1,450,060
Inventory in transit	37,641	24,001
	$ 1,649,379	**1,474,061**

	2022	2021
Cost of goods sold	$ 10,242,501	10,408,427
Inventory losses from obsolescence and others	46,831	55,314
Cost of sales	**$ 10,289,332**	**10,463,741**

As of December 31, 2022 and 2021, 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, 2022	December 31, 2021 (restated)
Subsidiary	**$ 107,083**	**195,025**

(i) Subsidiary

Please refer to the consolidated financial statement for the year ended December 31, 2022 for further details.

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

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.

(g) 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, 2022 and 2021 were as follows:

		Land	Buildings	Machinery and equipment	Leasehold improvements	Prepayment for business facilities and construction in progress	Total
Cost:							
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**
Balance at January 1, 2021	$	537,599	220,887	850,679	746,902	-	2,356,067
Additions		-	-	210,676	78,282	-	288,958
Transfer from (to)		-	-	72	(72)	-	-
Scraps		-	-	(34,121)	(27,074)	-	(61,195)
Disposal		-	-	(7,348)	-	-	(7,348)
Balance at December 31, 2021	**$**	**537,599**	**220,887**	**1,019,958**	**798,038**	**-**	**2,576,482**
Accumulated depreciation and impairment losses:							
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**

(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, 2021	$ -	19,279	516,884	481,948	-	1,018,111
Depreciation	-	4,335	158,178	99,015	-	261,528
Transfer from (to)	-	-	46	(46)	-	-
Scraps	-	-	(33,353)	(15,277)	-	(48,630)
Disposal	-	-	(6,863)	-	-	(6,863)
Impairment losses	-	-	1,784	250	-	2,034
Balance at December 31, 2021	**$ -**	**23,614**	**636,676**	**565,890**	**-**	**1,226,180**
Carrying amounts:						
Balance at December 31, 2022	**$ 537,599**	**192,937**	**299,611**	**195,368**	**3,326**	**1,228,841**
Balance at January 1, 2021	**$ 537,599**	**201,608**	**333,795**	**264,954**	**-**	**1,337,956**
Balance at December 31, 2021	**$ 537,599**	**197,273**	**383,282**	**232,148**	**-**	**1,350,302**

Investing activities that are partially paid in cash:

	2022	2021
Acquisition of Property, plant and equipment	$ 127,308	288,958
Add: Payables on equipment, beginning of period	52,592	62,151
Less: Payables on equipment, end of period	(26,032)	(52,592)
Cash paid	**$ 153,868**	**298,517**

(h) 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, 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**
Balance at January 1, 2021	$ 2,177,817	2,086	2,179,903
Additions	536,813	-	536,813
Derecognized	(136,177)	-	(136,177)
Balance at December 31, 2021	**$ 2,578,453**	**2,086**	**2,580,539**

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

		Buildings	Machinery and equipment	Total
Accumulated depreciation and impairment losses:				
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**
Balance at January 1, 2021	$	692,986	538	693,524
Depreciation		439,417	269	439,686
Derecognized		(117,920)	-	(117,920)
Balance at December 31, 2021	$	**1,014,483**	**807**	**1,015,290**
Carrying amounts:				
Balance at December 31, 2022	$	**1,571,779**	**1,010**	**1,572,789**
Balance at January1, 2021	$	**1,484,831**	**1,548**	**1,486,379**
Balance at December 31, 2021	$	**1,563,970**	**1,279**	**1,565,249**

(i) Lease liabilities

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

		December 31, 2022	December 31, 2021
Current	$	**426,895**	**435,839**
Non-current	$	**1,192,365**	**1,182,845**

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

The amounts recognized in profit or loss were as follows:

		2022	2021
Interests on lease liabilities	$	**16,901**	**15,630**
Income from subleasing right-of-use assets	$	**(83)**	**(196)**
Expenses relating to short-term leases	$	**7,927**	**9,940**
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	$	**2,252**	**2,642**

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

		2022	2021
Total cash outflow for leases	$	**483,868**	**470,095**

(Continued)

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.

(j) 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:

	2022	2021
	$ 69	28

(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 have been contributed to the Bureau of Labor Insurance:

	2022	2021
	$ 74,330	70,791

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

(k) Income taxes

(i) Income tax expenses

The components of income tax for 2021 and 2020 were as follows:

		2022	2021
Current tax expenses			
Current period	$	20,240	48,797
Adjustments for prior years		(628)	(13)
		19,612	48,784
Deferred tax expenses			
Current period		(6,046)	(2,483)
Adjustments for prior years		(735)	-
		(6,781)	(2,483)
Income tax expenses	**$**	**12,831**	**46,301**

There is no income tax directly recognized under equity for 2022 and 2021.

Reconciliation of income tax and profit before tax for 2022 and 2021 were as follows:

		2022	2021 (restated)
Income before income tax	$	64,001	246,670
Income tax using the Company's domestic tax rate		12,800	49,334
Prior year's income tax adjustment		(1,363)	(13)
Others		1,394	(3,020)
Income tax expenses	**$**	**12,831**	**46,301**

(ii) Deferred income tax assets and liabilities

1) Recognized deferred tax assets

Changes in the amounts of deferred tax assets for 2022 and 2021 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, 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**
Balance at January 1, 2021	$	3,208	1,597	3,096	4,320	1,714	11	13,946
Recognized in profit or loss		554	838	1,394	656	(374)	180	3,248
Balance at December 31, 2021	**$**	**3,762**	**2,435**	**4,490**	**4,976**	**1,340**	**191**	**17,194**

(Continued)

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

2) Recognized deferred tax liabilities

		Profit on investment
Deferred tax liabilities:		
Balance at January 1, 2022	$	(765)
Recognized in profit or loss		765
Balance at December 31, 2022	**$**	**-**
Balance at January 1, 2021	$	-
Recognized in profit or loss		(765)
Balance at December 31, 2021	**$**	**(765)**

(iii) The tax authorities have examined the Company's income tax for the year 2020.

(l) Capital and other equity

As of December 31, 2022 and 2021, the Company's authorized capital consisted of 800,000 thousand shares, amounting to $80,000 thousand, with par value of $10 per share. In 2022 and 2021, all of the issued shares were ordinary shares consisted of 67,500 thousand shares.

The movement of shares outstanding was as follows (expressed in thousand shares):

	Ordinary Shares	
	2022	**2021**
Beginning balance of the period	67,500	59,700
Purchase of treasury stocks	-	300
Capital increase by cash	-	7,500
Ending balance of the period	**67,500**	**67,500**

(i) Ordinary shares

On July 7, 2021, the Company's Board of Directors resolved to issue 7,500 thousand shares, with par value of $10 per share, amounting to $75,000 thousand for pre-initial public offering placement. The public subscription price was $69 per share at premium, and the average transaction price of the competitive auction was $71.68 per share at premium. In accordance with Article 267 of the Company Act, 10% of the total number of shares issued, amounting to 750,000 shares, were reserved for subscription by the Company's employees. The Chairman shall be fully authorized to arrange for subscription by specific persons at the issuance price, of any unsubscribed shares or subscription of shares waived by employees. On August 27, 2021, the above issuance of shares for cash capital increase was approved by the Taiwan Stock Exchange, with November 29, 2021, as the date of capital increase, the total amount for subscription was $531,967 thousand, after deducting the issuance cost of $3,000 thousand, the total amount of cash received for the capital increase was $528,967 thousand, which was fully received and the related registration procedures were completed. The premium on issuance of common stock was $453,967 thousand, and was recorded as capital surplus.

(Continued)

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

(ii) Capital surplus

The balances of capital surplus were as follows:

		December 31, 2022	December 31, 2021
Premium on issuance of common stock	$	959,010	959,010
Others		42,290	33,105
	$	**1,001,300**	**992,115**

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.

(iii) 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.

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 2021 and 2020 had been approved in the shareholders' meeting held on May 25, 2022 and July 7, 2021, respectively. These earnings were appropriated as follows:

		2021	2020
Legal reserve	$	19,450	18,197
Dividends distributed to ordinary shareholders:			
Cash		175,053	163,769
Total	$	**194,503**	**181,966**

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

On March 3, 2023, the Company's Board of Directors resolved to appropriate the earnings for 2022 as follows:

		2021
Dividends distributed to ordinary shareholders:		
Cash	$	49,275

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

(iv) In 2020, in accordance with the requirements under section 167(1) of the Company Act, the Company purchased 300 thousand shares as treasury stocks in order to transfer to employees. In July 2021, all of the treasury stocks were transferred to employees.

(m) Share-based payment

(i) As of December 31, 2021, the details of treasury stock transferred to employees were as follows:

	Treasury stock transferred to employees
Grant date	July 22, 2021
Number of shares granted	300
Recipients	Eligible employees
Vesting Conditions	Immediately vested

1) The Company used the Black-Scholes option pricing method in measuring the fair value of the share-based payment at the grant date. The measurement inputs were as follows:

	2022 Treasury stock transferred to employees
Fair value at grant date	77.28
Exercise price	70.40
Expected volatility (%)	15.00
Expected life (years)	0.04
Risk-free interest rate (%)	0.0973

2) Employees benefit expenses

As of December 31, 2021, the compensation cost resulting from the transfer of treasury stocks to employees amounted to $2,062 thousand.

(ii) As of December 31, 2021, the details of cash capital increase reserved for employee subscription were as follows:

	Cash capital increase reserved for employee subscription
Grant date	November 4, 2021
Number of shares granted	357
Recipients	Eligible employees
Vesting Conditions	Immediately vested

1) The Company used the Black-Scholes option pricing method in measuring the fair value of the share-based payment at the grant date. The measurement inputs were as follows:

	2022 Cash capital increase reserved for employee subscription
Fair value at grant date	77.06
Exercise price	69.00
Expected volatility (%)	28.69
Expected life (years)	0.06
Risk-free interest rate (%)	0.222

2) Employees benefit expenses

As of December 31, 2021, the compensation cost resulting from the cash capital increase reserved for employee subscription amounted to $2,456 thousand.

(n) Earnings per share

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

	2022	2021 (restated)
Earnings per share:		
Profit or loss attributable to ordinary shareholders of the Company	$ 55,294	194,503
Weighted-average number of ordinary shares outstanding	67,500	60,511
Earnings per share	$ 0.82	3.21

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

	2022	2021 (restated)
Diluted earnings per share:		
Profit or loss attributable to ordinary shareholders of the Company	$ **55,294**	**194,503**
Weighted-average number of ordinary shares outstanding	67,500	60,511
Effect of dilutive potential ordinary shares - employee share bonus	62	57
Weighted-average number of ordinary shares outstanding (diluted)	**67,562**	**60,568**
Diluted earnings per share	$ **0.82**	**3.21**

(o) Revenue from contracts with customers

(i) Details of revenue

The Company derives revenue from the transfer of goods and services over time or at a point in time, and the amounts of revenue for the years ended December 31, 2022 and 2021 were as follows:

	2022	2021
Sale of goods	$ 12,978,424	13,312,390
Others operating income	664,887	652,373
	$ **13,643,311**	**13,964,763**

(ii) Contract balances

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

	December 31, 2022	December 31, 2021
Contract liabilities - current - gift voucher revenue	$ 14,091	249
Contract liabilities - current - customer loyalty program	35,682	22,452
Contract liabilities - current -franchise royalty fee	5,620	7,026
Total	$ **55,393**	**29,727**
Contract liabilities - non-current -franchise royalty fee	$ **8,196**	**10,644**

2) The amount of revenue recognized for the years ended December 31, 2022 and 2021, was included in the contract liabilities balance at the beginning of the period, were $30,631 thousand and $34,164 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, 2022 and 2021, the Company estimated its employee remuneration at $2,362 thousand and $3,600 thousand, and directors' remuneration at $0 thousand and $3,500 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 during 2022 and 2021. If there are any subsequent adjustments to the actual remuneration amounts, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year. There was no difference with the actual distribution. The information is available on the Market Observation Post System website.

(q) Government subsidy

As of December 31, 2022 and 2021, the Company obtained a utility bill relief in accordance with the Ministry of Economic Affairs Approach to the Relief of Industries which were Affected by Severe Pneumonia with Novel Pathogens, which amounted to $33 thousand and $14,100 thousand (recorded as other income), respectively.

(r) 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.

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

	Carrying amount	Contractual cash flows	Within 1 year	More than 1 year
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
December 31, 2021				
Non derivative financial liabilities				
Notes payable	$ 74	74	74	-
Accounts payable	1,302,492	1,302,492	1,302,492	-
Accounts payable - related parties	7,333	7,333	7,333	-
Other payables	486,999	486,999	486,999	-
Lease liabilities (include current and non-current)	1,618,684	1,656,705	448,839	1,207,866
Guarantee deposits received	118,808	118,808	-	118,808
	$ 3,534,390	3,572,411	2,245,737	1,326,674

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, 2022			December 31, 2021		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets						
Monetary items						
USD	$ 62	30.660	1,911	134	27.630	3,702
EUR	11	32.520	361	81	31.120	2,528
JPY	3,333	0.230	768	3,530	0.239	842
Financial liabilities						
Monetary items						
EUR	125	32.520	4,073	105	31.120	3,273
USD	123	30.660	3,772	-	-	-

(Continued)

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 weakening or strengthening of 1% of the NTD against the USD, EUR, and JPY as of December 31, 2022 and 2021 would have decreased or increased the net profit after tax by $38 thousand for the year ended December 31, 2022, and increased or decreased the net profit. after tax by $30 thousand for the year ended December 31, 2021, 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 with variable interest rates, the analysis is based on the assumption that the amount of 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 did not have any borrowings with variable interest rates for the years ended December 31, 2022 and 2021.

(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:

	December 31, 2022		December 31, 2021	
Prices of securities at the reporting date	**Other comprehensive income after tax**	**Net income**	**Other comprehensive income after tax**	**Net income**
Increasing 5%	$ -	232	-	-
Decreasing 5%	$ -	(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:

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

	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

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. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

The fair value of financial assets and liabilities with standard terms and conditions and traded in an active market is based on the market quoted price.

(s) 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.

(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 notes and 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 and short-term borrowings are floating rate debts. Therefore, there is a risk that changes in market interest rates will cause the effective interest rates change accordingly, resulting in fluctuations in its future cash flows.

3) Market price risk

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

(t) 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.

(Continued)

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

As of December 31, 2022, the Company's capital management was remaining constant.

(u) Changes of liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities were as follows:

	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
Total liabilities from financing activities	**$ 1,618,684**	**(456,869)**	**457,445**	**1,619,260**

	January 1, 2021	Cash flows	Non-cash changes Changes in lease	December 31, 2021
Short-term borrowings	$ 100,000	(100,000)	-	-
Short-term notes and bills payable	399,863	(399,863)	-	-
Lease liabilities	1,541,936	(442,079)	518,827	1,618,684
Total liabilities from financing activities	**$ 2,041,799**	**(941,942)**	**518,827**	**1,618,684**

(v) 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 aregarded as 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 60.77% 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
Taiwan Masters Golf Foundation	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
Foundation for Chinese Dietary Culture	Other related party
Taiwan Chain Stores and Franchise Association	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:

		2022	2021 (restated)
Subsidiary	$	29,648	19,361
Other related parties		20,352	9,961
	$	**50,000**	**29,322**

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, 2022	December 31, 2021 (restated)
Accounts receivable	Subsidiary	$	2,176	3,303
Accounts receivable	Other related parties		671	104
Other receivables	Subsidiary(excluding property and lease transaction)		96	230
Other receivables	Other related parties (excluding property transaction)		-	15
		$	**2,943**	**3,652**

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, 2022	December 31, 2021 (restated)
Accounts payable	Subsidiary	$	1,172	3,995
Accounts payable	Other related parties		3,164	3,338
Other payables	Subsidiary		27	3
Other payables	Other related parties (excluding property and lease transaction)		3,270	453
		$	**7,633**	**7,789**

(Continued)

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

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, 2022	December 31, 2021
Mercuries Life Insurance Co., Ltd.	$ 3,032	2,904

(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., on April 14, 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 and intangible assets acquired from related parties were summarized as follows:

	2022	2021
Other related parties	$ 2,655	1,028

As of December 31, 2022 and 2021, the remaining unpaid balances were $2,788 thousand and $188 thousand, respectively, and were recorded as other payables.

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

	2022		2021(restated)	
Type of related parties	**Proceeds**	**Gain (loss) on disposal**	**Proceeds**	**Gain (loss) on disposal**
Subsidiary	$ -	-	250	25
Other related parties	32	(198)	-	-
	$ 32	**(198)**	**250**	**25**

For the year ended December 31, 2022 and 2021(restated), the Company sold its office equipment to other related parties at the amounts of $32 thousand and $250 thousand, respectively, which had been fully paid.

(vii) Leases

The Company rented office space from other related parties. For the year ended December 31, 2022 and 2021, the Company recognized $11 thousand and $25 thousand as interest expenses, respectively. As of December 31, 2022 and 2021, the balance of lease liabilities amounted to $762 thousand and $1,895 thousand, respectively.

The Company subleases the leased office space to its subsidiary, and classified it as finance leases. As of December 31, 2022 and 2021, the balance of finance leases receivable amounting to $1,431 thousand and $3,863 thousand, respectively.

(viii) Guarantee deposits paid

	December 31, 2022	December 31, 2021
Other related parties	$ 292	292

The above transactions were guarantee deposits of office leases.

(ix) Guarantee deposits received

	December 31, 2022	December 31, 2021 (restated)
Subsidiary	$ 214	214
Other related parties	100	100
	$ 314	314

The above transactions were guarantee deposits of stores leases.

(x) Other operating expenses

	2022	2021 (restated)
Subsidiary	$ 28	59
Other related parties:		
Foundation for Chinese Dietary Culture	1,500	-
Taiwan Masters Golf Foundation	-	3,000
Other related parties	6,100	8,583
	$ 7,628	11,642

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

(xi) Other incomes

	2022	2021 (restated)
Subsidiary	$ 1,979	1,521

The above transactions were the payment for services provided.

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

(d) Key management personnel compensation

	2022	2021
Short-term employee benefits	$ 28,677	36,613
Post-employment benefits	880	902
Share-based payments	-	1,245
	$ 29,557	**38,760**

(8) Pledged assets:

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

Pledged Assets	Pledged to secure	December 31, 2022	December 31, 2021
Time deposits (Recorded as current and non-current other financial assets)	performance guarantee for purchasing and collection business	$ 160,250	158,750
Bank deposits (Recorded as current and non-current other financial assets)	Charitable trust of gift voucher	18,314	-
		$ 178,564	**158,750**

(9) Commitments and contingencies:

(a) The Company issued guarantee notes to obtain short-term loan facility, as of December 31, 2022 and 2021, the balance was $800,000 thousand and $1,200,000 thousand, respectively.

(b) The Company' s performance guarantee issued by the bank due to collection business, as of December 31, 2022 and 2021, the balance were all $500 thousand.

(c) 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

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

(12) Others:

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

By function / By item	2022			2021		
	Operating cost	**Operating expense**	**Total**	**Operating cost**	**Operating expense**	**Total**
Employee benefits						
Salary	-	1,366,965	1,366,965	-	1,297,500	1,297,500
Labor and health insurance	-	159,357	159,357	-	151,424	151,424
Pension	-	74,399	74,399	-	70,819	70,819
Remuneration to directors	-	1,500	1,500	-	5,000	5,000
Others	-	88,827	88,827	-	94,293	94,293
Depreciation	-	693,694	693,694	-	701,214	701,214
Amortization	-	15,526	15,526	-	19,295	19,295

For the years ended December 31, 2022 and 2021, the total numbers of employees and employee benefits were as follows:

	2022	**2021**
Number of employees	3,856	3,656
Number of directors who were not employees	7	7
The average employee benefit	$ 439	442
The average salaries and wages	$ 355	356
The adjustment rate of average employee salaries	(0.28)%	(4.81)%
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, 2022:

(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	-		-	179,511	718,043

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, 2022 (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	
Mercuries Life Insurance Co., Ltd.	Stock	Other related party	FVTPL - current	1,050,000	5,807	0.03 %	5,807	-

(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

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

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2022 (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, 2022			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of ownership	Carrying value			
The company	Sanyou Drugstores Co., Ltd	Taiwan	Retail sales of drugs and cosmetics	64,879	55,980	51,000	51 %	66,031	(25,189)	(15,861)	Subsidiary
The company	Simple Mart Plus Co., Ltd	Taiwan	Retail sales of food and beverage	60,000	60,000	6,000	100 %	41,052	(139)	(139)	Subsidiary

(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, 2022.

SIMPLE MART RETAIL CO., LTD.

Statement of Cash and Cash Equivalents

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Cash on hand (including working capital)		$ 57,842
Bank deposits		
Check deposits		1,833
Demand deposits		191,293
Foreign currency deposits	Euro dollars are $11 thousand with the exchange rate at 32.520；Japanese yen is $3,333 thousand with the exchange rate at 0.230; U.S dollars is $62 thousands with exchange rate at 30.660.	3,040
		196,166
Repurchase agreement		240,015
		$ 494,023

Statement of Inventories

Item	Amount		Remark
	Cost	Market price	
Merchandise inventories	$ 1,621,802	**2,255,565**	The market price is according to the net realizable value.
Inventory in transit	37,641		
	1,659,443		
Less: allowance for inventory valuation and obsolescence losses	(10,064)		
Total	**$ 1,649,379**		

SIMPLE MART RETAIL CO., LTD.

Statement of changes in Investments under Equity Method

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

	Beginning balance (restated)		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**
Sanyou Drugstores Co., Ltd.	45,000,000	$ 153,834	6,000,000	8,899	-	96,702	51,000,000	51 %	66,031	1.31	66,644	None
Simple Mart Plus Co., Ltd.	6,000,000	41,191	-	-	-	139	6,000,000	100 %	41,052	6.84	41,052	None
		$ 195,025		**8,899**		**96,841**			**107,083**		**107,696**	

Note1: The increase in investment under equity method in 2022 resulted in the Company to recognize the amount of $8,899 thousand as stock investment.

Note2: The decrease in investment under equity method in 2022 resulted in the Company to recognize the amounts of $16,000 thousand, $80,578 thousand, and $263 thousand, as stock investment loss, business combination and unrealized gain or loss in the intragroup transaction, respectively.

SIMPLE MART RETAIL CO., LTD.

Statement of Accounts Payable

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Vendor name	Description	Amount
Taiwan Tobacco & Liquor Corporation	Unrelated party	$ 105,378
Vendor A	〃	73,585
Others (Note)	〃	1,223,561
		$ 1,402,524

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	$ 175,190
Labor insurance, health insurance and pension expense payable	48,984
Bonus payable on unutilized annual leave	32,219
Payable on bonuses for franchisee	30,016
Payable on equipment	26,032
Others (Note)	140,977
Total	**$ 453,418**

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, 2022

(Expressed in thousands of New Taiwan Dollars)

Item	Lease term	Discount rate	Ending balance
Buildings	2012.1~2033.4	0.90%~2.13%	$ 1,618,230
Machinery and equipment	2018.10~2026.10	1.04 %	1,030
			1,619,260
Less: lease liabilities - current			(426,895)
Lease liabilities - non-current			**$ 1,192,365**

Statement of Operating Revenue

For the years ended December 31, 2022

Item	Amount	Remark
Sales revenue	$ 12,978,987	
Less: sales return and discount	(563)	
Net sales	12,978,424	Retail sales in daily commodities
Other operating income	664,887	Advertisement, product launch, franchisee, etc.
Total	**$ 13,643,311**	

SIMPLE MART RETAIL CO., LTD.

Statement of Operating Costs

For the years ended December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Inventories, beginning of period	$ 1,486,236
Purchases	11,258,449
Less: purchase bonuses for vendors	(841,603)
Less: inventories, end of period	(1,659,443)
Losses from price recovery of inventory	(2,111)
Other costs	47,804
Total	**$ 10,289,332**

Statement of Selling Expenses

Item	Amount
Salaries expense (Salaries, meal, and pension expense)	$ 1,258,478
Depreciation	681,506
Expense on bonuses for franchisee	358,976
Utilities expense	239,100
Others (Note)	362,390
Total	**$ 2,900,450**

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, 2022

(Expressed in thousands of New Taiwan Dollars)

Item		Amount
Salaries expense (Salaries, meal, and pension expense)	$	247,636
Insurance expense		25,029
Others (Note)		103,136
Total	**$**	**375,801**

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

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

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

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

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

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

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