Stock Code：2945

Simple Mart Retail Co., Ltd.

Annual Report 2023

Printed on March 31, 2024

Annual Report Website:

Taiwan Stock Exchange Market Observation Post System: http://mops.twse.com.tw

Company Website: https://www.simplemartretail.com/

If there is any conflict between the English version and the original Chinese version, the Chinese version shall prevail.

1. Spokesperson and Deputy Spokesperson
   Spokesperson/ Kuang-Lung Chiu
   Title/ GM
   TEL / (02) 2506-1166
   E-Mail / investor@simplemart.com.tw
   Deputy Spokesperson / Yen-Hsiu Liu
   Title/ CFO
   TEL / (02) 2506-1166
   E-Mail / investor@simplemart.com.tw
2. Headquarters, Branches and Plant
   Headquarters Address/ B1, No.4, Sec. 3, Minquan E. Rd., Zhongshan Dist., Taipei City
   TEL / (02) 2506-1166
   Branches / Address please see Department of Commerce, MOEA
   COMMERCE INDUSTRIAL SERVICES PORTAL:
   https://findbiz.nat.gov.tw/fts/query/QueryBar/queryInit.do
   TEL of Branches please see Website https://www.simplemart.com.tw
   Plant Address and TEL/ None
3. Stock Transfer Agent
   Name/ Department of Stock Affairs and Transfer, Horizon Securities Co., Ltd.
   Address/ 3F, No. 236, Section 4, Xinyi Road, Taipei City
   TEL/ (02) 2326-8818
   Website/ http://www.honsec.com.tw
4. CPAs
   Name/ Pei-Ju Hsiao and Chi-Lung Yu of KPMG
   Address/ 68F, No.7, Sec. 5, Xinyi Rd., Taipei City
   TEL/ (02) 8101-6666
   Website / http://www.kpmg.com.tw
5. Overseas Securities Exchange: None
6. Company Website / https://www.simplemartretail.com/

Table of Contents

I. Message to shareholders

1. Business Performance in 2023

While the impact of COVID-19 is gradually subsiding, life after the epidemic is very different from that before the epidemic. Changes in consumption patterns have greatly affected the retail industry's operations, and rising prices have caused a decrease in household disposable income, making the rise of everything a common feeling among all consumers. The Company's strategy of strengthening the frequency of product adjustments and accelerating the speed of product replacement since 2022 has been effective in 2023, even though the decrease in sales of masks, quick-screening products and alcohols due to the COVID-19 resulted in the Company's consolidated revenue of NT$14,041,914 thousand in 2023, a decrease of 1% compared with 2022. However, net income attributable to the owner of the parent company was NT$101,146 thousand, an increase of 82.92% compared with 2022, and the number of customers in 2023 also showed a steady growth trend. In this era of rising prices, consumers who wish to save money are more inclined to favour products with high quality at more affordable prices.

Operating results of 2023 are shown below:

In Thousands of NTD, Except Earnings Per Share

	2023	2022	Difference
Consolidated net operating income	14,041,914	14,183,503	(1.00%)
Consolidated operating profit	3,639,638	3,529,580	3.12%
Gross profit margin	25.92%	24.89%	4.16%
Consolidated operating interests	121,266	30,885	292.64%
Net profit before tax	106,971	56,205	90.32%
Net profit attributable to owners of the parent company	101,146	55,294	82.92%
Earnings per share	1.50	0.82	82.92%

2. Business Outlook for 2024

Over the years, the Company has been insisting on providing consumers reassuring products, not forgetting the original faith of providing cheap and cheerful product, and continuing to accompany the community to provide high-quality, low-priced necessities, through continuous improvement of the operational process to reduce unnecessary waste, and the introduction of a variety of services to provide consumers with more convenience. When you walk into Simple Mart, you will not see fancy decorations and overly bright lights, but instead you will be greeted with a full range of merchandise, the friendly smiles of the sales clerks make it possible for neighborhood residents to purchase the products they need at the closest distance and in the shortest time.

In 2024, the Company will continue to open new stores and expand its economic scale to reduce purchasing costs and give it back to our customers. The Company will also continue its merchandise adjustment policy and expand its self-imported and PB products to build up a competitive barrier between Simple Mart and other competing channels. In addition, our employees and franchisees are the cornerstones of our retail operations. In addition to optimizing our compensation and benefit structure to ensure our competitive advantage in recruiting and retaining talent, we will continue to devote ourselves to employee competency building and education and training to strengthen our talent development chain and enhance employee satisfaction. The Company will also adjust the franchise system to provide more flexible franchise options and to work together with franchisees to encourage them to create higher performance, exercising the Company's policies, and reduce the pressure of recruiting employees. The Company expects the number of franchise stores will increase by 100 in 2024.

In 2024, the Company will continue to invest in the optimization of information systems, such as WMS, RPA, BI, etc., to improve operational efficiency, reduce costs, and assist in the formulation of more accurate decisions. Furthermore, the Company will also invest in the improvement of the logistics center processes and the expansion of service capacity to fulfill the demand of the increasing stores. The Company has also adopted a variety of automated equipment in the logistics center to enhance the quality of logistics services and reduce the impact of labor shortages, while also taking into account labor safety to reduce occupational injuries. The Company has always been implementing the concept of environmental sustainability. In order to reduce the carbon emissions generated by the return of products to the logistics center (including the loss of the products themselves, carbon emissions from transportation, etc.), the Company has performed a non-return policy for many years. The off-the-shelf products will not be returned to the logistics center and suppliers, but will be sold in stores at a super-low price, so that consumers can get a good deal on the products and at the same time contribute to the reduction of carbon and waste.

Looking back to 2023, the Company's profits will gradually recover due to the benefits from the adjustment of merchandise items. However, looking forward to 2024, the tight labor market will not be alleviated in the short term, and consumer prices are expected to continue to rise, which will continue to pose challenges to retail operations. In addition to continuing to create value for shareholders, the Company will place greater emphasis on the rights and interests of its stakeholders. In addition to the Company's vision of "becoming the most trusted retail brand in the hearts of consumers", the Company's unchanged commitment is to providing the best possible working environment and compensation to its employees and franchisees. The Company will continue to make this its mission, and will work diligently on the three main axes of "Environment, Society and Governance" to gain the support of shareholders, consumers, employees and franchisees, and other stakeholders. Only in this way, the Company will operate in a sustainable manner.

Chairman: Shiang-Feng Chen

II. Company Profile

1. Date of Foundation: February 7th, 2013
2. Development and Evolution:

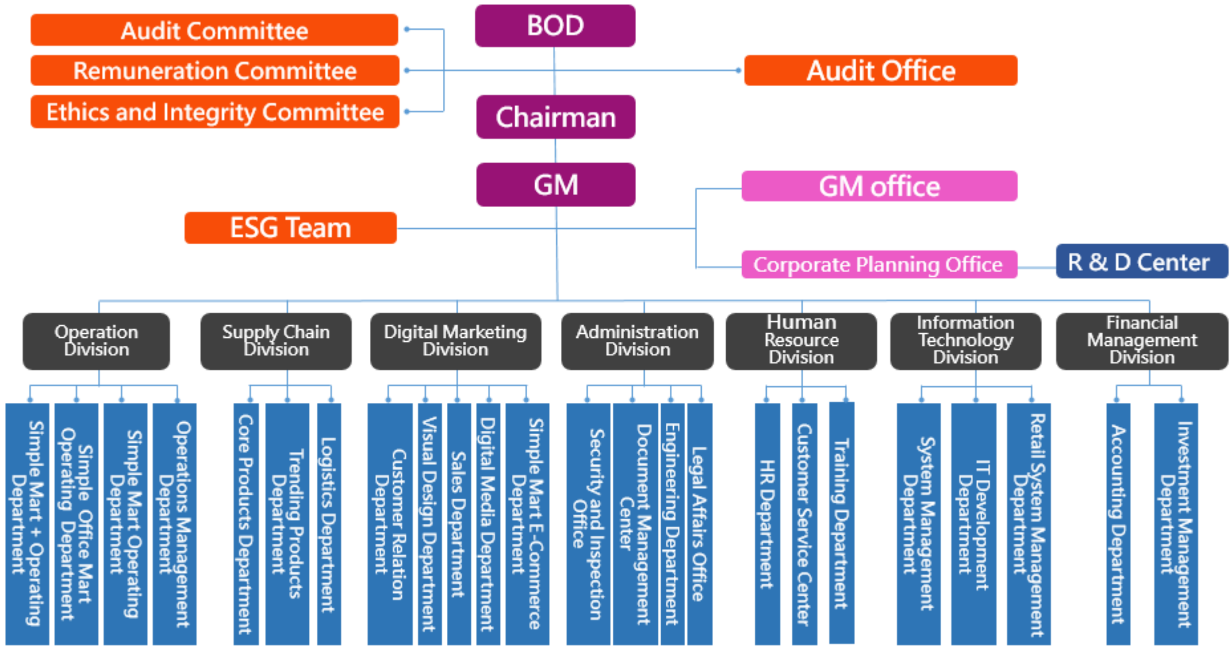
May, 2006	Mercuries & Associates, Ltd. established a subsidiary named "Mercuries Home Department Store".
June, 2006	The first "Simple Mart" store, "Luzhou Chang' a Store," has opened.
June, 2008	Opens the 100th store
August, 2008	A total of 115 stores have been opened to the north of Hsinchu.
November, 2010	Mercuries Home Department Store established a logistics center.
January, 2011	Mercuries Home Department Store has officially merged into Mercuries & Associates, Ltd., becoming the " Mercuries & Associates, Ltd. -Home Division-", and the former Mercuries Home Department Store was dissolved.
February, 2013	Mercuries & Associates, Ltd. established Mercuries Li Tai Co., Ltd. with a capital of NTD 1,000 thousand.
January, 2015	Mercuries & Associates, Ltd. transformed into an investment holding company with the name of " Mercuries & Associates Holding, Ltd." and established a new wholly-owned subsidiary, "Mercuries & Associates, Ltd.", the original Home Division transferred to Mercuries & Associates, Ltd.
March, 2015	The number of Simple Mart stores in Taiwan has exceeded 400.
October, 2015	Mercuries Li Tai Co., Ltd. changed its name to Home Trading Co., Ltd.
March, 2016	Receives counseling from the Ministry of Economic Affairs of the ROC to reposition the brand identity of community small-scale supermarkets.
November, 2016	The first store of "Simple Mart+ Anhe Store" opens.
May, 2017	Home Trading Co., Ltd. changed its name to Simple Mart Retail Co., Ltd.
July, 2017	Simple Mart Retail Co., Ltd. issues new shares totaling NTD 450 million and acquires the Home Division and Youth Living Division of Mercuries & Associates, Ltd. through a merger.
December, 2017	A subsidiary, Simple Market Plus Co., Ltd., is established with a capital of NTD 60 million, and Company holds 100% of the shares.
January, 2018	Establishes the " Go Simple " online shopping platform, thus Simple Mart opens its doors to e-commerce.
June, 2018	Establishes the first "Simple Office Mart".
June, 2018	Sumitomo Corporation participates in a cash capital increase of 5,000 thousand shares in Simple Mart Co., Ltd. Additionally, Mercuries & Associates Holding, Ltd. transfers 6,810 thousand shares to Sumitomo Corporation.
October, 2018	The Company's stock has been approved for public issuance by the TPEx.
December, 2018	The Company's stock was listed and traded on the OTC market.
April, 2019	Simple Mart LINE official account launched to enable e-members
September, 2019	Opens the 700th store and first friendly store opened.
January, 2020	The number of electronic members has exceeded 100,000.
December, 2020	Reinvests in Sanyou Drugstores. Ltd. with 45% ownership
April, 2021	Collaborates with food delivery platforms to introduce delivery services.
April, 2021	Opens the 800th store.
November, 2021	Cooperates with e-commerce platforms to introduce "Pickup in Store" service.

November, 2021	The Company's stocks are listed for trading on the stock exchange.
March, 2022	The number of e-members of Simple Mart exceeded 300,000 and established an online store.
April, 2022	Completes the acquisition of Sanyou Drugstores. Ltd. with 51% ownership.
July, 2022	More than 600 stores have cooperated with the delivery platform of "Simple Mart" and "Simple Mart+".
December, 2022	The membership of Simple Mart exceeded 2.5 million.
May, 2023	The Company's brands co-operated with dual delivery platforms and the total number of online stores exceeded 1,200.
October 2023	The membership of Simple Mart exceeded 3 million.
December 2023	The Company increased its investment in Sanyou Drugstores. Ltd, a subsidiary of the Company, and the Company's shareholding was 67.33% after the increase in capital.
March 2024	Mei-Ling Yu, a shareholder of the Company, acquired 13,222,640 shares of the Company's common stock through a public tender offer, representing 20.25% of the Company's outstanding shares, and Sumitomo Corporation, a corporate director of the Company, transferred more than one-half of the shares held by Sumitomo Corporation at the time of the election, the position as a director was dismissal.

III. Corporate Governance

1. Organization

(1) Organization Structure



(2) Major Corporate Functions

Department	Function
Audit Office	● Drafting, execution, tracking of deficiencies, and attendance at Board of Directors and Audit Committee meetings for annual audit plan reporting. ● Compile and review the self-assessment report of the internal control system. ● Disclosure of internal control related information in the Market Observation Post System declaration.
General Manager Office	● Develop, evaluate, and implement overall corporate operational strategies and various business plans. ● Formulate short-, medium- and long-term sales strategies and goals for the Company. ● Supervise the operational status of each department, plan related systems, and conduct performance evaluations. ● Implement a responsibility-based and goal management system.
Corporate Planning Office	● Perform strategic planning of company operations ● Perform cross-departmental coordination and integration. ● Annual planning and budget planning management for the Company. ● Annual goal planning and implementation.
R & D Center	● Market information collection and analysis of products. ● Planning and management of foreign / proprietary brand product positioning and strategy formulation. ● Development and Commodification of New Products. ● Marketing strategy and promotion for foreign/proprietary brand products. ● Quality audit and control for foreign/proprietary brand products.
Financial Management Division	
Investment Management Department	● Handling and reviewing daily fund transfer operations, cash management, cashiering operations and various financial planning. ● Pre-investment evaluation and post-investment management

Department	Function
	● Supervision of subsidiaries and foreign investor relations. ● Issuance of various types of securities and related stock affairs, announcements and reporting. ● Planning of audit committee, Board of Directors, and shareholders' meeting affairs.
Accounting Department	● Consolidate all accounting processes and financial statement preparation ● Overall corporate tax declaration and planning
Human Resource Division	
Customer Service Center	● Customer service operation management ● Aggregation, analysis, reporting, and handling of customer feedback
Training Department	● Planning and implementation of education and training systems ● Talent inventory, performance evaluation planning and operation management, career development planning ● Planning and implementation of occupational safety and health management
HR Department	● Oversee the salary and compensation, attendance management, personnel changes, reward / discipline, retirement or layoff operations. ● Planning of salary policy, insurance operation, human resource system management, etc. ● Establish and revise personnel management system ● Planning and Promotion of Business Operations Based on Company's Integrity Management
Information Technology Division	
Retail System Management Department	● Maintenance of Store Backend System, SAP, and Logistics System ● Applied project development management
Digital Development Department	● System Programming Development and Maintenance ● Network and information security management ● Applied project development management
Logistics Management Department	● Maintenance of Store Backend System, SAP, and Logistics System ● Logistics System Management ● Data Analysis
Administration Division	
Legal Affairs Office	● Provide legal advice, draft and review various contracts with external parties, handle and provide consultation for litigation or non-litigation matters, promote various legal projects, and perform related duties. ● Assist in drafting and revising various rules and regulations of the Company. ● Oversee legal matters related to the Company.
Engineering Department	● Business and engineering execution of new or renovated stores ● Store, air conditioning maintenance, electrical safety inspection, public safety inspection, fire safety inspection, etc. ● Negotiation and contract signing for external purchase related business and contract terms ● Property, plant and equipment management
Document Management Center	● Contract and submission management ● Internal document management ● Internal and external documents receipt and dispatch
Security and Inspection	● Handling of store equipment damage claims ● Training on the handling and prevention of shoplifting and embezzlement

Department	Function
Office	● Security business management of stores and logistics ● Other operational safety management tasks
Digital Marketing Division	
Simple Mart E-Commerce Department	● Sales and development of products for online business ● Development of online marketing strategy and pricing ● Coordination of network delivery and collection ● Development of online business, visiting suppliers regularly and solving customer problems
Sales Department	● Coupon sales ● Execution of government tenders ● Management of social medias
Digital Media Department	● Market Research, Brand Management, Strategic Planning, Project Execution and Integrated Marketing ● Innovative Business Development and Cross-industry Collaboration ● Corporate public relation management and press operation ● ESG projects planning and promotion
Customer Relation Department	● Display and traffic flow planning design ● Consumer services, including membership, consumption mechanism, and customer relation maintenance ● Product category management and analysis ● Coordination of marketing activities for each brand store
Visual Design Department	● Brand identity visual organizing, standardizing, supervising and executing ● Design to convey brand appeal and advertise promotional activities ● Planning and design of storefront decorations
Supply Chain Division	
Logistics Department	● Handling the distribution and transportation of products for all stores ● Storage operation planning, operation control, storage equipment management and maintenance, etc.
Trending Products Department	● Execution and management of foreign commodity inquiries, bargaining, procurement and import operations ● Annual category strategy planning ● Management of import/export of goods ● Gathering retail market information and surveys
Core Products Department	● Execution and management of domestic product inquiries, bargaining, and purchasing operations ● Supplier selection and management ● Procurement policy and strategy implementation ● Domestic product inventory management ● Category Management and Analysis
Operation Division (including each operating brand)	
Operations Management Department	● Store operation management planning and supervision of store implementation of business policies from headquarters ● Franchise Management ● Business area analysis and store development ● Lease negotiation, rent negotiation and renewal of lease agreements ● Store booking system maintenance and parameter adjustment

2. Information on Directors, General Managers and Major Shareholders of Institutional Shareholders

(1) Board Members：

A. Information Regarding Board Members

Title	Nationality or place of registration	Name	Gender Age	Date elected / appointed	Terms	Date first elected	Shares held when elected		Shares currently held		Shares currently held by spouse and minors		Shares held by third parties		Education and experie-nce	Concurrent positions at Simple Mart and other compan-ies	Other officers, directors, or supervisors of the company who is a spouse or a relative within the second degree of kinship under the Civil Code			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relatio-nship	
Chairman	ROC	Representative of Mercuries & Associates Holding, Ltd.	-	2022.05.25	3 Years	2013.01.15	41,018,951	60.76	41,018,951	60.76	-	-	-	-	-	-	-	-	-	-
	ROC	Representative: Shiang-Feng Chen	Male 51~60	2022.05.25	3 Years	2013.01.15	-	-	-	-	-	-	-	-	Note1	Note1	Director	Shiang-Li Chen	Brothe-rs	-
Director	ROC	Representative of Mercuries & Associates Holding, Ltd.	-	2022.05.25	3 Years	2013.01.15	41,018,951	60.76	41,018,951	60.76	-	-	-	-	-	-	-	-	-	-
	ROC	Representative: Shiang-Li Chen	Male 51~60	2022.05.25	3 Years	2013.01.15	-	-	-	-	-	-	-	-	Note1	Note1	Chairman	Shiang-Feng Chen	Brothe-rs	-
Director	ROC	Representative of Mercuries & Associates Holding, Ltd.	-	2022.05.25	3 Years	2013.01.15	41,018,951	60.76	41,018,951	60.76	-	-	-	-	-	-	-	-	-	-
	ROC	Representative: Wei-Chyun Wong	Male 61~70	2022.05.25	3 Years	2019.01.18	-	-	-	-	-	-	-	-	Note1	Note1	-	-	-	-
Director	ROC	Representative of Mercuries & Associates Holding, Ltd.	-	2022.05.25	3 Years	2013.01.15	41,018,951	60.76	41,018,951	60.76	-	-	-	-	-	-	-	-	-	-
	ROC	Representative: Kuang-Lung Chiu	Male 51~60	2022.05.25	3 Years	2013.01.15	1,667,363	2.47	1,667,363	2.47	5,000	0.01	-	-	Note1	Note1	-	-	-	-
Independent Director	ROC	Tsay-Lin Lin	Male 61~70	2022.05.25	3 Years	2019.01.18	-	-	-	-	-	-	-	-	Note1	Note1	-	-	-	-
Independent Director	ROC	Meng-Lin Tsai	Male 41~50	2022.05.25	3 Years	2020.06.29	-	-	-	-	-	-	-	-	Note1	Note1	-	-	-	-
Independent Director	ROC	Ming-Jye Huang	Male 51~60	2022.05.25	3 Years	2021.01.15	-	-	-	-	-	-	-	-	Note1	Note1	-	-	-	-

1. Please describe the policy, system, criteria and structure for the payment of compensation to independent directors, and describe the relationship between the amount of compensation paid and the responsibilities, risks, time commitment, etc.: The Company's "Regulations Governing the Evaluation of the Performance of Directors, Functional Committees, and Managers, and Salary and Compensation" stipulate that independent directors shall be paid on the basis of the total remuneration at a level competitive with the market, and that independent directors shall be paid without any participation in the distribution of the remuneration. The Company determines the remuneration of its independent directors on an annual basis by making reference to the remuneration levels of independent directors of peer companies, taking into account the Company's size, profit structure and business characteristics other companies.
2. In addition to the above table, the remuneration received by the directors of the Company for services rendered (e.g., acting as consultants to the parent company/all the companies in the financial statements/transferred investment businesses that are not employees, etc.) in the most recent year: None.

Note 1：A table showing the Directors' major experience and current positions with the Company and other companies is set out in the attached table on the next page.

Note 2：If the chairman of the board of directors and the president or equivalent (top manager) are the same person, or are each other's spouse or first-degree relatives, the reasons, reasonableness, necessity, and related information on countermeasures should be stated: Not applicable.

Note 3：Director Shinji Sumiya, a Representative Director of Sumitomo Corporation, was dismissed on April 20, 2023, and Director Junpei Yamamoto was reappointed on April 21, 2023, as a new Director. In addition, on March 26, 2024, Sumitomo Corporation, a Corporate Director, transferred more than one-half of its shares at the time of its election, and its position as a Director was tdismissed as a matter of course in accordance with the law.

Schedule: Major experience (Education) of Directors and current positions held by the Company and other companies

Title	Name	Education & Selected Past Positions	Concurrent positions currently served as at the Company and other companies
Chairman	Shiang-Feng Chen	Master, Science & Engineering, Cornell University	**<u>Chairman</u>**: Mercuries & Associates, Ltd., Mercuries F&B Co., Ltd., Mercuries Furniture Co., Ltd., M.T.I. CIGARS Co., Ltd., Simple Mart Plus Co., Ltd., Mercuries Liquor & Food Co., Ltd., Mercuries F&B Consulting Co., Ltd., Mercuries Harvest Co., Ltd., Taoyuan City Mercury Social Welfare & Charity Foundation, Sanor Co., Ltd., Shang Rih Co., Ltd. **<u>Directors</u>**: Mercuries General Media Inc., Mercury Fu Bao Co., Ltd., Mercuries Leisure Co., Ltd. Shang Hong Investment Co., Ltd, Mercuries & Associates Holding, Ltd., Taiwan Masters Golf Revival Foundation. **<u>Independent Director</u>**: Silicon Motion Technology Corporation **<u>General Manager</u>**: Mercuries F&B Co., Ltd. **<u>Chairman</u>:** Taiwan Chain & Franchise Association (TFCA) **<u>Director</u>:** ROC Criminal Investigation Association
Director	Shiang-Li Chen	Master, Business Administration, Georgetown University General Manager, Mercuries & Associates Holdin Ltd.	**<u>Chairman</u>**: Mercuries & Associates Holding, Ltd., Mercuries General Media Inc., Mercuries Leisure Co., Ltd., Shang Hong Investment Co., Ltd., **<u>Director</u>:** Mercuries Life Insurance Inc., Mercuries Data Systems Ltd., SCI Pharmtech, Inc., Mercuries & Associates, Ltd., Mercuries Liquor & Food Co., Ltd., Mercury Fu Bao Ltd., Shang Lin Investment Co., Simple Mart Plus Co., Ltd., Taiwan Masters Golf Revival Foundation, Foundation of Chinese Dietary Culture, Mercuries F&B Co., Ltd. **<u>General Manager</u>**： Mercuries & Associates Holding, Ltd. **<u>Director</u>**: Chinese Slow Pitch Softball Association **<u>Executive Director</u>**: Chinese Slow Pitch Softball Association
Director	Wei-Chyun Wong	Ph.D., Chemistry, University of Pennsylvania General Manager, SCI Pharmtech, Inc.	**<u>Chairman</u>:** SCI Pharmtech, Inc., Yushan Pharmaceuticals, Inc. **<u>Director</u>**: Mercuries & Associates Holding, Ltd., Shu Ren Investment Co., Ltd., Shu Feng Investment Co., Ltd., Shu Zone Co., Shui-Mu Foundation of Chemistry, Taiwan Masters Golf Revival Foundation, ROC Criminal Investigation Association, Educational Foundation for Economic Minority Support of Kaohsiung City, Mercuries F&B Co., Ltd., Framosa Co., Ltd., Mercuries Life Insurance Co., Ltd., Energenesis Biomedical Co., Ltd. **<u>General Manager</u>**： Yushan Pharmaceuticals, Inc. **<u>Director</u>:** ROC Criminal Investigation Association
Director	Kuang-Lung Chiu	Graduated, National Taipei College of Business Deputy Procurement Vice General Manager, RT-MART International Ltd.	**<u>Chairman</u>:** Sanyou Drugstores Ltd. **<u>Director</u>**: CMG International One Co. Ltd., CMG International Two Co., Ltd., TriHealth Enterprise Co., Ltd. (representative) **<u>General Manager</u>**: Simple Mart Retail Co., Ltd., Simple Mart Plus Co., Ltd. **<u>Director</u>:** ROC Criminal Investigation Association
Independent Director	Tsay-Lin Lin	Bachelor, Electrical Engineering, National Taipei University of Technology General Manager/ Vice Chairman, World Peace Industrial Co., Ltd. Chairman, Taipei Electronic Components Suppliers' Association Chairman, Shih-Yo Investment Co., Ltd. (WPG Holdings)	**<u>Director</u>**: WPG Holdings Limited, FantasyStory Inc., H Bank Biopharma Corp., H Bank Technology Inc., M2 Communication Inc.

Title	Name	Education & Selected Past Positions	Concurrent positions currently served as at the Company and other companies
Independent Director	Meng-Lin Tsai	Bachelor, Business Admin. - University of California, Riverside	**Chairman:** OP NanoPharma Co., Ltd., TECN Investment Co., Ltd. **Director**: Orient Europharma Co., Ltd., Orient Pharma Co., Ltd., Babecare Co., Ltd., Hung Lu Foundation, AnnJi Pharmaceutical Co., Ltd., Aska Investment Co., Ltd., Taiwan Excelsior Co., Ltd., Pharmacyplus co., Ltd. **General Manager**: Orient Europharma Co., Ltd. **Supervisor** :Karihome Co., Ltd.
Independent Director	Ming-Jye Huang	LL.D., Hitotsubashi University Master, Laws, Hitotsubashi University Bachelor, Laws, National Taiwan University	**Director** : United Biomedical, Inc. (ASIA), Taiwan Competition Law Society **Supervisor**: Patent Search Center

B. Major Shareholders of Corporate Shareholders

Name of the corporate shareholders	Major shareholders of the corporate shareholders（Shareholding percentage）
Mercuries & Associates Holding, Ltd. (As of March 31, 2024)	(1) Shanglin Investment Co., Ltd. (18.07%) (2) Shuren Investment Co., Ltd. (12.84%) (3) Mega Prosper Investment Limited (9.97%) (4) Shanghong Investment Co., Ltd. (5.62%) (5) Shufeng Investment Co., Ltd. (4.95%) (6) Mercury Fu Bao Co., Ltd. (4.18%) (7) Shiang-Li Chen (2.25%) (8) Pension fund management committee of Mercuries & Associates, Ltd. (1.85%) (9) Chau-Shi Wong (1.77%) (10) Shiang-Chung Chen (1.60%)

C.Major shareholders if the aforementioned major shareholders are legal persons:

Name of the corporate shareholders	Major shareholders of the corporate shareholders
Shanglin Investment Co., Ltd. (As of March 31, 2024)	Shiang-Li Chen (31.41%), Shiang-Chieh Chen (17.67%), Shiang-Feng Chen (17.67%), Chang-Hui Hsu (6.37%), Shiang-Chung Chen (13.54%), Shanghong Investment Co., Ltd. (8.21%), Te-Pin Wang (5.13%)
Shuren Investment Co., Ltd. (As of March 31, 2024)	Wei-Chyun Wong (27.89%), Tsui-Chun Wong (24.70%), Shufeng Investment Co., Ltd (15.39%), Chau-Shi Wong (14.39%), I-Hsuan Wong (17.55%), Chun-Hui Yang (0.06%), Hsueh-Hui Yang (0.02%)
Mega Prosper Investment Limited (As of March 31, 2024)	Mega Prosper International Limited (100%)
Shanghong Investment Co., Ltd. (As of March 31, 2024)	Shanglin Investment Co., Ltd. (32.61%), Shiang-Li Chen (21.74%), Shiang-Chieh Chen (13.48%), Shiang-Feng Chen (13.48%), Shiang-Chung Chen (9.56%), Chang-Hui Hsu (5.22%), Te-Pin Wang (3.91%)
Shufeng Investment Co., Ltd. (As of March 31, 2024)	Shuren Investment Co., Ltd. (67.95%), Chau-Shi Wong (14.62%), Wei-Chyun Wong (8.20%), Tsui-Chun Wong (8.20%), Chun-Hui Yang (0.46%), Hsueh-Hui Yang (0.26%), I-Hsuan Wong (0.26%), Shiang-Feng Chen (0.05%)
Mercury Fu Bao Co., Ltd. (As of March 31, 2024)	Mercuries & Associates Holding, Ltd. (100%)

D. Directors' Professional Qualifications and Independent Directors' Independence Status：

Criteria / Name	Qualifications and Experience (Note 1)	Independence Status (Note 2)	Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director
Chairman Shiang-Feng Chen	Possessing over five years of work experience in business and corporate operations, in addition to serving as the chairman of the Company, also holds the position of chairman in related other enterprises.	Shiang-Feng Chen, chairman of the board is a director who serves as the representative of Mercuries & Associates Holding, Ltd., a legal entity. The chairman also holds positions as a director and manager in related companies and is not an independent director. The rest matters meet the independence criteria listed in Article 3, Paragraph 1 of the " Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies " promulgated by the Financial Supervisory Commission.	0
Director Shiang-Li Chen	Possessing over five years of work experience in business and corporate operations, in addition to serving as the director of the Company, also holds the position of chairman in Mercuries & Associates Holding and related other enterprises.	Shiang-Li Chen, director of the board is a director who serves as the representative of Mercuries & Associates Holding, Ltd., a legal entity. The director also holds positions as a director and manager in related companies and is not an independent director. The rest matters meet the independence criteria listed in Article 3, Paragraph 1 of the " Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies " promulgated by the Financial Supervisory Commission.	0
Director Wei-Chyun Wong	Possessing over five years of work experience in business and corporate operations, in addition to serving as the director of the Company, also holds the position of chairman in SCI Pharmtech, Inc.	Wei-Chyun Wong, director of the board is a director who serves as the representative of Mercuries & Associates Holding, Ltd., a legal entity. The director also holds positions as a director and manager in related companies and is not an independent director. The rest matters meet the independence criteria listed in Article 3, Paragraph 1 of the " Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies " promulgated by the Financial Supervisory Commission.	0
Director Kuang-Lung Chiu	Possessing over five years of work experience in business and corporate operations, previously served as the Deputy General Manager of Procurement at RT-MART International Ltd., and currently holds the position of General Manager in the Company.	Kuang-Lung Chiu, director of the board is a director who serves as the representative of Mercuries & Associates Holding, Ltd., a legal entity. The director also holds positions as a manager in the Company and is not an independent director. The rest matters meet the independence criteria listed in Article 3, Paragraph 1 of the " Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies " promulgated by the Financial Supervisory Commission.	0
Independent Director Tsay-Lin Lin	Possessing over five years of work experience in business and corporate operations, previously served as the General Manager/Vice Chairman of World Peace Industrial Co., Ltd. and as the Chairman of Shih-Yo Investment Co., Ltd. (WPG Holdings). Currently, in addition to serving as an independent director of the Company, also serves as a director of WPG Holdings Ltd.	The three independent directors in the left column met the qualification requirements set forth by the Financial Supervisory Commission's " Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies " and Article 14-2 of the Securities and Exchange Act during the two years prior to their appointment and throughout their tenure. The independent directors have also been granted the power to fully participate in decision-	0

Criteria / Name	Qualifications and Experience (Note 1)	Independence Status (Note 2)	Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director
Independent Director Meng-Lin Tsai	Possessing over five years of work experience in business and corporate operations, obtained the U.S. CPA license in 2007 and previously worked in the Audit Department at Deloitte & Touche. Currently, in addition to serving as an independent director of the Company, also holds positions as a director and general manager at Orient Europharma Co., Ltd. and as chairman and legal representative at OP NanoPharma Co., Ltd.	making and express their opinions in accordance with Article 14-3 of the Securities and Exchange Act, and have thus executed their related duties independently.	0
Independent Director Ming-Jye Huang	Possessing experience in law and business, with a relevant degree from a public or private university, as a lecturer or above. Graduated with a Doctor of Law from Hitotsubashi University. Currently serving as an independent director of the Company, as well as a distinguished professor at the College of Law of National Taiwan University, a review committee for TPEx Listed Securities of Taipei Exchange, and a director and head of the academic committee for the Taiwan Competition Law Association.		0

Note 1： None of the directors have been subject to the provisions of Article 30 of the Company Act as of the printing date.

E. Diversity and Independence of the Board of Directors

a. Diversity of the Board of Directors

(a). According to Article 20 of the Company's corporate governance best practices, the composition of the Board of Directors should take into account diversity. Except for directors who also serve as company executives, they should not exceed one-third of the total number of directors. The board should develop appropriate diversity policies based on its own operations, business model, and development needs, which should include but not be limited to the following two aspects:

i . Background and value: Gender, age, nationality, culture etc.

ii. Knowledge and skills: Career background (e.g., law, accounting, industry, finance, marketing, or technology), professional skill, and industry experience.

Details of the management objectives and achievements of the Company's diversity policy are as follows:

objective	Achievement Status
3 independent directors	Achieved
Not exceed one-third of the number of directors who also serve as managers of the Company	Achieved
Gender, age, nationality and cultural diversity	The current seven directors of the Company range in age from 50 to 70 years old. The Company has planned to nominate at least one director candidate of different genders at the time of the re-election of directors in 2025 to facilitate the diversification of the composition of the Board.
At least one independent director with expertise in law, finance and accounting, and industry experience	Achieved. Three independent directors have expertise in law (Mr. Ming-Jye Huang, independent director), finance and accounting (Mr. Meng-Lin Tsai, independent director), and industry experience (Mr. Tsay-Lin Lin, independent director and Mr. Meng-Lin Tsai, independent director).

The directors of the Company, all of whom have extensive knowledge of the retail industry, and the independent directors are professionals in the legal, accounting and industrial fields, which have positive effects on the Company's corporate governance and business development.

(b). For information on the diversity of the Company's Board of Directors, please refer to the attachment on the next page, and disclosure on the Company's website.

b. Board Independence:

The Company consists of seven directors, including one director who is also an employee, accounting for 14% of the Board of Directors, and three are independent directors, accounting for 43% of the Board of Directors. In accordance with Article 3 and Article 4 of the Regulations Governing the Establishment and Compliance of Independent Directors of Public Companies, the independent directors are independent, and none of the independent directors are related to the directors as spouses or relatives within the second degree of kinship. As a result, the Board of Directors of the Company is independent (Refer to page 13~14 of this Annual Report Disclosure of Professional Qualifications of Directors and Independence of Independent Directors).

Information on each director's education, gender and work experience (refer to page 8~10 of this annual report).

Attachment 1：Diversified Core Competency of the members of the Board

Diversity Item / Name	Basic composition								Industry experience			Expertise						
	Nationality	Gender	Concurrent employment position	Age		Terms and years as independent director			Retail	Logistics	Business judgment	Financial & accounting	Law	Management	Crisis management	International perspective	Leadership	Decision making
				35-50	51-70	under 3 years	3-9 years	More than 9 years										
Shiang-Feng Chen	ROC	Male			✓				✓	✓	✓			✓	✓	✓	✓	✓
Shiang-Li Chen	ROC	Male			✓				✓	✓	✓	✓		✓	✓	✓	✓	✓
Wei-Chyun Wong	ROC	Male			✓				✓	✓	✓			✓	✓	✓	✓	✓
Kuang-Lung Chiu	ROC	Male	✓		✓				✓	✓	✓	✓		✓	✓	✓	✓	✓
Tsay-Lin Lin	ROC	Male			✓		✓		✓	✓	✓			✓	✓	✓	✓	✓
Meng-Lin Tsai	ROC	Male		✓			✓		✓	✓	✓	✓		✓	✓	✓	✓	✓
Ming-Jye Huang	ROC	Male			✓		✓				✓		✓	✓	✓	✓	✓	✓

(2) General Managers, assistant general managers, deputy assistant general managers, and the supervisors of all the Company's divisions and branch units.

Title	Nationality or place of registration	Name	Gender Age	Date elected / appointed	Shares currently held		Shares currently held by spouse and minors		Shares held by third parties		Education and experience	Concurrent positions at Simple Mart and other companies	Any managerial officer who is a spouse or a relative within the second degree of kinship			Note
					Shares	%	Shares	%	Shares	%			Title	Name	Relation-ship	
GM	ROC	Kuang-Lung Chiu	Male	2006.03.24	1,667,363	2.47%	5,000	0.01%	-	-	Note 1	Note 1	-	-	-	NA
VP	ROC	Chung-Ping Hsieh	Male	2013.04.01	141,699	0.21%	-	-	-	-		-	-	-	-	-
CFO	ROC	Yen-Hsiu Liu	Female	2017.12.08	58,289	0.09%	-	-	-	-		Note 1	-	-	-	-
CHO	ROC	Hui-Lan Su	Female	2019.06.19	50,000	0.07%	-	-	-	-		-	-	-	-	-
CIO	ROC	Te-Cheng Meng	Male	2019.11.21	50,000	0.07%	-	-	-	-		-	-	-	-	-
COO	ROC	Su-Hui Lien	Female	2021.05.03	35,000	0.05%	-	-	-	-		-	-	-	-	-
CAO	ROC	Nien-Meng Yu	Male	2022.01.01	20,000	0.03%	-	-	-	-		-	-	-	-	-
Assistant Manager	Japan	Yosuke Nagira (Note 3)	Male	2023.09.25	-	-	-	-	-	-		Note 3	-	-	-	-
Manager	ROC	Kuan-Yu Lu (Note 3)	Male	2022.08.05	-	-	-	-	-	-		-	-	-	-	-

Note 1: Please refer to the attached table on the next page for details on the educational background and current positions held by the general manager, deputy general manager, assistant manager, department and branch heads, as well as other affiliated companies.

Note 2: Disclosure of the reasons, reasonableness, necessity, and measures to respond to the circumstances where the general manager or equivalent (top manager) and the chairman of the board are the same person, spouses, or relatives within the first degree of kinship: Not applicable.

Note 3: Yuma Miyata was relieved of his duties as Vice President on September 15, 2023, and Yosuke Nagira was newly appointed on September 25, 2023.

Attachment: Information on the general manager, assistant general managers, deputy assistant general managers, and the chiefs of all the Company's divisions and branch units

Title	Name	Major academic and career achievements	Positions at the Company and other companies
GM	Kuang-Lung Chiu	Graduated, National Taipei College of Business Deputy Procurement Vice General Manager, RT-MART International Ltd.	Chairman of Sanyou Drugstores Ltd., Director & General Manager of Simple Mart Plus Co., Ltd., Director of International One Co., Ltd., Director of International Two Co., Ltd., Director of the ROC Criminal Investigation Association, Representative of Corporate Director of TriHealth Enterprise Co., Ltd.
Supply Chain Division VP	Chung-Ping Hsieh	Bachelor, Department Agricultural Marketing, Chung Hsing University Director of Merchandise Department, Presicarre Corporation	-
Financial Management Division CFO	Yen-Hsiu Liu	Master of Accounting, National Chengchi University Project Manager, MiTAC International Corporation Assistant Manager, Audit Department, Deloitte & Touche	Supervisor of Sanyou Drugstores Ltd.
Human Resource Division CHO	Hui-Lan Su	Shih Chien College of Home Economics Manager, Human Resource Department, Hong Kong Giordano	-
Information Technology Division CIO	Te-Cheng Meng	Master of Accounting, National Taiwan University SAP Consultant, EY Advisory Services Inc.	-
Operation Division COO	Su-Hui Lien	Department of Integrated Business, Neng Ren Home Economic and Commercial Vocational High School Senior Director of Business Operations, Wellcome Taiwan Co., Ltd.	-
Administration Division CAO	Nien-Meng Yu	Master of Business Administration, Carnegie Mellon University CFO, Wellcome Taiwan Co., Ltd.	-
Assistant Manager	Yosuke Nagira	Keio University Manager of Domestic Healthcare Division, Sumitomo Corporation	-
Audit Office Manager	Kuan-Yu Lu	Master of Accounting, National Central University Project Manager of Internal Control Office, Kanpai Co., Ltd..	-

3. Remuneration paid to directors, supervisors, general managers, and assistant general managers

(1) Remuneration to directors (including independent director)

As of December 31, 2023；Unit: Thousand NT$

Title	Name	Director's remuneration								(A+B+C+D) as a % of net income		Employee remuneration for other activities								(A+B+C+D+E+F+G) as a % of Net Income		Other compensations from non-subsidiary affiliates
		Remuneration (A)		Retirement pension (B)		Director's Remuneration (C)		Business execution fees (D)				Salaries, bonuses, and special expenses (E)		Retirement allowance (F)		Employee remuneration (G)						
		The Company	All companies listed in this Financial Report	The Company	All companies listed in this Financial Report	The Company	All companies listed in this Financial Report	The Company	All companies listed in this Financial Report	The Company	All companies listed in this Financial Report	The Company	All companies listed in this Financial Report	The Company	All companies listed in this Financial Report	The Company Cash Amount	The Company Share Amount	All companies listed in this Financial Report Cash Amount	All companies listed in this Financial Report Share Amount	The Company	All companies listed in this Financial Report	
Mercuries & Associates Holding, Ltd.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Chairman	Shiang-Feng Chen	-	-	-	-	550	550	-	-	0.5%	0.5%	-	-	-	-	-	-	-	-	0.5%	0.5%	735
Director	Shiang-Li Chen	-	-	-	-	250	250	-	-	0.2%	0.2%	-	-	-	-	-	-	-	-	0.2%	0.2%	9,400
Director	Wei-Chyun Wong	-	-	-	-	250	250	-	-	0.2%	0.2%	-	-	-	-	-	-	-	-	0.2%	0.2%	428
Director	Kuang-Lung Chiu	-	-	-	-	250	250	-	-	0.2%	0.2%	7,575	7,575	108	108	2	-	2	-	7.8%	7.8%	-
Sumitomo Corporation (Note 1)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Director	Shinji Sumiya (Note 1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Director	Jumpei Yamamoto (Note 1)																					
Director	Yuma Miyata (Note 1)	-	-	-	-	-	-	-	-	-	-	1,682	1,682	33	33	-	-	-	-	1.7%	1.7%	-
Independent Director	Tsay-Lin Lin	400	400	-	-	-	-	-	-	0.4%	0.4%	-	-	-	-	-	-	-	-	0.4%	0.4%	-
	Meng-Lin Tsai	400	400	-	-	-	-	-	-	0.4%	0.4%	-	-	-	-	-	-	-	-	0.4%	0.4%	-
	Ming-Jye Huang	400	400	-	-	-	-	-	-	0.4%	0.4%	-	-	-	-	-	-	-	-	0.4%	0.4%	-

1. Please describe the policy, system, standard, and structure of remuneration to independent directors, and the correlation between duties, risk, and time input with the amount of remuneration: As provided in the "Regulations Governing the Performance Evaluation and Compensation of Directors, Functional Committees and Managers" of the Company, the remuneration of independent directors is based on the competitive market level of total remuneration and is not subject to remuneration distribution. The remuneration of the Company's independent directors is determined annually with reference to the remuneration level of the independent directors in the industry, considering the scale, profit structure and business characteristics of the Company.
2. Compensation received by director for providing service to any company included in the consolidated financial statements (Such as parent company, all companies in the consolidated financial statements and invested companies, etc. serving as a consultants who are not employees) last year, except those disclosed in the above table: None

Note 1: Sumitomo Corporation changed its representative from Shinji Sumiya, to Jumpei Yamamoto on April 21, 2023. Sumitomo Corporation was dissolved its directorship on March 26, 2024 due to the transfer of its all shareholding.

(2) Remuneration to supervisor: Not applicable

(3) Remuneration to general manager and assistant general manager

As of December 31, 2023；Unit: Thousand NT$

Title	Name	Salary (A) (Note 2)		Retirement pension (B)		Bonuses and special expenses (C) (Note 3)		Employee's remuneration (D) (Note 4)				(A+B+C+D) as % of net income (Note 8)		Other compensation from non-subsidiary affiliates or parent company (Note 9)
		The Company	All companies listed in this Financial Report (Note 5)	The Company	All companies listed in this Financial Report (Note 5)	The Company	All companies listed in this Financial Report (Note 5)	The Company		All companies listed in this Financial Report (Note 5)		The Company	All companies listed in this Financial Report (Note 5)	
								Cash Amount	Share Amount	Cash Amount	Share Amount			
GM	Kuang-Lung Chiu	4,575	4,575	108	108	3,000	3,000	2	-	2	-	7.60%	7.60%	-
VP	Chung-Ping Hsieh	2,172	2,172	108	108	1,104	1,104	2	-	2	-	3.35%	3.35%	-
VP	Yuma Miyata(Note)	1,682	1,682					-	-	-	-	2.04%	1.66%	-

Note: Yuma Miyata was relieved of his duties as Vice President on September 15, 2023.

Remuneration Scale Table

Remuneration range for each general managers and assistant general managers in the Company	Name of the general managers and assistant general managers	
	The Company	All companies listed in this Financial Report
Less than NT$ 1,000,000		
NT$ 1,000,000 (inclusive) to NT$ 2,000,000	Yuma Miyata	Yuma Miyata
NT$ 2,000,000 (inclusive) to NT$ 3,500,000	Chung-Ping Hsieh	Chung-Ping Hsieh
NT$ 3,500,000 (inclusive) to NT$ 5,000,000	-	-
NT$ 5,000,000 (inclusive) to NT$ 10,000,000	Kuang-Lung Chiu	Kuang-Lung Chiu
NT$ 10,000,000 (inclusive) to NT$ 15,000,000		
NT$ 15,000,000 (inclusive) to NT$ 30,000,000		
NT$ 30,000,000 (inclusive) to NT$ 50,000,000		
NT$ 50,000,000 (inclusive) to NT$ 100,000,000		
More than NT$ 100,000,000		
Total	3	3

(4) Individual disclosure of the top 5 highest paid executives

Please note that the Company has not incurred any after-tax losses in the last three years and the results of the latest annual corporate governance evaluation are in the last tier. In addition, the Company has not been subject to a change in trading practices, suspension of trading, termination of listing, or other circumstances that have been approved by the Corporate Governance Evaluation Committee as not being evaluated in the most recent year and as of the date of the annual report. As such, the compensation of the top five most highly compensated executives is not disclosed individually.

(5) Employee Remuneration Distributed to Managers and Distribution Situation

As of December 31, 2023；Unit: Thousand NT$

	Title（Note1）	Name（Note1）	Share amount	Cash amount	Total	Percentage of net earnings after tax (%)
Manager	GM	Kuang-Lung Chiu	-	15	15	0.01
	Corporate Planning Office VP	Yuma Miyata (Note 1)				
	Supply Chain Division VP	Chung-Ping Hsieh				
	Operation Division COO	Su-Hui Lien				
	Administration Division CAO	Nien-Meng Yu				
	Financial Management Division CFO	Yen-Hsiu Liu				
	Human Resource Division CHO	Hui-Lan Su				
	Information Technology Division CIO	Te-Cheng Meng,				
	Assistant Manager	Yosuke Nagira (Note 1)				
	Audit Office Manager	Kuan-Yu Lu (Note 5)				

Note 1: VP Yuma Miyata will be relieved of his duties on September 15, 2023, and Associate Yosuke Nagira will be newly appointed on September 25, 2023.

(6) Analyze the remuneration to directors, president and vice presidents of the Company in proportion to the earnings after tax from the Company and companies included in the consolidated statements in the most recent two years and specify the policies, standards, and packages based on which they were paid, the procedures through which remunerations were determined, and their correlation with operating performance and future risks:

A. Analysis of the remuneration to directors, president and vice-president in proportion to the net earnings after tax of the individual or separate financial statements in the most recent two years

Unit: Thousand NT$; %

Item	2022		2023	
	The Company	All companies in the consolidated report	The Company	All companies in the consolidated report
Directors and Independent director (%)	2%	2%	2%	2%
General Managers, Assistant general managers and Attorney General (%)	25%	25%	13%	13%

B. The policy, standards and packages, and the procedures for determining the remuneration, along with the correlation with operating performance and future risk exposure:

According to the Company's Articles of Incorporation, if the Company has surpassed earnings after settlement, it shall set aside more than 1% of earnings in the current year as remuneration to employees, which shall be paid in the form of stock or cash distribution, and the independent directors of the Company shall receive the fixed compensation instead of remuneration, while the remaining directors may set aside less than 3% of the above-mentioned earnings as remuneration to directors.

The remuneration of the directors and executives of the Company is determined in accordance with the "Performance Assessment and Compensation Regulations for Directors, Functional Committee, and Executives". The salary and compensation committee of the Company evaluates and deliberates the salary levels in the same industry market, the scope of responsibilities of the position within the Company, contributions to the Company's operational goals, and considers the Company's future risks. After the Remuneration Committee evaluates and deliberates, the proposal is submitted to the Board of Directors for approval.

The managers' compensation consists of salary and bonus. The salary is evaluated with reference to the peer group and market level, taking into account items such as title, grade, education (experience), professional ability, and responsibilities. The bonus is highly linked to performance, and the managers are required to formulate performance targets based on the strategic items of the annual strategic map (including the financial aspect, customer aspect, internal process aspect, and learning and growth aspect), and both the strategic items and the evaluation of performance targets are reviewed by the Remuneration Committee and submitted to the Board of Directors for approval and implementation.

The Managers' performance indicators include, in addition to the strategy map performance targets, the fulfillment of the Company's core values, the demonstration of high-level behavioral indicators, leadership and team management skills, and operational performance indicators, as well as the measurement of other special contributions or significant deficiencies in the compliance and operational risk items of the departments under their management.

Performance Measurement	Item	description

Structure		
Performance Indicators	Business Performance Indicators by Financial Segment, Customer Segment, etc.	◆Profit Growth Indicators ◆Operation Management Quality Improvement ◆Customer Satisfaction Improvement ◆Net income after tax, etc.
	Comprehensive Management Indicators (Internal Process Dimension, Learning and Development Dimension)	◆Risk Management, Compliance, Continuous Innovation and ESG Sustainability Strategies ◆Practice the business philosophy and realize the vision and mission of the company. ◆Continuously optimize internal processes, digital transformation, and improve team performance. ◆ Establish a learning organization and cultivate talents ◆ Human resource management and establishment of diversified, fair, and inclusive organizational culture and management system.
	Other Special Contributions or Significant Deficiencies	-

The General Manager's 2023 performance includes a drive for sustainability with five key objectives:

1) Continuously optimize corporate governance to address the risk concerns of shareholders and investors - G
2) Implement energy saving and carbon reduction policies and introduce greenhouse gas inventories-E
3) Ensure the safety of the consumer environment and food, and enhance customer trust - S
4) Continuously promote public welfare activities and fulfill our corporate social responsibility -S
5) Ensure employee welfare, occupational safety, and talent development and cultivation issues to enhance employer brand image -S

The Vice President, Supply Chain Division's performance objectives for 2023 include:

1) Maintain relationships with suppliers (stakeholders)-S.
2) Enhance food safety-S
3) Promote energy-saving programs at logistics centers-E.

In addition to the above, in order to minimize future operational risks, the Company will review the compensation system from time to time in light of the actual operating conditions and relevant laws and regulations, with a view to striking a balance between the Company's sustainable operation and risk management.

4. Implementation of Corporate Governance

(1) Board of Directors Meeting Status

The Board of Directors convened 7(A) meetings in 2023. The attendance of directors and supervisors were as follows:

Title	Name	Attendance in person (B)	Attendance by proxy	Attendance Rate in Percentage (%) 【B/A】	Note
Chairman	Mercuries & Associates Holding, Ltd. Representative: Shiang-Feng Chen	6	1	86	-
Director	Mercuries & Associates Holding, Ltd. Representative: Shiang-Li Chen	6	1	86	-
Director	Mercuries & Associates Holding, Ltd. Representative: Wei-Chyun Wong	6	1	86	-
Director	Mercuries & Associates Holding, Ltd. Representative: Kuang-Lung Chiu	7	0	100	-
Director	Sumitomo Corporation Representative: Shinji Sumiya	1	1	50	(Note)
Director	Sumitomo Corporation Representative: Jumpei Yamamoto	3	2	60	(Note)
Director	Sumitomo Corporation Representative: Yuma Miyata	7	0	100	(Note)
Independent Director	Tsay-Lin Lin	7	0	100	-
Independent Director	Meng-Lin Tsai	4	3	57	-
Independent Director	Ming-Jye Huang	5	2	71	-

Note: Sumitomo Corporation reappointed its corporate directors, Shinji Sumiya was dismissed on April 20, 2023, and Jumpei Yamamoto was reappointed on April 21, 2023. Sumitomo Corporation transferred more than one-half of the shares it held at the time of its election to the Board of Directors on March 26, 2024, so its directorship was dismissed in accordance with the laws and regulations of Sumitomo Corporation.

Annotation:

1. If any of the following circumstances occur, the dates of the board meetings, sessions, contents of motions, opinions of all independent directors and the Company's response to the board meeting's opinion should be stated.
   (1) The matter listed in Article 14-3 of the Securities and Exchange Act: The Company has established an Audit Committee. For the opinions of the independent directors and the Company's handling of the opinions of the independent directors at the Board of Directors' Meeting in 2023, please refer to pages 28 to 31 of this Annual Report for information on the operation of the Audit Committee or the supervisors' participation in the operation of the Board of Directors.
   (2) Apart from the aforementioned item, other board meeting resolutions where independent directors have expressed dissenting or reserved opinions and have records or written statements: None.
2. Recusals of directors due to conflicts of interests, the names of directors, contents of motion, reasons for the recusals of conflicts of interests, and the participation in the vote shall be stated:
   Directors who have a conflict of interest with the Company may state their opinion and respond, but arenot be allowed to participate in the discussion and vote.

Session	Date	Content of Motion	Reasons for recusal due to conflicts of interest and participation in the vote
5th session The 5th meetings	2023.01.17	The year-end bonus of 2022 to the Company's managers.	• Reason for recusal: Director Kuang-Lung Chiu and Yuma Miyata are also employees. • Participation in the vote: Disassociated from discussion and voting
		2023 performance goal setting of the Company's managers	• Reason for recusal: Director Kuang-Lung Chiu and Yuma Miyata are appointed as the president and vice president of the Company respectively in respect of their own performance objectives, shall be recused. • Participation in the vote: Disassociated from discussion and voting
5th session The 6th meetings	2023.03.03	The employees' bonus and directors' compensation of 2022.	• Reason for recusal: Regarding the allocation of employee's remuneration, directors Kuang-Lung Chiu and Yuma Miyata are both employees. Another motion on the allocation of directors' remuneration, director Shiang-Feng Chen, Shiang-Li Chen, Wei-Chyun Wong, Shinji Sumiya, Kuang-Lung Chiu and Yuma Miyata are the recipients of directors' remuneration. • Participation in the vote: Disassociated from discussion and voting
		Release of the prohibition on directors from participation in competitive business.	• Reason for recusal: Director Shiang-Feng Chen, Wei-Chyun Wong, Tsay-Lin Lin and Meng-Lin Tsai were disqualified due to conflict of interest. • Participation in the vote: Directors Shiang-Feng Chen, Wei-Chyun Wong and Tsay-Lin Lin left the meeting prior to the discussion of this case and did not participate in the voting; Director Meng-Lin Tsai had stated in the proxy statement that he would abstain from voting in this case.
5th session The 7th meetings	2023.05.05	Donation to Criminal Investigation and Prevention Association, R.O.C.	• Reason for Recusal: Directors Shiang-Feng Chen, Wei-Chyun Wong, and Kuang-Lung Chiu serve as directors of the recipient units, and Shiang-Li Chen, as a second-degree relative of director Shiang-Feng Chen. • Participation in the vote: Directors Shiang-Feng Chen, Wei-Chyun Wong and Kuang-Lung Chiu left the meeting prior to the discussion of this case, and Director Shiang-Li Chen has stated in the proxy statement that he would abstain from voting in this case.
5th session The 8th meetings	2023.08.04	Performance bonus of first half of 2023 to the managers.	• Reason for recusal: Director Yuma Miyata has avoided the Board of Directors due to conflict of interest as a concurrent manager. • Participation in the vote: Disassociated from discussion and voting

		Adjustments of goal settings for second half of 2023 of the managers.	• Reason for recusal: Director Yuma Miyata has disqualified himself from serving as the Company's Deputy General Manager for the part of his own performance objectives due to conflict of interest. • Participation in the vote: Disassociated from discussion and voting
		Donation to Mercuries Private Social Welfare Charity Foundation in Taoyuan County.	• Reason for recusal: Director Shiang-Feng Chen who is the board member of this donation taker, and Shiang-Li Chen, the second degree of kinship of Steven Chen, abstained themselves from discussing and voting. • Participation in the vote: Disassociated from discussion and voting

3. A TWSE/TPEX Listed Companies is required to disclosure the information and implementation status about self-evaluation of the Board of Directors, including the period, duration, range, methods and contents, etc.
Disclosure of the following information related to the self-evaluation of the Board of Directors:

Assessment cycle	Assessment duration	Scope of assessment	Assessment method	Assessment details
Conduct internal board performance evaluation annually.	2023.01.01~ 2023.12.31	The Board of Directors, individual board members, the audit committee and the remuneration committee	Internal self-evaluation by the Board of Directors, self-evaluation by members of the board, and performance evaluation by other appropriate methods	(1) Performance assessment for the board: 1. Participation in the Company's operations 2. Quality of board's decision 3. Composition and Structure of the board 4. Election and ongoing education 5. Internal control (2) Performance assessment for individual director (self or peer): 1.Director's awareness toward the Company's goals and missions 2.Awareness to duties 3.Participation in the Company's operations 4.Maintenance of internal relations and communication 5.Professionalism and ongoing education 6.Internal control (3) Performance assessment for functional committees 1.participation in the Company's operations 2.Awareness to duties 3.Quality of committee's decisions 4.Composition and member selection 5.Internal control
Perform an external board performance evaluation every three years	2022.01.01~ 2023.11.30	Overall Board of Directors, Audit Committee and Remuneration Committee	Appointment of an External Professional Organization - Taipei Foundation of Finance to Conduct Performance Evaluation	The evaluation items include safeguarding shareholders' rights and interests, strengthening the structure and operation of the Board of Directors, participation in the Company's operations, enhancing the quality of the Board of Directors' decision-making, improving information transparency, internal control, promoting sustainable development, and other additional evaluation considerations.

4. Enhancements to the functionality of the Board of Directors in the current and the most recent year (e.g., establishment of an Audit Committee, improvement of information transparency etc.), and the progress of such enhancements:
   (1) The Company elected three independent directors at the regular shareholders' meeting on May 25, 2022, and established the audit committee for the second session. As of March 31, 2024, the fifth

session of the Board of Directors has held 14 meetings. In order to provide the directors with a better understanding of the Company's operation overview and strategy execution process, the Company regularly provides relevant operational performance reports to the directors for their reference.

(2) The Company has completely redesigned our corporate website and added relevant disclosures on the operation of the Board of Directors, etc. to benefit corporate governance. The corporate website can be found at the following website: https://www.simplemartretail.com/

(3) In order to strengthen and enhance the functions of the Board of Directors, the Company has formulated a " Corporate Governance Code" to regulate the diversity of the composition of the Board of Directors and the professional competence, which states the diversification of the board, except the directors who are also managers of the Company shall not exceed one-third of the board, and appropriate diversity guidelines shall be formulated with respect to its operation, business model and development requirements, including but not limited to the following two major criteria:

1. Background and value: Gender, age, nationality, culture etc.
2. Knowledge and skills: Career background (e.g., law, accounting, industry, finance, marketing, or technology), professional skill, and industry experience.

Please refer to page 16 for Diversity of the Board of Directors.

(4) The Company has formulated the "Rules on the Scope of Duties of Independent Directors" to enhance the independence and functionality of independent directors, and to ensure the responsibilities of professional personnel and managers. We have also established the "Organizational Regulations of the Remuneration and Compensation Committee" and the "Organizational Regulations of the Audit Committee" to provide objective suggestions to the Board of Directors from the professional and objective position of committee members. The "Rules on the Scope of Duties of Independent Directors" and the "Organizational Regulations of the Audit Committee" are in line with the implementation of Corporate Governance 3.0, and were amended and approved by the Board of Directors on January 21, 2021, and the " Charters of Audit Committee " was amended on February 23, 2024 by the Board of Directors.

(5) In addition to specifying matters for recusal of directors, the Company's "Rules and Procedure of Board Meetings" also requires that board members' spouses, first- and second-degree of kinship, or companies with a controlling or subordinate relationship with a director that have an interest in the matters discussed at the meeting should also be avoided. Prior to the amendment of the rules of procedure, all members of the Company's Board of Directors had adhered to their duties as directors and avoided conflicts of interest in accordance with the aforementioned principles to avoid affecting the rights and interests of the Company's shareholders.

(6) In order to implement corporate governance and enhance the functions of the Company's Board of Directors, and to establish performance objectives to strengthen the efficiency of the Board's operations, the Company has set up the "Board of Directors' Self-Evaluation or Peer Review Method". The Company has also amend the method of evaluation and required the performance review shall be performed by an external professional independent organization or a team of external experts and scholars at least once every three years, and the amendment was approved by the Board of Directors on November 3, 2023. Report to the Board of Directors on 26 January 2024 on the results of the self-assessment and the external expert's assessment, and include the required improvements in the future tracking plan.

(2) Information on the operational status of the audit committee or the participation of supervisors in the operation of the Board

A. Operational Status of the Audit Committee

The Company has established an Audit Committee to replace the Supervisors.

In the latest year (2023), the audit committee held a total of 5 (A) meetings, and the attendance is as follows:

Title	Name	Attendance in person (B)	Attendance by proxy	Attendance Rate in Percentage (%) 【B/A】 (Note 1)	Note
Independent Director	Tsay-Lin Lin	5	0	100	-
Independent Director	Meng-Lin Tsai	3	2	60	-
Independent Director	Ming-Jye Huang	4	1	80	-

Annotation:

1. The operation of the audit committee shall be disclosed if any of the following circumstances exist: the date and session of the audit committee meeting, the agenda, any opposing opinions from independent directors, any reservations or significant recommendations, the result of the audit committee's decision, and the Company's handling of the opinions of the audit committee.

   (1) Items listed in Article 14-5 of the Securities and Exchange Act.

Term and Session	Date	Content of Motion	Resolution	The Company's Handling of the Opinions of the Audit Committee
The 4th meeting of the 2nd Audit Committee	2023.03.03	The financial Report of 2022	Approved	Not applicable
		The statement on internal control for year 2022.	Approved	Not applicable
		Engagement of attesting CPAs for 2023.	Approved	Not applicable
		Amendment of the “Operational Procedures for the Acquisition or Disposal of Assets”.	Approved	Not applicable
		Amendment of the” Rules Governing Financial and Business Matters Between the Corporation and Affiliated Enterprises” and rename to “Rules Governing Financial and Business Matters Between the Corporation and its Related- parties”.	Approved	Not applicable
		Amendment of the “Operational Rules of Stock Affairs”.	Approved	Not applicable
The 5th meeting of the 2nd Audit Committee	2023.05.05	Expansion of the Company’s logistic center.	Approved	Not applicable
		Adoption of the consolidated financial reports of the first quarter of 2023.	Approved	Not applicable
		Establishment of “Rules for the Approval of Non-assurance Service Provided by Attesting CPA”.	Approved	Not applicable
		Amendment of the “Procedures and Methods for Self-Assessment Operations for Internal Control System”.	Approved	Not applicable
		Donation to Criminal Investigation and Prevention Association, R.O.C.	Approved	Not applicable
The 6th meeting of	2023.08.04	Amendment of Delegation of Authority.	Approved	Not applicable

the 2nd Audit Committee		Adoption of the consolidated financial reports of the second quarter of 2023.	Approved	Not applicable
		Amendment of the “Procedures for Handling Material Inside Information”.	Approved	Not applicable
		Donation to Mercuries Private Social Welfare Charity Foundation in Taoyuan County.	Approved	Not applicable
		Loan to Sanyou Drugstores Ltd.	Approved	Not applicable
The 7th meeting of the 2nd Audit Committee	2023.11.03	Adoption of the consolidated financial reports of the third quarter of 2023.	Approved	Not applicable
		Investment in subsidiary- Sanyou Drugstores Ltd.	Approved, please use the new store type version planned by the General Manager for follow-up benefit tracking in the future.	The Company will follow the members' recommendation to make tracking reports.
		Amendment of the “Financing Cycle”	Approved and suggested that there should be some control criteria on the impact of capital expenditure on liquidity.	The Company has formulated a separate code of practice to be followed in accordance with the recommendation of the Audit Committee.
		Setup of the “Management of operation of board meetings”.	Approved	Not applicable
		Adoption of internal audit plan for year 2024.	Approved	Not applicable
The 8th meeting of the 2nd Audit Committee	2023.12.15	Amendment of the “Personal Data Management Act” and “Enforcement Rules of the Personal Data Protection Act”.	Approved	Not applicable
		Acquisition of Robotic Arm for the logistic center.	Approved	Not applicable

(2) Except for the foregoing matters, other matters that have not been approved by the Audit Committee but have been approved by two-thirds or more of all directors: None.

2. The implementation status of the independent director's recusal from the interest-related proposal shall be stated in terms of the name of the independent director, the content of the proposal, the reason for the recusal from the conflict of interest, and the voting status: None.

3. Communication status between independent directors and internal audit supervisors and accountants (it shall include the significant matters, manner and results of communication regarding the financial and business status of the Company):

(1) The communication status between independent directors and the head of internal audit:

Session	Date	Communication formality	Communication Matter	The Company’s Response	Suggestion
The 4th meeting of the 2nd Committee	2023.3.3	Meetings	Report: Internal audit reports and tracking of improvements. Proposal: 2022 Statement of Internal Control System	1. The report of the Audit Committee is then reported to the Board of Directors. 2. The "Assessment of the Effectiveness of the Internal	1. The original audit report only summarized the results of the audit and expressed only the presence or absence of deficiencies. Subsequently, in addition to the audit report, an audit report was submitted to the

				Control System" and the "Statement of Internal Control" for the year 2022 were reviewed and approved by all members present and proposed to the Board of Directors.	independent directors, together with an audit report containing audit procedures and checking the status of professional judgment for the independent directors to further confirm the overall operation of internal control. 2. Operational aspects should be particularly scrutinized with regard to higher-risk issues, especially the management of the operating units and stores should be strengthened.
The 5th meeting of the 2nd Committee	2023.5.5	Meetings	Report: Internal audit reports and tracking of improvements. Proposal: Amendments to the Procedures for Self-Assessment of Internal Control System.	1.The report of the Audit Committee is then presented to the Board of Directors. 2.The operating procedures were reviewed and approved by all members present and proposed to the Board of Directors.	1.The e-signature process is proposed to be integrated with the ESG and Risk Control Unit to form a digital task force to track progress and report on a regular basis. 2.The Digitalization Task Force should plan and draw up a plan to promote the digitalization of each form check, and conduct regular progress reports on its implementation. 3.The Risk Management Team reports to the Board of Directors semi-annually, proposes an annual risk control plan, and periodically reports on the current progress and details of future plans to continuously track the implementation of the plan.
The 6th meeting of the 2nd Committee	2023.8.4	Meetings	Report: Internal audit reports and tracking of improvements.	The report of the Audit Committee is then reported to the Board of Directors.	1.Personnel changes should be coordinated by the Human Resources Unit to notify all units, with special emphasis on urging the Information Unit to complete the system changes. 2.In addition to purchasing and expanding information record file storage devices, renting cloud-based devices may be considered for cost reasons.
The 7th meeting of the 2nd	2023.11.03	Meetings	Report: Internal audit reports and	1. The report of the Audit Committee is then	In the future, the implementation of the audit recommendations

Committee			tracking of improvements. Proposal: Internal audit plan for year 2024	reported to the Board of Directors. 2. The 2024 audit plan was reviewed and approved by all independent directors and proposed to the Board of Directors.	should be tracked regularly to achieve overall organizational growth through the increasingly stringent setting of indicators from the perspective of continuous improvement.
The 8th meeting of the 2nd Committee	2023.12.15	Meetings	Report: Internal audit reports and tracking of improvements.	1.The report of the Audit Committee is then presented to the Board of Directors.	There are no comments in this communication.

(2) Communication between the Audit Committee and Certified Public Accountants: On December 28, 2022, the Company adopted the " Communication Procedures between the Audit Committee and Certified Public Accountants", which stipulates that the CPAs should report to the Audit Committee in the early year regarding the planning of audit tasks for the year. The CPAs are also required to attend the Audit Committee meetings on a quarterly basis to report on the Company's financial status, internal control audits, and the significant impact of any adjustments or regulatory amendments or changes on the Company. The CPAs has participated in the Audit Committee for four times in 2023, and the audits and reviews of the financial statements for each period are described in the following table:

Session	Date	Communication Form	Communication Matter
The 4th meeting of the 2nd Committee	2023.3.3	Meeting	The CPAs are present to report the audit status of the 2022 financial statements together with the updates on various regulatory and tax laws, and reminding the important issues for the Company.
The 5th meeting of the 2nd Committee	2023.5.5	Meeting	The CPAs are present to report the audit status of the 2023 financial statements of the first quarter together with the updates on various regulatory and tax laws, and reminding the important issues for the Company.
The 6th meeting of the 2nd Committee	2023.8.4	Meeting	The CPAs are present to report the audit status of the consolidated financial statements for the second quarter of 2023 together with the updates on various regulatory and tax laws, and reminding the important issues for the Company.
The 7th meeting of the 2nd Committee	2023.11.3	Meeting	The CPAs are present to report the audit status of the consolidated financial statements for the third quarter of 2023 together with the updates on various regulatory and tax laws, and reminding the important issues for the Company.

The implementation status of the participation of supervisors in the Board of Directors: Not applicable, the Company has set up the audit committee to replace the supervisors.

(3) The operational status of corporate governance, the difference from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the reasons thereof

Assessment Item	Implementation Status (Note)			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
1. Does Company follow "Taiwan Corporate Governance Implementation" to establish and disclose its corporate governance practices?	✓		In order to establish a sound corporate governance system, the Company referred to the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and established the "Corporate Governance Best Practice Principles" on February 18, 2019. We also revised the principles in accordance with Corporate Governance 3.0 on February 25, 2022, and disclosed them on the Taiwan Stock Exchange's Market Observation Post System and the Company's website.	No significant difference
2. Shareholding Structure & Shareholders' Rights				
(1) Does the Company have Internal Operation Procedures for handling shareholders' suggestions, concerns, disputes and litigation matters? If yes, have these procedures been implemented accordingly?	✓		The Company has appointed a spokesperson, a proxy spokesperson, and a shareholder mailbox. In addition, we have also commissioned a professional stock agency, "Horizon Securities Co., Ltd.," to handle shareholder-related issues and suggestions. If there are legal issues involved, designated professional lawyers or legal personnel will engage for handling.	The Company has designated a specialized unit and appointed a professional stock agent to properly handle shareholders' questions and suggestions.
(2) Does the Company possess a list of major shareholders and beneficial owners of these major shareholders?	✓		The Company fully comprehends and acquires knowledge of the major shareholder structure through the shareholder agency, and regularly reports any changes in director and executive shareholdings. In regard to the ultimate controllers of major shareholders, aside from natural persons, as the Company is a subsidiary of major shareholders, we shall obtain the ultimate controller list from the relevant company if deemed necessary.	No significant difference
(3) Has the Company built and executed a risk management system and "firewall" between the Company and its affiliates?	✓		The Company has established clear divisions of assets and financial management responsibilities between affiliated companies. We have developed regulations, such as the "Financial Operations Code of Conduct for Related Parties," "Supervision and Management Measures for Subsidiaries," "Regulations governing the Acquisition and Disposal of Assets," "Operation Procedure for Making of Guarantee/Endorsement," and " Operation Procedure for Loaning Funds to Others," which we follow in order to effectively implement risk control and firewall mechanisms for affiliated companies.	No significant difference
(4) Has the Company established internal rules prohibiting insider trading on undisclosed information?	✓		1. The Company has formulated the "Procedure for the Prevention of Insider Trading" and "Procedure for Handling Material Inside Information," which prohibit insiders from trading securities using undisclosed information in the market. 2. The Company provides internal personnel with relevant regulations concerning insider trading upon assuming their positions, obtains signed statements to ensure their understanding of legal requirements. We also conduct education and training at least once a year to remind internal personnel of the regulations regarding insider trading.	No significant difference

Assessment Item	Implementation Status (Note)			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
			3. The Company periodically promotes regulations such as the prohibition of insider trading to the directors during board meetings. 4. The Company's internal operation management meeting periodically conducts internal advocacy and reminders on insider trading. 5. In the event of significant transactional matters, the Company will require individuals who may have access to critical internal information as a result of their involvement in said transaction to sign a nondisclosure agreement to prevent any potential leakage of significant internal information. 6. On February 25, 2022, the Company complied with Corporate Governance 3.0 and revised the “Corporate Governance Best Practice”, which included a provision that insiders are prohibited from trading stocks during a certain period leading up to financial report announcements.	
3. Composition and Responsibilities of the Board of Directors				
(1) Has the Company established a diversification policy for the composition of its Board of Directors and has it been implemented accordingly?	✓		Pursuant to Article 20 of the Company's Corporate Governance Best Practice, the composition of the Board of Directors should consider diversity. Directors who also serve as company executives should not exceed one-third of the total number of directors. In addition, the board should establish an appropriate diversity policy based on the Company's operations, business model, and development needs. For information on the diversity of the Board of Directors, please refer to the appendix on Board Diversity and Independence.	No significant difference
(2) Other than the Compensation Committee and the Audit Committee which are required by law, does the Company plan to set up other Board committees?	✓		The Company has established a remuneration committee and an audit committee in accordance with the regulations. In addition, an ethical management committee affiliated with the Board of Directors has been set up to be responsible for formulating and promoting policies on ethical operation. The committee shall report its implementation and achievements to the Board of Directors annually and has already reported on the implementation of ethical operation to the Board of Directors on August 4, 2023.	No significant difference
(3) Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis?	✓		The Company has established a "Rules for Performance Evaluation of the Board of Directors " to implement corporate governance and enhance the functionality of the Company's board. Performance goals have been established to strengthen the efficiency of the board, which will be assessed by the finance management department through an internal questionnaire. The evaluation will cover four parts: board operations, director participation, remuneration committee operations, and audit committee operations. The evaluation will be conducted by assessing the board's operations by the directors, their own participation by the directors, the operations of the remuneration committee by the committee members, and the operations of the audit committee by the committee members. The Company's Financial Management Division will analyze the	No significant difference

Assessment Item	Implementation Status (Note)			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
			questionnaires in accordance with the previous method and present the results to the board, a recommendation will be made for improvement based on the directors' suggestions. The Company has already completed the performance assessment for the year 2023 in the first quarter of 2024, and reported it to the Board of Directors on January 3, 2023, as a reference for director remuneration in the year 2023. The director's performance assessment covers five major dimensions, comprising 45 indicators, with an average score exceeding 4 points (excellent). This demonstrates the superior quality of decision-making by the Board of Directors, their active participation in company operations, and their responsible guidance and supervision. In addition, in accordance with the "Rules for Performance Evaluation of the Board of Directors " of the Company, the evaluation of the performance of the Board of Directors of the Company shall be conducted at least once every three years by an external professional independent organization or a team of external experts and scholars. The external evaluation commissioned an external institution, Taipei Foundation of Finance, to conduct a board effectiveness evaluation during the period from 01 January 2022 to 30 November 2023. The evaluation was conducted by Commissioners Chun-Tu Liu and Shao-Tang Lee, together with two members of the working group. The evaluation focused on the topics of safeguarding shareholders' rights and interests, strengthening the structure and operation of the board of directors, participation in the Company's operations, enhancing the quality of the board of directors' decision-making, improving information transparency, internal control, and promoting the development of the Company's business operations. The outside experts evaluated the effectiveness of the board of directors by means of questionnaires and on-site visits in seven areas, including safeguarding shareholders' rights and interests, strengthening the structure and operation of the board of directors, enhancing participation in the Company's operations, improving the quality of board decisions, enhancing the transparency of information, internal control, promoting sustainable development, and other additional evaluation criteria. The Taipei Foundation of Finance, the consortium member, and the executive experts have no business dealings with the Company and are independent. On 26 January 2024, the Board of Directors of the Company reported the results of the evaluation and plans for future improvement. Recommendations and improvement actions made by external experts to the Board of Directors and the Functional Committees are summarized below: (1) It is recommended that the Company should arrange more training courses (including video mode) for its directors in order to achieve the	

Assessment Item	Implementation Status (Note)			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
			standardized hours. Anticipated Measures: Information on directors' study courses will be forwarded from time to time, and more publicity will be given to directors to promote their study, and foreign directors will pay attention to the information on video courses or English courses to provide choices, so as to assist and encourage foreign directors to study. (2) It is proposed to increase the proportion of individual directors and the election of female directors in order to enhance the diversity of board members. Anticipated Measures: The term of office of the current Directors will expire on May 24, 2025, and the Company will nominate at least one Director of different genders at the next re-election to enhance the diversity of the Board members. (3) It is proposed that the ESG Team be upgraded and placed under the Board of Directors in order to implement sustainability performance and increase director engagement. Anticipated measures: The Company's ESG Team is currently under the Office of the General Manager and reports to the Board at least once a quarter. In the future, we will continue to strengthen communication with the Board, and will evaluate whether to appoint an independent director as the chairperson of the committee and place the committee under the Board when the operation of the team becomes more solid and mature.	
(4) Does the Company regularly evaluate its external auditors' independence?	✓		In accordance with the "Regulations Governing the Evaluation of the Independence and Suitability of the Certified Public Accountants of the Company," the Company shall periodically (at least once a year) evaluate the independence and suitability of its certified public accountants and obtain a statement of independence from the certified public accountants. In addition to requiring the certified public accountants to provide a "Statement of Transcendent Independence" and "Audit Quality Indicators (AQIs)", the Company also evaluated the independence and suitability of the certified public accountants in accordance with the criteria set forth in the attached Attachment 1. The Company's board of directors approved the assessment of the independence of the certified public accountants on March 3, 2023, and February 23, 2024, respectively, and appointed Pei-Ju Hsiao and Chi-Lung Yu as the new accountants for the years 2023 and 2024, respectively, of the Company. to serve as the Company's certified public accountants for the years 2023 and 2024, and the form of the most recent appraisal is set forth in Attachment 1 below.	No significant difference

<table>
<tr><th rowspan="2">Assessment Item</th><th colspan="3">Implementation Status (Note)</th><th rowspan="2">Non-implementation and Its Reason(s)</th></tr>
<tr><th>Yes</th><th>No</th><th>Explanation</th></tr>
<tr><td>4. Has the TWSE/TPEX listed company allocated adequate number of competent corporate governance staff and appointed a corporate governance officer to oversee corporate governance affairs (including but not limited to providing directors/supervisors with the information needed to perform their duties, assisting directors/supervisors with compliance issues, convention of board meetings and shareholder meetings, and preparation of board/shareholder meeting minutes)?</td><td>✓</td><td></td><td>On December 18, 2020, the Company appointed Ms. Yen-Hsiu Liu as the corporate governance officer to safeguard the rights and interests of shareholders and strengthen the functions of the Board of Directors. Ms. Yen-Hsiu Liu, the CFO, has held managerial positions in finance, equity, and corporate governance affairs of publicly listed companies for over three years and has CPA qualification in the ROC. Her primary responsibilities are as follows:
1. Handling matters related to the Board of Directors' and shareholders' meetings in accordance with the law.
2. Preparation of proceedings of the Board of Directors and shareholders' meetings.
3. Assisting the appointment of directors and ongoing education.
4. Provide information required by the directors to execute their business.
5. Assisting directors in complying with legal requirements.
6. Other matters as stipulated in the Company's articles of incorporation or contracts.
The continuing education status of the corporate governance officer of the Company, Ms. Yen-Hsiu Liu, the Chief Financial Officer, as follows:
<table>
<tr><th colspan="2">Course Duration</th><th rowspan="2">Organizing Company</th><th rowspan="2">Course Name</th><th rowspan="2">Hours</th></tr>
<tr><th>From</th><th>To</th></tr>
<tr><td>2023.06.09</td><td>2023.06.09</td><td>Securities & Futures Institute</td><td>2023 of Insider Trading Prevention Seminar</td><td>3</td></tr>
<tr><td>2023.09.04</td><td>2023.09.04</td><td>Financial Supervisory Commission R.O.C. (Taiwan)</td><td>The 14th Taipei Corporate Governance</td><td>6</td></tr>
<tr><td>2023.12.19</td><td>2023.12.19</td><td>Securities & Futures Institute</td><td>Exploration of Post-M&A Integration Issues and Establishment of Management Mechanisms</td><td>3</td></tr>
</table></td><td>No significant difference</td></tr>
<tr><td>5. Has the Company provided proper communication channels and created dedicated sections on its website to address corporate social responsibility issues that are of significant concern to stakeholders (including but not limited to shareholders, employees, customers and suppliers)?</td><td>✓</td><td></td><td>1. The Company has established a spokesperson system and also set up a stakeholder section on the Company website to facilitate communication between stakeholders and the Company.
2. The main stakeholders of the Company are investors, consumers, suppliers, and employees. We have assigned responsible departments to</td><td>No significant difference</td></tr>
</table>

Assessment Item	Implementation Status (Note)			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
			respond to their concerns regarding important corporate social responsibility issues in order to maintain an open communication channel. If there are significant issues, these departments will report to the management meeting or the Board of Directors for discussion.	
6. Does the Company engage a stock transfer agent to handle shareholder meeting affairs?	✓		The Company has appointed Horizon Securities as the shareholder services agent to assist with all matters related to the shareholders' meetings.	No significant difference
7. Information disclosure				
(1) Has the Company established a website that discloses financial, business, and corporate governance-related information?	✓		The Company has established a corporate website to disclose information related to financial business and corporate governance, which is maintained by dedicated personnel. Additionally, it is connected to the Taiwan Stock Exchange Market Observation Post System to facilitate real-time updates and disclosures of information. The corporate website follow：https://www.simplemartretail.com/	No significant difference
(2) Has the Company adopted other means to disclose information (e.g., English website, assignment of specific personnel to collect and disclose corporate information, implementation of a spokesperson system, and broadcasting of investor conferences via the Company website)?	✓		1. The Company has established a corporate website and designated a specialist to maintain and disclose the Company's information. 2. The Company has established a spokesperson system, with General Manager Kuang-Lung Chiu, who is familiar with the Company's business, serving as the spokesperson and Chief Financial Officer Yen-Hsiu Liu serving as the acting spokesperson, and dedicated personnel are responsible for collecting various informationand then communicated to the public by the spokesperson or acting spokesperson. 3. In order to reduce information asymmetry, the Company has held two corporate meetings in 2023 and placed relevant information on the Market Observation Post System and the Company's website before the corporate meetings.	No significant difference
(3) Does the Company publish and make official filing of annual financial report within two months after the end of an accounting period, and publish/file Q1, Q2 and Q3 financial reports along with monthly business performance before the required due dates?	✓		The Company's fiscal year 2023 financial report was announced and filed within two months after the end of the fiscal year, and the quarterly financial report and operations for each month were announced and filed within the required deadlines.	No significant difference
8. Does the Company have other information that enables a better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholders' interests, continuing education of directors/supervisors, implementation of risk management policies and risk measurements, implementation of customer policy, and liability insurance for directors and supervisors)?	✓		1. Employee benefits: A. In addition to establishing an Employee Welfare Committee and implementing a retirement pension system in accordance with legal requirements, the Company also provides additional coverage through group insurance for employees. Moreover, we offer clear communication channels to enhance labor-management relations and safeguard the interests of the employees. B. The Company revises the working rules regularly in accordance	No significant difference

Assessment Item	Implementation Status (Note)			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
			with the relevant laws and regulations, while informing employees of their work privileges through emails and internal website announcements. C. The Company holds regular labor meeting to reduce and settle conflicts between employees and the Company through the presence of labor representatives and management representatives. 2. Staff Care: The Company has established an Employee Welfare Committee and developed a well-designed employee welfare program that provides subsidies for employee marriage, funeral, joyous events, and celebrations. We also hold regular in-service training for employees and endeavor to build good relationships with them. 3. Investors Relation: The Company fully discloses information on the Market Observation Post System and the Company's website so that investors can immediately understand the Company's operations. At the same time, the Company communicates with investors through shareholders' meetings, corporate meetings and the spokesperson system to protect the rights of investors and maintain a healthy and harmonious relationship between the Company and its shareholders. 4. Suppliers' Relation: The Company manages its partnerships on a fair and mutually beneficial basis and carefully evaluates various business conditions for new partners. In addition, the Company manages its supplier relationships in accordance with the "Ethical Corporate Management Best Practice Principles", which is monitored by the audit unit and reported to the Board of Directors on a regular basis. 5. Stakeholders' Right: (1) Customer: To provide quality products and services, listen to customers' opinions and respond immediately to meet their needs. (2) Shareholder: The Company's highest goal is to fulfill its corporate social responsibility and to protect the interests of the shareholders. 6. The status of directors and supervisors for continuing education: The Company regularly arranges various types of continuing education courses and regularly reviews the number of hours of continuing education for the relevant directors, please refer to Table 2 below. 7. Implementation status of the risk management policy and risk measurement standards: The Company will regularly review the amendments to various laws and regulations or government policies, evaluate changes in the general market environment, and formulate various business strategies or operating procedures to flexibly respond to various unexpected risks and to reduce the impact of various risks on the Company. In addition, on April 28, 2021, the Board of Directors approved	

<table>
<tr><th rowspan="2">Assessment Item</th><th colspan="3">Implementation Status (Note)</th><th rowspan="2">Non-implementation and Its Reason(s)</th></tr>
<tr><th>Yes</th><th>No</th><th>Explanation</th></tr>
<tr><td></td><td></td><td></td><td>the "Risk Management Policy and Procedures".
8. The implementation status of customer policy: The Company values consumer rights and has established a 24-hour customer service hotline to address any customer complaints. The Company also requires that any related complaints shall be responded to within 24 hours. In addition, the Company provide customer service email address on the Company’s website, where our staff will provide answers to inquiries regarding the products, providing consumers and customers with a convenient channel of communication.
9. The status of purchasing of director's liability insurance: The Company has purchased liability insurance for its directors to reduce operational risk and safeguard the rights and interests of shareholders.
10. The chairman has no spouse or first degree of kinship with the general manager, and none of the chairman, general manager, or manager in charge of financial or accounting matters of the Company has served in the firm of the current CPA or its affiliated companies within the last year.
11. With respect to the Company's investment, corporate governance is implemented gradually in accordance with the Company's regulations. In case of major decisions, each representative of the directors of the reinvestment must be appointed by the Board of Directors to implement the supervision of the subsidiary.
12. In accordance with Article 29 of the Company's Articles of Incorporation, if the Company makes a profit in a year, the Company shall distribute not less than 1% of such profit to employees in the form of stock or cash distribution as determined by the Board of Directors, including employees of affiliated companies who meet certain criteria. If the Company makes such profit, a maximum of 3% of such profit are allowed to distributed as remuneration to directors as determined by the Board of Directors. However, if the Company has accumulated losses, the Company shall retain the amount of compensation in advance and then allocate the compensation to employees and directors in accordance with the aforementioned ratio. The Company's Board of Directors resolved on February 23, 2024 to distribute employees' bonus and directors' remuneration for the year 2023, taking into account the Company's operating performance.</td><td></td></tr>
<tr><td colspan="5">9. Please explain the improvements made, based on the latest Corporate Governance Evaluation results published by TWSE Corporate Governance Center, and propose enhancement measures for any issues that are yet to be rectified：
Improvements have been made to the 9th Corporate Governance Assessment Indicators:</td></tr>
</table>

Title	Indicator Items	Improvement Of The Situation

Assessment Item	Implementation Status (Note)			Non-implementation and Its Reason(s)
	Yes	No	Explanation	

1.11	Does the company upload the English version of the annual report before the 16th day of the AGM?	The Company's Annual General Meeting of Shareholders was held on May 29, 2023 and the English version of the Annual Report was uploaded on May 12, 2023.
2.23	Has the company's board of directors' performance evaluation method been approved by the board of directors, stipulating that an external evaluation should be conducted at least once every three years, and that the evaluation should be conducted in the year of evaluation or in the past two years, and that the status of implementation and the results of the evaluation should be disclosed on the company's website or in the annual report?	The Company has established a board of directors' performance evaluation method, which stipulates that external evaluations will be conducted at least once every three years, and the method has been approved by the board of directors. The Company has appointed external experts to exercise the performance evaluation for 2023 in addition to its own self-evaluation.The status of the implementation and the results of the evaluation have been disclosed on the Company's website.
3.6	Does the company disclose the interim financial report in English within two months after the filing deadline of the Chinese version of the interim financial report?	The Company's English version financial statements for the first to third quarters of 2023 were uploaded within two months after the due date of the Chinese-language financial statements.
3.20	Has the company been invited to hold at least two corporate meetings, with a gap of at least three months between the first and last corporate meetings of the year being assessed? If at least one meeting is held every quarter, or if a meeting is held on the quarterly operating conditions, one additional point will be added to the total score.	The Company held corporate presentations on September 22, 2023 and December 26, 2023 to provide an overview of its operations for the second and third quarters, respectively.
4.12	Has the company formulated policies on greenhouse gas reduction, water reduction or other waste management, including reduction targets, promotion measures and achievement situations?	The Company has established management policies related to the reduction of greenhouse gases, water consumption, and other wastes, and the status of their implementation has been disclosed on the Company's website.
4.15	Does the company's website or annual report disclose the integrity management policy approved by the board of directors, specify specific practices and programs to prevent dishonest behavior, and explain the status of implementation?	The Company has disclosed the integrity management policy approved by the Board of Directors, specifying specific practices and programs to prevent dishonest behavior, and disclosing the status of its implementation.
4.17	Does the company's website, annual report, or sustainability report disclose the supplier management policy that requires suppliers to comply with relevant regulations on environmental protection, occupational safety and health, or labor rights, and describe the implementation status?	The Company has formulated a supplier management policy and disclosed the implementation status on the Company's website.

The 9th Corporate Governance Assessment (CGA) has not yet improved its indicators for prioritized enhancement projects:

Title	Indicator Items	Improvement Of The Situation
1.1	Does the Company report on the remuneration received by the Directors at the AGM, including the remuneration policy, the content and amount of individual emoluments?	The Company intends to report on Directors' remuneration at the 2024 General Meeting of Shareholders, as set out in the Company's Book of Meeting.
3.4	Does the company publish its annual financial report audited and certified by a certified public accountant within two months after the end of the fiscal year?	The eBook of the Company's 2023 Annual Financial Report was uploaded to the Public Information Observatory on February 23, 2024
3.20	Has the company been invited to hold at least two corporate meetings, with a gap of at least three months between the first and last corporate meetings of the year being assessed? If at least one meeting is held every quarter, or if a meeting is held on the quarterly operating conditions, one additional point will be added to the total score.	The Company intends to hold quarterly corporate presentations in 2024 to provide a separate overview of each quarter's operations and to upload audio and video files at least twice.On March 19, 2024, the Company held and presented a presentation on its fiscal 2023 operations.

Assessment Item	Implementation Status (Note)			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
4.7 Has the Company uploaded the English version of the sustainability report on the Market Observation Post System and the Company's website?			The Company intends to upload the English version of the Sustainability Report in 2024.	

Attachment 1: Evaluation form of CPA's independence

Qualification & Independence	Yes	No
1.Has it been confirmed that the affiliated accounting firms have followed relevant independence regulations and obtained the annual independence declaration for CPAs and the affiliated accounting firms, as specified in Attachment 2?	✓	
2.Are the CPAs and audit team members neither salaried by the Company or its related affiliates, nor involved in financing or guarantee transactions with the Company?	✓	
3.Have the certified public accountants and audit team members neither served as directors, independent directors, or managers of the company or its related enterprises, nor had a familial relationship with personnel whose positions have a significant impact on the audit case?	✓	
4.Do the CPAs and audit team members not serve as shareholders of the Company or its affiliates?	✓	
5.Has the certification of the company's financial reports for each period been completed on schedule in the most recent year?	✓	
6.Has the auditing of financial reports for each period of re-investment been completed on schedule in the most recent year?	✓	
7.In the most recent year, have the CPAs and audit team members periodically provided the Company with financial and tax advisory services?	✓	

Attachment 2: The directors Continuing education status is as follows:

Title	Name	Course Duration		Organizing Company	Course Name	Hour
		From	To			
Chairman	Shiang-Feng Chen	2023.06.30	2023.06.30	Taiwan Securities Association	Corporate Governance - Trends and Patterns of Suspected Money Laundering or Terrorism Risks Case Study	3
		2023.11.29	2023.11.29	Taipei Bar Association	2023 Seminar on Civil Liability and Damages for Misrepresentation in Financial Statements	3
Director	Shiang-Li Chen	2023.04.27	2023.04.27	Taiwan Insurance Institute	International Anti-Corruption and Exposer Protection Practices and Money Laundering Prevention.	3
		2023.10.26	2023.10.26	Taiwan Institute of Directors	International Carbon Management Practices and Net Zero Transformation Trends in the Financial Sector	3
Director	Wei-Chyun Wong	2023.06.30	2023.06.30	Taiwan Securities Association	Corporate Governance - Trends and Patterns of Suspected Money Laundering or Terrorism Risks Case Study	3
		2023.08.11	2023.08.11	Taiwan Corporate Governance Association	Recent Trends in ESG and Concession Cases	3
		2023.08.11	2023.08.11	Taiwan Corporate Governance Association	Board Governance under ESG	3
Director	Kuang-Lung Chiu	2023.04.13	2023.04.13	Taiwan Institute of Directors	2023 Anhou Construction Leadership Institute Forum - Business Opportunities and Challenges in the Net-Zero Boom	3
		2023.10.02	2023.10.02	Taiwan Institute of Directors	Thinking and Resilience in the New International Order	3
Director	Jumpei Yamamoto	2023.12.04	2023.12.04	Taipei Foundation of Finance	Corporate Governance - Digital Fraud and Digital Financial Crime Detection and Prevention	3
Independent Director	Tsay-Lin Lin	2023.05.11	2023.05.11	Taiwan Institute of Directors	ChatGPT Sparks AI Craze Industry Opportunities	3
		2023.08.10	2023.08.10	Taiwan Institute of Directors	Thinking Outside the Box - Organizational Strategy and Key Talent Development	3
Independent Director	Meng-Lin Tsai	2023.11.22	2023.11.22	Taiwan Securities and Futures Institute	112th Annual Insider Trading Compliance Seminar	3
Independent Director	Ming-Jye Huang	2023.07.04	2023.07.04	Taiwan Stock Exchange Corporation	2023 Cathay Pacific Summit on Sustainable Finance and Climate Change	3

(4) Compositions and Implementation Status of the Remuneration Committee

A. Composition of the remuneration committee:

March 31, 2024

<table>
<tr><th colspan="2">Criteria
Identity (Note) / Name</th><th>Qualification and Experience</th><th>Independence Status</th><th>Number of Other Taiwanese Public Companies Concurrently Serving as a Remuneration Committee Member</th></tr>
<tr><td>Independent Director (Committee chair)</td><td>Ming-Jye Huang</td><td rowspan="3">(Note)</td><td rowspan="3">In accordance with the Company's Articles of Incorporation and the Code of Corporate Governance Practices, directors are elected under the nomination system. During the nomination and selection of the Board of Directors, the Company obtains from each independent director candidate a written statement, employment history, proof of current employment, and a family relationship form to verify the independence of the director, his/her spouse, and his/her relatives, including the spouse and the third degree of consanguinity, from the Company. The Company also periodically reviews the independent directors' compliance with the "Regulations Governing the Establishment and Compliance of Independent Directors of Public Companies" issued by the Financial Supervisory Commission and Article 14-2 of the Securities and Exchange Act during their tenure of office. The Company has also granted the independent directors the right to participate fully in decision-making and to express their opinions in order to independently perform the relevant duties and responsibilities in accordance with Article 14-3 of the Securities and Exchange Act.</td><td>0</td></tr>
<tr><td>Independent Director</td><td>Tsay-Lin Lin</td><td>0</td></tr>
<tr><td>Independent Director</td><td>Meng-Lin Tsai</td><td>0</td></tr>
</table>

Note: Please refer to the disclosure of professional qualifications of directors on pages 13 to 14 for the years of service, professional qualifications and experience, and independence of the members of the Compensation Committee.

B. Information on the operation of the Compensation and Remuneration Committee

a. There are 3 members of the Compensation and Remuneration Committee of the Company.

b. The term of office of the current members: From May 25, 2022 to May 24, 2025.

As of 2023, the Compensation and Remuneration Committee held 4 meetings (A), and the qualifications and attendance status of the members are as follows:

Title	Name	Attendance in person (B)	Attendance by proxy	Attendance Rate in Percentage (%)【B/A】	Note
Independent Director	Tsay-Lin Lin	3	1	75	-
Independent Director	Meng-Lin Tsai	4	0	100	-
Independent Director	Ming-Jye Huang	2	2	50	-

Annotation:

1. The Board of Directors did not adopt or revise the recommendations of the Compensation and Remuneration Committee: None.
2. On matters resolved by the Compensation and Remuneration Committee, members had objections or reservations which were recorded or with written statements: None.
3. The duties of the remuneration committee:
   (1) To establish and periodically review the performance evaluation and remuneration policies, systems, standards and structures of directors and president.
   (2) Periodically evaluate and set the remuneration of directors and president.

(5) Implementation status of the promotion of sustainable development, the differences from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the reasons thereof

<table>
<tr><th rowspan="2">Promotion Items</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Description</th></tr>
<tr><td>1. Did the Company establish a governance structure to promote sustainable development, and set up a dedicated (part-time) unit to promote sustainable development, which is to be handled by the senior management authorized by the Board of Directors, and the supervisory status of the Board of Directors?
(Listed companies are required to report their implementation status, not interpretation or compliance.)</td><td>✓</td><td></td><td>In order to achieve the vision and mission of the corporate sustainability policy, the Company has set up a ESG Team in 2022, which is subordinate to the General Manager's Office of the Company.ESG Team is also responsible for the formulation of relevant policies and management guidelines, as well as medium- and long-term sustainable development plans in the light of the environment. The Corporate Sustainability Team consists of the Risk Management Team, the Corporate Governance Team, the Employee and Social Care Team, the Environmental Protection Team, and the Merchandise and Service Team, which work together to plan and execute corporate sustainability. The organization chart is shown below:


ESG Team reported to the Board meetings 4 times in 2023. The Board of Directors' Sustainability Team is supervised as follows:
<table>
<tr><th>Project</th><th>Report Item</th><th>Content Of The Report</th></tr>
<tr><td>1</td><td>First Report of the Board of Directors 2023/03/03</td><td>1. [Ministry of the Environment, Executive Yuan] Internet Shopping Packages Restriction on the Use of Targets and Draft Implementation Methods.
2. [Ministry of the Environment, Executive Yuan] Greenhouse Gas Inventory with the government to regulate the schedule.
3. [Ministry of the Environment, Executive Yuan] The Environmental Protection Collective Point APP project was approved by the Environmental Protection Administration, Executive Yuan, to apply for NT$970,000 in grant funding for modifying the sales (point) management system.</td></tr>
</table></td><td>No significant differences</td></tr>
</table>

<table>
<tr><th rowspan="2">Promotion Items</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Description</th></tr>
<tr><td></td><td></td><td></td><td>
<table>
<tr><td>2</td><td>Second Report of the Board of Directors 2023/05/05</td><td>1. [Greenhouse Gas Inventory] The Company reported the timeline of the Company (Simple Mart) and its subsidiaries (Sanyou and Simple Mart Plus) the introduction of the consultants, collection of data, and completion of the inventory and verification.
2. [Ministry of the Environment, Executive Yuan] Eco-Focus APP Project Progress Report.
3. [Cooperation with other industries] It is expected to introduce the cooperation between Simple Mart X BYTE International Co., Ltd. for the refurbishment recycling love program of retired laptop.</td></tr>
<tr><td>3</td><td>Third Report of the Board of Directors 2023/08/04</td><td>1. [Greenhouse Gas Inventory] The report is expected to introduce the consultant counseling service by the end of 2023. The organization in charge is the Occupational Safety and Health Management Office of the MERCURIES & ASSOCIATES, LTD..
2. [Ministry of the Environment, Executive Yuan] The ESG Team reported the progress of the environmental protection point collection APP project, the function of accumulating points to the access road to redeem environmental protection products will be online on 2023/5/31.
3. [Other industry cooperation] The ESG Team reported the cooperation between Simple Mart and BYTE International Co., Ltd. for the recycled program of the retired laptop.
4. [Progress of other projects] Progress report, including the number of MOMO recycling bags collected and the recycling status of the Food Donation Program.</td></tr>
<tr><td>4</td><td>Fourth Report of the Board of Directors 2023/12/22</td><td>1. [Greenhouse Gas Inventory] Describe the base year of green gas inventory count and the year of verification and confirmation, as well as the scope.
2. [Stakeholder communication] Report on the planning of stakeholder surveys from the first quarter to the third quarter.</td></tr>
</table>

In particular, the Risk Management Group reported to the Audit Committee on May 5, 2023 and the Audit Committee supervised the risks and reported the results of the risk assessment for the first half of the year and the second half of</td><td></td></tr>
</table>

<table>
<tr><th rowspan="2">Promotion Items</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Description</th></tr>
<tr><td></td><td></td><td></td><td>the year to the Audit Committee and the Board of Directors on August 4 and December 22, respectively. The Board of Directors focused on the improvement and enhancement of the security risks therein, as well as the expected projects to be carried out in the coming year. The Independent Directors have conducted supervision on various reportable items such as the quality of the vendor's equipment and services, etc. The Independent Directors have also conducted a review of the quality of the vendor's equipment and services.</td><td></td></tr>
<tr><td>2. Did the Company conduct risk assessments on environmental, social and corporate governance issues related to company operations in accordance with the principle of materiality, and formulate relevant risk management policies or strategies?
(Listed companies are required to report their implementation status, not interpretation or compliance.)</td><td>✓</td><td></td><td>This disclosed information encompasses the Company's sustainable performance at the main locations during the year 2022. The boundary of the risk assessment scope is mainly focused on the Company, within the Taiwan region.
The Sustainable Development Committee analyzes and integrates resources and assessment data from other departments based on the principle of materiality in the Sustainability Report. It evaluates material ESG issues and establishes effective risk management measures to identify, measure, monitor, control, and take concrete actions to reduce the impact of related risks.
Relevant risk management policies or strategies are as follows:
<table>
<tr><th>Risk Item</th><th>Risk events (events, causes, potential consequences)</th><th>Risk Level</th><th>Response strategies/ measures</th></tr>
<tr><td>Public Safety</td><td>Event: Human or Accidental Factors
Cause: The risk of company asset loss or disruption of daily operations caused by human factors such as fire, power outage, building problems, equipment failure, robbery/theft or other unexpected events.
Consequences: Possible human casualties, business interruption, or property damage.</td><td>High level of risk</td><td>1. Enhance equipment preparation, such as fire extinguishers, emergency lighting, dry ice, etc.
2. Strengthen employee education and training, including regular training and disaster drills, and setting up relevant safety regulations and emergency response measures.
3. Implement relevant insurance policies, such as commercial fire insurance, public liability insurance, cash insurance, construction comprehensive insurance, theft insurance, etc.
4. Implement daily inspection operations, including fire source management, smoking bans in stores, building</td></tr>
</table></td><td>No significant differences</td></tr>
</table>

Promotion Items	Implementation Status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Description	

			and equipment maintenance and upkeep. 5. Establish a notification mechanism for major events and provide logistical support.
Information Security	Event: Information equipment, system failure, and cybersecurity incidents Cause: Risks arising from the interruption of critical operational systems affecting daily business operations, such as hardware equipment/software system failure, IT personnel leaving or outsourcing service providers terminating services due to various reasons, and new system implementations being poor, resulting in significant discrepancies with business functional requirements. Consequences: Disruption of logistics center/retail operations, inaccurate inventory affecting orders (stock out risk), customer complaints, and impact on financial settlement and payment.	High level of risk	1. Establish a contingency mechanism and sign warranty or maintenance contracts with important equipment, systems and vendors. 2. Regularly backup important system databases and establish disaster recovery plans. 3. Program version updates require approval from the decision-making authority department head to assess the risk range and test whether the procedure is sufficient, and establish a program version management mechanism. 4. After a major abnormal event occurs, an event report and repair manual should be established. 5. Based on information function and technical type, establish a proxy/work rotation mechanism and avoid being bound to a single operation and maintenance supplier with no alternative supplier support. 6. Simple Mart established a dedicated information security management team in 2023, with a dedicated information security supervisor, a dedicated

Promotion Items	Implementation Status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Description	
			information security officer, and two information security contractors, totaling four, to ensure the operation of the information security management system and formulate information security management policies to strengthen the Company's information security management.The security team shall ensure the security of data, systems, equipment, and networks, and to safeguard the rights and interests of the Company and all its employees, as well as to enhance information security awareness. The Company has also set up an information security management policy to strengthen the information security management of the Company to ensure data, system, equipment and network security, to protect the rights and interests of the Company and all employees, and to enhance the awareness of information security. In order to ensure the effectiveness of control of the operational risks of the relevant information systems, the "Information Security Management Sub-Team" convenes at least once a year to review the information security operations, and may convene an interim meeting if necessary. The	

Promotion Items	Implementation Status							Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Description					
						Team shall also reports to the Audit Committee and the Board of Directors after summarizing the information security management policies and procedures on an annual basis, respectively.		
			Personal Information	Event: Leakage of employee and customer personal data Cause: Unauthorized access to information through external intrusion, internal theft, or negligence during transmission, storage, and destruction of paper and electronic data, with potential risks of data tampering, damage, and loss. Consequences: Damage to company reputation, leakage or misuse of supplier and consumer data, impact on daily operations, legal issues, and penalties	Medium level of risk	1. Regularly perform security maintenance, control, and inspection mechanisms for network information and computer systems 2. Regularly perform security maintenance, control, and inspection mechanisms for network information and computer systems 3. Sign confidentiality agreements and strengthen employee education and advocacy (arrange at least 2 hours of annual training on personal data protection laws and digital learning) 4. Company personnel must use dedicated account passwords to access computer equipment and information systems for collecting, processing, and utilizing personal data 5. Secure server rooms with access control, surveillance cameras, and fire protection equipment, and back up important personal data 6. Encrypt electromagnetic data transmissions as needed. 7. Simple Mart protects consumers' personal information and privacy,	

Promotion Items	Implementation Status: Yes	Implementation Status: No	Implementation Status: Description				Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
						complies with the Personal Information Protection Act, establishes the Company's personal information protection management procedures. The Company also implements various security and maintenance measures to ensure effective management and protection of personal information (hereinafter referred to as "personal information") collected, processed, and utilized for the Company's various businesses, and established the "Specialized Unit of Personal Information Management" in 2023 to be in charge of promoting the management of personal information. The "Personal Information Management Specialized Unit" will be established in 2023 to be responsible for the promotion of personal information protection and management.	
			Environment	Event: Natural disasters Cause: Earthquakes, floods, typhoons, and other natural disasters may lead to casualties, business interruption, and property damage. Consequences: Disruption of logistics centers/stores' operations, damage to property and inventory	Medium level of risk	1. Relevant insurance coverage operations (e.g., public liability insurance) 2. Implement regular inspection procedures (routine maintenance and upkeep of internal and external building facilities) 3. Establish notification mechanisms for major incidents and set up logistical support personnel 4. Conduct disaster drills periodically	

Promotion Items	Implementation Status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Description	

Food Safety	Event: Major food safety issue Cause: Suppliers fail to provide products that meet standards, or quality changes occur due to poor control during manufacturing, storage, and distribution processes, leading to risks such as food contaminants, food additives, and foodborne microorganisms. Logistics and stores may not promptly inspect product expiration dates, potentially violating food safety and hygiene regulations by selling expired food, damaging the Company's corporate image. Consequences: Damage to company reputation, loss of customers/sales, legal issues, and penalties.	Medium level of risk	1. Annual Supplier Appraisal In 2023, there were 72 OEM suppliers that the Company worked with, and a total of 72 were evaluated (100% evaluation rate). Among them, there are 37 grade A excellent supplier (51.4%), 17 grade B qualified suppliers (23.6%), 15 grade C suppliers (20.8%), 3 grade D suppliers (4.2%), and 0 grade E suppliers (0%). 2. Strengthen the control and review of suppliers' new product submissions 3. Adopt a rotational inspection program for high-risk products 4. Have imported products reviewed by customs brokers, inspection firms, and the Company's Quality Assurance in terms of composition and place of origin 5. Provide technical specifications from suppliers for own-branded products, have the Company's Quality Assurance review the composition of the products, and regularly visit the factories to conduct on-site assessments. 6) Reduce the introduction of short-lived products by reducing the number of short-lived products. 6. Reduce the introduction of short-period

Promotion Items	Implementation Status: Yes	No	Description				Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
						commodities, and confirm whether the shelf life and conditions are suitable for outlets 7. Logistics and outlets check the expiration date of commodities in accordance with SOPs, and conduct regular on-site inspections by the Safety Control and Audit Office 8. Take out relevant insurance (e.g. product liability insurance).	
			Public Relation	Event: Negative coverage in media/social networks Cause: Due to poor product quality, employee or customer service, or other factors, negative coverage or rumors emerge in traditional or online media and social platforms, resulting in damage to the Company's rights, reputation, or property losses. Consequences: Damage to company reputation, loss of customers/sales, government investigations/inquiries/ prosecutions	Low level of risk	1. The Company closely monitors media coverage, verifies and analyze information sources.2. Promptly address false reports and negative news with media clarifications or balanced press releases 3. Draft official statements through the legal department 4. Assess the scope of impact, and in cases of significant financial losses, report to the police or relevant government agencies 5. Enhance service quality and effectively reduce the likelihood of customer complaints through internal education and training 6. Establish intellectual property rights and obligations, and relevant business management units	
			Financial	Event: Financial and investment risks Cause: Fluctuations in the value of the Company's financial	Low level of risk	1. Regularly monitor market exchange rates and interest rate fluctuations and conduct evaluations 2. Assess whether to raise	

Promotion Items	Implementation Status						Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Description				
				assets or liabilities due to market risk factors, concentration in high-risk, highly leveraged investments, derivative financial product trading, short-term investment market price volatility, or operational risks of long-term investee companies, leading to various losses. Consequences: Increased losses, impairment of assets, damage to company reputation, and additional expenses.		the required funds through alternative means, such as cash capital increases, when there is a need for a large, long-term capital based on prevailing interest rate market conditions 3. Define investment risk attributes and periodically evaluate various investment risks 4. Review the status of funds lent to others and endorsements and guarantees for others on a monthly basis	
			Labor Safety	Event: Occupational safety of employees and partners Cause: Workplace violence, occupational accidents, failure to implement labor safety inspections, or inadequate education and training, leading to physical and psychological health risks for workers and partners. Consequences: Employee attrition, fines or compensation, legal liability, and damage to the Company's reputation.	Low level of risk	1. Employees receive regular health and occupational safety training and disaster drills, with a total of 16,166 hours of in-house occupational safety and health education and training. 2. Provide annual employee health check-ups (once a year) 3. Establish a complaint channel and dedicated case-handling organization 4. Appoint qualified occupational safety and health personnel as required by regulations 5. Set up and periodically review relevant prevention plans based on process/organizational changes 6. Pay attention to labor occupational safety and health-related laws and	

Promotion Items	Implementation Status: Yes	No	Description	Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
			regulations 7. Form sports clubs or organize events	
3. Environmental issues				
(1) Did the Company establish an appropriate environmental management system according to its industrial characteristics?	✓		The Company's logistics center and stores are legally established in accordance with the standards of governmental organizations, and will conduct a greenhouse gas inventory in 2024 and submit the 2024 Sustainability Report to a third party for verification in 2025, and the specific action plan will be publicly disclosed in the Sustainability Report and on the Company's website. (https://www.simplemartretail.com/)	No significant differences
(2) Has the Company committed to improving energy efficiency and using recycled materials with low impact on the environment?	✓		The Company actively promotes various energy reduction measures, selects equipment with high efficient and energy-saving design, reduces corporate and product energy consumption, and expands the use of renewable energy to optimize the efficiency of energy use. ● Store Optimization: The energy-saving action plan adopted by the Simple Mart can save about 30.478 kWh of electricity in a year (calculated by turning on the lighting for 18 hours a day), which is estimated to reduce 15.0866 metric tons of carbon emissions in a year, as detailed below: (1) In order to enhance the energy-saving efficiency of the lighting equipment, we plan to replace the old T8 lamps with "flat panel lamps"; on average, one 32W flat panel lamp can replace 1.83 20W T8 lamps, and the average illumination will be increased by 150 lumens. 2023, all newly opened and renovated stores will fully adopt and replace the flat panel lamps; the number of stores that will replace the flat panel lamps in 2023 will be 60 stores, with a total of 1,814 flat panel lamps installed. (2) A total of 58 air conditioners with Grade 1 energy efficiency were replaced in 29 stores. ● Waste Paper Recycling: The number of Melissa's outlets continues to grow, and the logistics department has implemented a series of operational procedures: pressing → 2. stacking → 3. placing in a fixed area → 4. clearing. Accumulated to 2023, about 626 tons of cardboard recycling per year, in addition to continuous waste reduction, targeting recyclable waste, lifting hands to do environmental protection, green mountains and green water can always be preserved. ● Recycling of Empty Bottles, Sustainable Management: In line with the environmental protection policy, consumers can bring their glass bottles to the store for recycling, the shipping staff will collect the bottles and the logistics department will pack the bottles into boxes. The company spares no effort to invest in environmental protection, and by 2023, 16.36	No significant differences

Promotion Items	Implementation Status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Description	
			million empty bottles were sorted out, aiming to do our part for the earth and fulfill our social responsibility. ● Simple Mart Plus - "Explore the Circle of the Table": advocating "Living Naturally. We advocate "living naturally, living naturally", and cherish resources so that the feeding of the earth can continue uninterruptedly. Promote the unit of "Enjoying Goodness" to help consumers understand food and strengthen food education through the issues of land, environmental protection and humanities. To gain a multi-dimensional understanding of agricultural production and to organize seven courses in 2023, combining the topics of "good food and good products", "handicraft experience", "taste cultivation" and "cultural education". Donation of second-hand paper bags for the "Bags for Bags" campaign: 28,170 bags collected.	
(3) Did the Company assess the current and future potential risks and opportunities of climate change, and take relevant countermeasures?	✓		In 2024, the Company will conduct a greenhouse gas inventory and set carbon reduction targets, strategies and specific action plans for 2025.	No significant differences
(4) Did the Company conduct statistics on the greenhouse gas emissions, water consumption, and total weight of waste in the past two years, and formulate policies for greenhouse gas reduction, water reduction or other waste management?	✓		The Company introduced a greenhouse gas inventory in 2024 and submitted the 2024 inventory data to a third-party verifier for verification and validation in 2025.	No significant differences
4. Social issues				
(1) Did the Company formulate relevant management policies and procedures in accordance with relevant laws and international human rights conventions?	✓		The Company recognizes and complies with relevant government regulations and follows the International Covenant on Civil and Political Rights, such as gender equality, labor rights, and non-discrimination, and respects the protection of human rights under the Covenant. This is published on the Company website. In fulfilling its responsibility to protect human rights, the Company has established an occupational safety and health committee in accordance with the Occupational Safety and Health Act. The committee regularly discusses and implements issues related to employee safety and health in the workplace and has developed a "safety and health code" to comprehensively care for the physical and mental health of employees.	No significant differences
(2) Did the Company formulate and implement reasonable employee welfare measures (including compensation and remuneration, vacation, and other benefits, etc.), and appropriately reflect business performance or results on employee compensation?	✓		The festivals and employee benefits provided in 2023 are as follows: 1.Dragon Boat Festival benefits: providing condolence money or gifts. 2.Mid-Autumn Festival: providing condolence money or gifts. 3.Year-end banquet and spring banquet lucky draw. 4.Labor Day: providing condolence money or gifts. 5.Birthday gift: providing gifts. By providing a gift selection platform, employees are offered the most diverse shopping options. The items offered include: 1.Travel subsidy: e-tickets, such as meal vouchers, hotel	No significant differences

Promotion Items	Implementation Status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Description	
			accommodation vouchers, and more. 2.Birthday gift: The birthday person can choose a high-value gift. Others include travel subsidy of NT$4,447,635 in 2023. Maternity Gift and Childcare Allowance: NT$65,000 in 2023.	
(3) Did the Company provide employees with a safe and healthy working environment, and conduct regular safety and health education for employees?	✓		To reduce occupational accidents and ensure employee safety and health, the Company has developed a labor safety and health manual that meets the industry characteristics and risks of retail stores. The manual details and explains the safety and health business operations of the headquarters and potential hazards commonly found in retail stores. The goal is to help employees establish basic safety and health concepts and prevent accidents before they occur. In 2023, there were 15 occupational hazards (including 0 fires), with a total injury index of FSI = 0.12. 1 fire prevention and response course was held, with a total of 165 attendees.	No significant differences
(4) Did the Company establish an effective career development training program for employees?	✓		Due to the rapid evolution of the times, competition in the retail service industry has never been more intense, and the cultivation and retention of outstanding talent has become an important basis for strengthening the competitiveness of the enterprise. From the training and development model, we define the relevant functions of each position, and internally promote various on-the-job training, job counseling, job mobilization, lectures, and on-line learning, etc. At the same time, we provide an all-around and diversified learning environment through the integration and application of the company's resources to achieve the main purpose of retaining and nurturing talent. We also provide an all-round and diversified learning environment through the integration and application of company resources, in order to achieve the main purpose of retaining and nurturing talents. In 2023, the total number of training hours for employees is 25,763, with an average of 6.205 hours per person.	No significant differences
(5) Regarding issues such as customer health and safety, customer privacy, marketing, and labeling of products and services, does the Company follow relevant regulations and international standards, and formulate relevant policies and appeal procedures for the protection of consumers or customers' rights and interests?	✓		The Company manages and controls the value chain of its products, from raw materials and logistics to retail stores, by implementing management mechanisms and continuously monitoring product safety information and establishing a robust internal reporting system to fulfill its commitment to product safety. The Company has established a personal data protection management policy, as well as a risk management team under the Corporate Sustainability Development Committee, to manage and protect customer privacy. By conducting internal audits on personal data, crisis prevention,	No significant differences

Promotion Items	Implementation Status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Description	
			and educational training, the Company safeguards customers' information. The Company strictly adheres to the relevant government regulations and established a QC division within the supply chain department and a public relations division within the digital marketing department. These divisions are responsible for reviewing and ensuring the accuracy of product information and external advertising content before products launched to the public.	
(6) Has the Company formulated a supplier management policy, requiring suppliers to follow relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and their implementation status?	✓		**On-site supplier evaluation** In selecting excellent manufacturers for producing its own brand products, Simple Mart not only provides basic information of qualified suppliers but also establishes product technical specifications to effectively control the components, sources, processes, and packaging of the products. The Company employs auditors with international ISO 9001 Lead Auditor and international ISO 22000 Lead Auditor certifications to conduct on-site factory audits. With a professional and rigorous attitude, the company ensures that its own brand products are characterized by deliciousness, affordability, and high quality. Simple Mart stipulates in its contracts with suppliers of its own brand products that the suppliers' manufacturing facilities must comply with Simple Mart's audit requirements before collaboration can proceed. Once products are on the shelves, Simple Mart classifies its partner manufacturers into five audit management grades from A to E. A-grade suppliers are audited once every three years, B-grade suppliers once every two years, C-grade suppliers annually, D-grade suppliers are given six months to improve, and E-grade suppliers are either re-evaluated or not used at all. After the products are on the shelves, the Company continues to conduct annual on-site audits, adjusting the audit frequency according to different grades. In 2023, there were 72 OEM suppliers that Simple Mart worked with, and a total of 72 were evaluated (100% evaluation rate). Among them, 37 (51.4%) were rated as Grade A excellent manufacturers; 17 (23.6%) were Grade B qualified suppliers; 15 (20.8%) were Grade C suppliers; 3 (4.2%) were Grade D suppliers; and 0 (0%) were Grade E suppliers. **Integrated supply chain management for products** Upholding a rigorous attitude towards monitoring product quality, the Company strictly controls the quality of imported goods. In addition to government border inspections and professional customs clearance reviews, internal stringent product audits must be passed before the goods are allowed to enter the country. Before importing, Simple Mart verifies that the origin and ingredients of imported products comply with the Food Safety and Hygiene Control Act,	No significant differences

Promotion Items	Implementation Status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Description	
			and before placing them on the shelves, it also verifies that the external labeling of the products complies with the Commodity Labeling Act. 83 items of imported food products and 121 items of OEM products on the shelves of Simple Mart in 2023 were verified to be in compliance with the relevant laws and regulations. In addition, Simple Mart sends some of its products to a third-party testing organization every year to ensure food hygiene and safety, and in 2023, 88 out of the 89 items tested complied with domestic food safety and hygiene regulations (98.9% pass rate). There was one non-compliant item in the sampling test, and the follow-up instructions are as follows: ➢ The QA Department will notify the Operations Department for follow-up review and improvement immediately after the discovery. ➢ The Operations Supervisor visits the store to conduct a comprehensive review, identify problems and develop a plan for improvement. ➢ After the improvement measures taken by the Operations Department, QA conducted another random inspection to confirm compliance. The Company also requires that all cooperating manufacturers sign a statement of good faith, which includes that the raw materials or goods or services provided by the author should meet the reasonable treatment of the current technological level. These manufacturers are also required to comply with the regulations of environmental protection, food safety and related laws and regulations. The Company try to use local raw materials and recycled materials that have a low impact on the environment, and to strengthen the relevant environmental protection and treatment facilities, in order to avoid polluting water, air and land, and to minimize the adverse impact on human health and the environment as much as possible. The report on the results of plastic reduction in 2023 was completed by March 31, 2024 and submitted to the competent authorities in accordance with the regulations.	
5. Did the Company take account of the internationally accepted report preparation standards or guidelines to prepare reports such as sustainability reports and others that disclose non-financial information of the Company? Has the foregoing disclosure report obtained the assurance or assurance opinion of the third-party certification unit?	✓		The Company prepared the "2022 Sustainability Report" in accordance with the internationally recognized Guidelines for the Preparation of Reports (GRI Standards), and the 2024 Report will be reviewed by a third-party certifying entity in 2025 and made available on the Company's website.	No significant differences

6. If the Company has formulated its own sustainable development rules in accordance with the "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies", please describe the difference between its operation and the stipulated rules: No difference.

7. Other important information helpful to understand the implementation status of the promotion of sustainable development:

Food Bank Partnership Enhances "Food" Circulation

The Company continues to pay attention to environmental protection issues. In order to eliminate food waste due to returned goods or increase unnecessary carbon emissions due to the return process, the

<table>
<tr><th rowspan="2">Promotion Items</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Description</th></tr>
<tr><td colspan="5">Company invested in the Food Donation0 Program in November 2018. The existing food-donation platform in the North, Central and South of the country is linked together, and from the period of cooperation to the end of 2023, about 14.78 metric tons of food has been donated so far..
<u>Simple Mart Partners with Momo Shopping Platform: Over 800 Stores Nationwide Collect "Green Assets" through "On-the-Go" Circular Bag Recycling to Promote Environmental Sustainability</u>
Simple Mart has joined hands with Momo, the leading online retailer in Taiwan, to join the sustainable green e-commerce recycling lineup. From now on, more than 800 Simple Mart stores across Taiwan will launch the "momo recycling bag" package collection service. Consumers will receive "momo recycling bags" from the online shopping platform with a green identification seal, take out the products and after the product appreciation period, the outsourced package can be recycled at Simple Mart stores across Taiwan, making it a good and green neighbor to do environmental protection at hand. From the cooperation period to the end of 2023, 1,358 bags have been collected.
<u>Simple Mart responds to green consumption by joining hands with the App platform of Environmental Protection Department of the Executive Yuan to become a green consumption retail channel partner, allowing consumers to exchange green products for green points.</u>
Starting from 2023/5/31, the Eco-Point APP platform is open for the redemption of green products from Simple Mart's Green Snack Collection. Showing the determination of promotion, EPA launched the Green Points APP to encourage the public to purchase green products (green products with Green Seal, Carbon Footprint Label, MIT Smile Seal, CAS, Organic Seal, and TAP certifications). The points accumulated on the platform can be exchanged for Simple Mart Green Snacks Collection green products. More than 7,000 people have responded to the campaign by the end of 2023.</td></tr>
</table>

Climatological Information for Listed and OTC Companies

1. Implementation of climate-related information

Project	Enforcement Scenarios
1. Describe the Board's and management's oversight and governance of climate-related risks and opportunities. 2. Describe how the identified climate risks and opportunities affect the business, strategy and finances of the organization (short, medium and long term). 3. Describe the financial impact of extreme climate events and transformational actions. 4. Describe how climate risk identification, assessment and management processes are integrated into the overall risk management system. 5. If scenario analysis is used to assess the resilience to climate change risk, the scenarios, parameters, assumptions, analytical factors and key financial impacts should be described. 6. If there is a transition plan for managing climate-related risks, describe the plan and the metrics and objectives used to identify and manage entity and transition risks. 7. If internal carbon pricing is used as a planning tool, the basis for price setting should be specified. 8. If climate-related targets are set, information on the activities covered, the scope of greenhouse gas emissions, the planning period, and the annual progress of achievement should be described; if carbon credits or renewable energy certificates (RECs) are used to achieve the relevant targets, the source and amount of carbon reduction credits or renewable energy certificates (RECs) should be described. 9. Greenhouse gas inventory and confirmation of status and reduction targets, strategies and specific action plans.	1. The Board of Directors is the highest unit of the Company's climate risk management, with the goal of promoting and implementing the Company's overall risk management in compliance with laws and regulations, to clearly understand the risks faced by operations, to ensure the effectiveness of risk management, and to be ultimately responsible for risk management. In addition, a risk management team is established under the Corporate Sustainability Development Committee as the authority and responsibility for risk management. The team should meet more than twice a year and report the results of risk management to the Corporate Sustainability Development Committee on a regular basis, as well as report to the Board of Directors regularly on the status of the implementation of the risk management program. 2. Rapid climate change, tropical cyclones, or floods will result in short-term suspension of operations and increase in financial losses and capital expenditures; in the medium term, global warming will gradually increase operating costs; and in the long term, greenhouse gas emissions will result in an increase in operating and procurement costs. In the supply chain, for example, the Company will emphasize green procurement and follow the green cycle in all business operations. 3. The Company takes the issue of extreme climate seriously and is taking appropriate mitigation and related measures. We hope to optimize the situation in the long run, which will help to improve the profitability of the enterprise. The financial impact includes the evaluation of the Company's assets, creditworthiness and solvency, as well as the impact on the Company's overall accounting policies. 4. Each functional unit of the Company identifies the risk factors it may be exposed to, and then establishes a measurement

	methodology to serve as a basis for risk management. The Company's risk management process includes: identification of risk areas, risk measurement, risk monitoring, risk reporting and disclosure, and risk response. Relevant departments propose countermeasures to the Risk Management Team and report to the Corporate Sustainability Committee. In addition, the Company will commence a greenhouse gas (GHG) inventory in 2024 and set carbon reduction targets, strategies and specific action plans for 2025.

1-1 Greenhouse Gas Inventory and Confirmation in the Last Two Years

1-1-1 Greenhouse Gas Inventory Information

The Ghg Emissions (Tonnes CO2E), Intensity (Tonnes CO2E/$M) And Data Coverage For The Last Two Years Are Presented.
In 2024, the Company will conduct a greenhouse gas inventory and set carbon reduction targets, strategies and specific action plans for 2025.

1-1-2 Greenhouse Gas Confirmation Information

A Description Of The Status Of Assurance For The Two Most Recent Years Ended On The Date Of The Annual Report, Including The Scope Of Assurance, The Assurance Organization, The Assurance Criteria, And The Opinion Of The Assurance.
The Company commenced a greenhouse gas inventory in 2024 and conducted a third party verification and validation of the 2024 Report in 2025.

1-2 Greenhouse Gas Reduction Goals, Strategies and Specific Action Plans

Describe The Base Year Of Ghg Reduction And Its Data, Reduction Targets, Strategies And Specific Action Plans And Achievement Of Reduction Targets.
In 2024, the Company will conduct a greenhouse gas inventory and set carbon reduction targets, strategies and specific action plans for 2025.

(6) Implementation of business integrity management, and deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof

<table>
<tr><th rowspan="2">Assessment Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td colspan="5">1. Stipulating policies and plans for ethical corporate management</td></tr>
<tr><td>(1) Does the Company establish clearly indicated policies and activities that are approved by the Board of Directors, related to ethical corporate management in its bylaws and external documents, and are the Company's directors and management actively fulfilling their commitment to corporate policies?</td><td>✓</td><td></td><td>The Company has established an Ethical Corporate Management Best Practice Principles and has been approved by the Board of Directors. Members of the Board of Directors and the management of the Company emphasize ethical and honest business practices, uphold the concept of clean, transparent and accountable business practices, and implement an integrity policy. The Company also requires suppliers to sign an integrity statement in order to create a sustainable business environment.</td><td>No significant differences</td></tr>
<tr><td>(2) Has the Company established an evaluation mechanism to periodically analyze and evaluate business activities that have a relatively higher risk of unethical conduct and thus taken steps to prevent the unethical occurrences listed in Paragraph 2 of Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies?</td><td>✓</td><td></td><td>The Company has established an Ethical Corporate Management Best Practice Principles, and regularly promotes the prevention of dishonest behavior in company meetings or educational training sessions, proactively implementing the execution of our integrity management policy.</td><td>No significant differences</td></tr>
<tr><td>(3) Has the Company established and implemented measures against dishonest conduct, and does it periodically review and amend them? Are these measures supported by proper procedures, behavioral guidelines, disciplinary actions, and compliance systems?</td><td>✓</td><td></td><td>The Company's Ethical Corporate Management Best Practice Principles explicitly stipulates that our personnel, when engaging in commercial activities, must not directly or indirectly offer, promise, demand, or accept any improper benefits, or commit any other acts that violate integrity, legality, or breach fiduciary duties.</td><td>No significant differences</td></tr>
<tr><td colspan="5">2. Ethic Management Practice</td></tr>
<tr><td>(1) Does the Company assess the ethics records of whom it has business relationship with and include business conduct and ethics related clauses in the business contracts?</td><td>✓</td><td></td><td>The Company has established relevant assessment systems for all its commercial activities, with both parties' rights and obligations explicitly detailed in the contracts.</td><td>No significant differences</td></tr>
<tr><td>(2) Does the Company have a unit under its Board of Directors handling business integrity related matters? Does this unit report its integrity policies and unethical conduct prevention programs, as well as their implementation, to the Board of Directors on a regular basis (at least once a year)?</td><td>✓</td><td></td><td>The Company has established an Integrity Management Committee under the Board of Directors, with Hui-Lan Su, the Human Resources Officer, serving as the convener. The Committee is responsible for promoting integrity management, handling the revision, execution, interpretation, consultation services, and reporting of corporate integrity management procedures and behavioral guidelines, as well as related operations and supervision. The committee also regularly reports to the Board of Directors. The report on the Board of Directors' situation for the year 2022 is as follows:
<table><tr><th>Date</th><th>Report Unit</th><th>Summary</th></tr><tr><td>2023.08.04</td><td>Hui-Lan Su, Human Resource Division- CHO</td><td>(1) Report on the implementation of measures</td></tr></table></td><td>No significant differences</td></tr>
</table>

Assessment Item	Implementation Status: Yes	Implementation Status: No	Implementation Status: Summary	Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
			related to ethical management practices (2) Description of various reporting channels and a summary of accepted content	
(3) Does the Company establish policies to prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly?	✓		(1) The Company has formulated a policy to prevent conflicts of interest. The policy is used to identify, monitor, and manage the risks of dishonest behavior that may arise from conflicts of interest. We also provide appropriate channels for directors, independent directors, managers, and other stakeholders attending or participating in board meetings to proactively disclose any potential conflicts of interest they may have with the Company. (2) Directors, independent directors, managers, and other stakeholders attending or participating in board meetings must disclose any significant conflicts of interest involving themselves or the legal entities they represent (including spouses or second-degree relatives) for any motion items discussed at the board meeting. Regardless of whether the conflict is detrimental to the Company's interests, they must not participate in discussions or vote on the matter, should recuse themselves during discussions and voting, and must not act as a proxy to exercise voting rights on behalf of other directors. All directors maintain self-discipline, and there have been no instances of inappropriate mutual support. (3) The Company's directors, independent directors, managers, employees, appointees, and those with substantial control must not exploit their positions or influence within the Company to secure improper benefits for themselves, their spouses, parents, children, or any other individuals.	No significant differences
(4) Has the Company implemented effective accounting and internal control systems for maintaining business integrity? Are relevant audit plans made by the internal auditors based on unethical conduct assessments to examine compliance with unethical conduct prevention or are these audits done by the Company's CPAs?	✓		(1) For business activities with a higher risk of dishonest behavior, the Company has established effective accounting and internal control systems, strictly prohibiting the use of off-the-books or secret accounts. We also continually review these systems to ensure their design and execution remain effective and up-to-date. (2) The Company's internal audit unit regularly reviews the compliance with the aforementioned systems and submits audit reports to the Board of Directors. No violations of integrity management or deficiencies in internal controls have been discovered.	No significant differences

Assessment Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Summary	
(5) Does the Company provide internal and external ethical conduct training programs on a regular basis?	✓		(1) The Company's chairman, general manager, or senior management regularly communicate the importance of integrity to employees. (2) The Company regularly organizes education and training for its employees, and holds manufacturers' meetings or franchisee meetings, inviting those who are engaged in business with the Company to participate. So that these stakeholders are fully aware of the Company's determination to operate in an honest and trustworthy manner, its policies, preventive programs, and the consequences of committing acts of dishonesty, and the Company also requires suppliers to sign a declaration of trust to jointly create an honest and trustworthy business environment. (3) The Company integrates its integrity management policy with employee performance evaluations and human resource policies, establishing a clear and effective reward and disciplinary system.	No significant differences
3. Implementation of Complaint Procedures				
(1) Does the Company establish specific complaint and reward procedures, set up conveniently accessible complaint channels, and designate responsible individuals to handle the complaint received?	✓		The Company has established a whistleblower hotline, which is announced on the Company's website. The appropriate personnel are assigned to handle the reported matters related to the accused targets.	No significant differences
(2) Does the Company establish standard operation procedures for investigating the complaints received and ensuring such complaints are handled in a confidential manner?	✓		The Company has established standard operation procedures for investigating reported matters and relevant confidentiality mechanisms.	No significant differences
(3) Does the Company adopt proper measures to prevent a complainant from retaliation for his/her filing a complaint?	✓		The Company upholds the principles of sound and steady corporate governance and operates in accordance with the Company's code of conduct and ethical guidelines. With the approval of the Board of Directors, we have established an anonymous whistleblowing system and formed an integrity operation committee, which independently investigates the content of whistleblowing reports. During the process of interviewing and reviewing relevant information, we take measures to protect the rights of all parties involved from improper treatment.	No significant differences
4. Information Disclosure				
Does the Company disclose its guidelines on business ethics as well as information about implementation of such guidelines on its website and Market Observation Post System ("MOPS")?	✓		The Company has established an Ethical Corporate Management Best Practice Principles, which is disclosed on the Company's website and the Market Observation Post System.	No significant differences
5. If the Company has established corporate governance policies based on TSE Corporate Conduct and Ethics Best Practice Principles, please describe any discrepancy between the policies and their implementation: No significant differences.				
6. Other important information to facilitate better understanding of the Company's corporate conduct and ethics compliance practices (e.g., review the Company's corporate conduct and ethics policy): In addition to complying with legal requirements, the Company requires vendors to implement and adhere to the principles of integrity management in their daily operations and management practices.				

(7) If the Company has a Corporate Governance Practice Principles and related regulations, it shall disclose its inquiry methods:

A. The Company's related regulations are as follows:

a. Corporate Governance Best Practice Principles
b. Rules and Procedures of Shareholders Meeting
c. Rules and Procedures of Board of Director Meetings
d. Rules for Election of Directors
e. Regulations Governing Scope of Duties of Independent Directors
f. Rules Governing Financial and Business Matters Between this Corporation and its Related-parties
g. Codes of Ethical Conduct
h. Audit Committee's Charter
i. Ethical Corporate Management Best Practice Principles
j. Remuneration Committee's Charter
k. Practice Principles on Sustainable Development
l. Regulations Governing Performance Evaluation of the Board of Directors
m. Integrity Management Procedures and Behavioral Guidelines

B. Procedures for Ethical Management and Guidelines for Conduct Available on：

Market Observation Post System http://mops.twse.com.tw/mops/web/index Code：2945
Company website https://www.simplemartretail.com/

(8) Other important information relevant to the understanding of corporate governance operations may be disclosed:

A. The Company has incorporated Material Information Management Procedure into its Procedures for the Prevention of Insider Trading, to be followed by its directors, managers, department heads, and all employees, in order to avoid violations or occurrences of insider trading.

B. For other matters not disclosed in this annual report, please refer to the following website:

a. Company website https://www.simplemartretail.com/
b. Market Observation Post System http://mops.twse.com.tw/mops/web/index Code：2945

(9) Implementation of the internal control system

A. Statement of internal control

Simple Mart Retail Co., Ltd.
Statement of Internal Control System

Date: February 23, 2024

The Company makes the following statement according to the self-evaluation conducted of its internal control system of 2023:

1. The Company has achieved full understanding that the establishment, implementation, and maintenance of the internal control system (ICS) are the responsibilities of the Company's Board of Directors and managerial officers, and have established the said system accordingly. The objectives of ICS include achieving various objectives in business benefits and efficiency (including profitability, performance, and protection of assets and safety); ensuring the reliability, timeliness, transparency, and regulatory compliance of reporting; and providing reasonable assurance.

2. All ICS are bound by natural limitations and regardless of the robustness of designs, effective ICS can only provide reasonable assurance for the 3 objectives listed above. Changes to the environment and status will also affect the effectiveness of internal control systems. However, The Company's internal control system has been furnished with self-monitoring systems. The Company shall also initiate corrective actions for any verified defects.

3. The Company shall refer to the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter referred to as "ICS Regulations") to stipulate assessment items for determining the effectiveness of the ICS as well as the performance of the designs and implementation of the system. The ICS is divided into 5 key components according to the process of management control to generate ICS assessment items used by ICS Regulations, namely: (1) Control environment; (2) risk assessment; (3) control activities; (4) information and communications and; (5) monitoring activities. Each key component also includes a number of sub-items. For the aforementioned items, please refer to the provisions provided in the ICS Regulations.

4. The Company has already adopted the aforementioned ICS assessment items to evaluate the effectiveness of ICS design and implementation.

5. The Company has referred to the results of the aforementioned assessments and determined that the Company's ICS of December 31, 2023(including monitoring and management of its subsidiaries), including the Company's understanding of the level of effectiveness and efficiency of business operations achieved, the reliability, timeliness, transparency, and regulatory compliance of reporting, the compliance with applicable laws, regulations, and by laws, are effectively designed and implemented and capable of reasonably ensuring the attainment of the aforementioned objectives.

6. This Statement shall be a major content of the Company's annual report and prospectus, and shall be publicly disclosed. Where any of the disclosed content contain misrepresentations, nondisclosures, or other illegal acts, the Company shall be subject to legal responsibilities provided in Articles 20, 32, 171 and 174 of the Securities and Exchange Act.

7. We hereby declare that this Statement has been approved by the Board of Directors on February 23, 2024. Amongst the 9 Directors present in the meeting, none (0) held dissenting opinions, and the remaining have all agreed with the contents of this Statement.

Simple Mart Retail Co., Ltd.
Chairman: Shiang-Feng Chen
General Manager: Kuang-Lung Chiu

B. For the Company that appoints an accountant to review the internal control system, the accountant's review report shall be disclosed: None

(10) The Company and its internal personnel were punished in accordance with the law in the most recent year and as of the date of publication of the annual report, the Company's punishment of its internal personnel for violating the provisions of the internal control system, major deficiencies and improvements: None.

(11) Important resolutions and implementation of the Shareholder Meeting and the Board of Directors in the most recent year and as of the publication date of the annual report:

A. Important resolution of the shareholder meeting

Date of Meeting	Resolution and Implementation Status
2023.05.29 Regular Shareholder Meeting	• Adoption of the Business Report and Financial Statements of 2022. • Adoption of the earnings distribution of 2022. Implementation Status The Company's Board of Directors set July 23, 2023 as the ex-dividend date for the cash dividend, which was paid on August 16, 2023, at $0.73 per share. • Amendment of the “Operational Procedures for the Acquisition or Disposal of Assets” Implementation Status The Company has announced the amended " “Operational Procedures for the Acquisition or Disposal of Assets " on its website and has followed the revised articles accordingly. • Approval of the release of the prohibition on directors from participation in competitive business.

B. Important resolution of the Board of Directors

Date of Meeting	Resolution	Implementation Status
2023.01.17	• Approved the amendment of “Rules for Performance Evaluation of the Board of Directors”.	Implemented according to the resolution
2023.03.03	• Approved the business report of 2022. • Approved the financial reports of 2022. • Approved the earnings distribution of 2022. • Approved the employees’ bonus and directors’ compensation of 2022. • Approved the statement on internal control for year 2022. • Approved of engagement of attesting CPAs for 2023. • Approved of the amendments of the “Operational Procedures for the Acquisition or Disposal of Assets”. • Approved of the release of the prohibition on directors from participation in competitive business. • Approved the meeting date, location, and subjects for the regular shareholders’ meeting of 2023.	Implemented according to the resolution
2023.05.05	• Approved of the expansion of the Company’s logistic center. • Approved of the consolidated financial statements of the first quarter of 2023. • Approved the establishment of “Rules for the Approval of Non-assurance Service Provided by Attesting CPA”. • Approved the amendment of the “Procedures and Methods for Self-Assessment Operations for Internal Control System”. • Approved of the donation to Criminal Investigation and Prevention Association, R.O.C.	Implemented according to the resolution
2023.08.04	• Approved of amendment of Delegation of Authority • Approved of the consolidated financial reports of the second quarter of 2023 • Approval for the loan facility from financial institutions. • Approved the amendment to the “Procedures for Handling Material Inside Information”. • Approved the donation to the Mercuries Private Social Welfare Charity Foundation in Taoyuan County. • Approved of loan to Sanyou Drugstores Ltd.	Implemented according to the resolution

Date of Meeting	Resolution	Implementation Status
2023.08.31	• Approval of discharge and Appointment of managers.	Implemented according to the resolution
2023.11.03	• Approved the amendment to the "Rules for Performance Evaluation of the Board of Directors ". • Adoption of the consolidated financial reports of the third quarter of 2023 • Adoption of investment in subsidiary- Sanyou Drugstores Ltd. • Adoption of application for the loan facility from financial institution • Adoption of amendment of the “Financing Cycle”. • Adoption of the Setup of the “Management of operation of board meetings”. • Adoption of internal audit plan for year 2024	Implemented according to the resolution
2023.12.22	• Adoption of Business Plan and Budget for year 2024. • Adoption of amendment of the “Personal Data Management Act” and “Enforcement Rules of the Personal Data Protection Act”. • Adoption of acquisition of Robotic Arm for the logistic center	Implemented according to the resolution
2024.01.26	• Adoption of application for the loan facility from financial institution	Implemented according to the resolution
2024.02.23	• Approval of the business report of 2023. • Adoption of the financial reports of 2023. • Approval of the earnings distribution of 2023. • Approval of employees’ bonus and directors’ compensation of 2023 • Approval of appointment of a new manager. • Adoption of the statement on internal control for year 2023 • Approval of t engagement of attesting CPAs for 2024. • Approved the amendment of the “Charters of Audit Committee”, and “Rules of Procedure for Board of Directors’ Meetings “. • Approved the release of the prohibition on directors from participation in competitive business. • Approval of amendments of the “Articles of Incorporation”. • Adoption of the amendment to the "Operational Procedures for the Acquisition or Disposal of Assets ". • Approval of installation of the solar roof • Approval of the meeting date, location, and subjects for the regular shareholders’ meeting of 2024.	Implemented according to the resolution
2024.03.10	• By way of verification and consideration of the open offer by Mei-Ling Yu for ordinary shares of the Company	Implemented according to the resolution

(12) If the directors or supervisors had different opinions on the important resolutions passed by the Board of Directors in the most recent year and as of the date of publication of the annual report, which were recorded or with written statements, the main content thereof: Nil.

(13) Summary table of resignation and dismissal of the Company's chairman, president, accounting supervisor, financial supervisor, internal audit supervisor, corporate governance supervisor, R&D supervisor, etc. in the most recent year and as of the publication date of the annual report: Nil.

5. Information on service fees of CPAs

(1) Information on service fees of CPAs

Unit: Thousand NT$

Public Accounting	Name of CPA	CPA’s Audit Period	Audit Fees	Non-audit Fees	Total	Note

Firm						
KPMG	Pei-Ju Hsiao and Chi-Lung Yu	2023/01/01~ 2023/12/31	1,540	570	2,110	-
KPMG	Jun-Guang Chen	2023/8/1- 2023/8/31	-	1,800	1,800	Assist in analyzing and planning customer-driven planning projects.

(2) Please provide specific details of the non-audit services: Non-audit fee includes the fee for checking the full-time salary information of employees who are not in supervisory positions, gift certificate issuance agreement procedures, various tax visas, and assisting in the preparation of financial statements related administrative work (including transcription, typesetting, and translation of financial statements).

(3) If the accounting firm is changed and the audit fee paid in the year of the change is lower than the audit fee of the year before the change, the amount of the audit fee before and after the change as well as the reason thereof shall be disclosed: Nil.

(4) If the audit fee is reduced by 10% or more compared with that in the previous year, the amount, percentage, and the reason for the reduction of the audit fee shall be disclosed: Nil.

6. Alternation of CPA

(1) About the former CPAs

<table>
<tr><td>Effective date</td><td colspan="4">March 3, 2023</td></tr>
<tr><td>Reasons for the change</td><td colspan="4">To follow KPMG’s internal rotation policy, the Company changed its auditors from Pao-Lian Chou and Cheng-Chien Chen to Pei-Ju Hsiao and Chi-Lung Yu, starting from 2023.</td></tr>
<tr><td rowspan="3">Explain whether it is terminated by the principal or the CPA, or the appointment is declined by the CPA</td><td colspan="2">Cilent
Situation</td><td>CPA</td><td>Company</td></tr>
<tr><td colspan="2">Appointment was terminated upon request</td><td>Not applicable</td><td>Not applicable</td></tr>
<tr><td colspan="2">Appointment was not renewed and thus, terminated</td><td>Not applicable</td><td>Not applicable</td></tr>
<tr><td>The audit report issued with an opinion other than unqualified opinion within two years and the reasons</td><td colspan="4">Unqualified opinion within two years</td></tr>
<tr><td rowspan="6">Is there any disagreement with the issuer?</td><td rowspan="4">Yes</td><td colspan="2"></td><td>Accounting principle or practice</td></tr>
<tr><td colspan="2"></td><td>Disclosure of financial statements</td></tr>
<tr><td colspan="2"></td><td>Audit scope or procedures</td></tr>
<tr><td colspan="2"></td><td>Others</td></tr>
<tr><td>None</td><td colspan="3">✓</td></tr>
<tr><td colspan="4">Note：Not applicable</td></tr>
<tr><td>Other disclosures
(The disclosures made according to Section 1.4 ~ Section 1.7, Paragraph 6, Article 10 of the Regulations)</td><td colspan="4">None</td></tr>
</table>

(2) Successor CPAs

Name of CPA firm	KPMG
Name of CPAs	Pei-Ju Hsiao and Chi-Lung Yu
Date of appointment	Approved by Board of Directors on March 3, 2023
The consultation on accounting treatment methods and accounting principles for specific transactions and possible opinion issued on the financial report prior to appointment and its result	Not applicable
Written opinion of the successor CPA that is different from the opinion of the predecessor CPA	Not applicable

(3) Reply letter from the former accountant on the items 1 and 2 of Article 10, paragraph 6 of this standard: Not applicable.

7. The Company's chairman, the general manager, or the manager in charge of financial or accounting affairs used to work in the firm of the appointed CPA or its affiliates in the most recent year: None.

8. Changes in equity transfer and equity pledge of directors, managers, and shareholders with a shareholding ratio exceeding 10% in the most recent year and as of the publication date of the annual report, thereof:

(1) Changes in shareholdings of directors, supervisor, managers and shareholders with a shareholding ratio exceeding 10%

Unit: shares

Title	Name	2023		The current year as of March 31, 2024	
		Increase (decrease) in the number of shares held	Increase (decrease) in the number of pledged shares	Increase (decrease) in the number of shares held	Increase (decrease) in the number of pledged shares
Director	Representative: Shiang-Feng Chen	-	-	-	-
	Representative: Shiang-Li Chen	-	-	-	-
	Representative: Wei-Chyun Wong	-	-	-	-
	Representative: Kuang-Lung Chiu	-	-	-	-
	Representative: Shinji Sumiya (Note 1)	-	-	-	-
	Representative: Jumpei Yamamoto (Note 1)				
	Representative: Yuma Miyata (Note 1)	-	-	-	-
Independent Director	Tsay-Lin Lin	-	-	-	-
	Meng-Lin Tsai	-	-	-	-
	Ming-Jye Huang	-	-	-	-
VP	Chung-Ping Hsieh	-	-	-	-
CFO	Yen-Hsiu Liu	-	-	-	-
CHO	Hui-Lan Su	-	-	-	-
CIO	Te-Cheng Meng	-	-	-	-
COO	Su-Hui Lien	-	-	-	-
CAO	Nien-Meng Yu	-	-	-	-
Assistant Manager	Yosuke Nagira(Note 2)				
Manager	Kuan-Yu Lu	-	-	-	-
Major shareholder	Mercuries & Associates Holding, Ltd.	-	-	-	-
Major shareholder	Sumitomo Corporation (Note 1, Note 2 and Note 3)	-	-	(13,200,000)	-
Major shareholder	Mei-Ling Yu (Note 3)			13,222,640	

Note 1: Director Shinji Sumiya was dismissed on April 20, 2023 and Director Junpei Yamamoto was reappointed on April 21, 2023. Director Junpei Yamamoto and Director Yuma Miyata were dismissed due to the transfer of more than one-half of the shares Sumitomo held at the time of their election on March 26, 2024.

Note 2: Yosuke Nagira is newly appointed on September 25, 2023.

Note 3: Please refer to the following table for information on the transfer of shares.

Share Transfer Information

Name And Surname	Reasons For The Transfer Of Shares	Date Of Transaction	Transaction counterparty	Relationship Between The Counterparty And The Company, Directors, Supervisors, Managers And Shareholders Holding More Than 10% Of The Company's Shares	Number Of Shares	Transaction Price
Mei-Ling Yu	Public tender Offer	2024.3.26	Sumitomo Corporation	Counterparties are directors of the Company and shareholders holding more than 10% of the Company's shares.	13,200,000	$32.50 per share

(2) Information on directors, supervisors, managers, and related parties who transfer more than 10% of their shareholdings in the Company: None.
(3) Information on directors, supervisors, managers, and related parties who pledge more than 10% of their shareholdings in the Company: None.

9. Information on the shareholders whose shareholding ratio accounts for the top ten and who are related persons or are spouses or relatives within the second degree of kinship:

March 31, 2024; Unit: Shares; %

Name	Shares held personally		Shares held by the spouse and minor children		Total shares held in the name of others		The titles or names and relationships of the top ten shareholders who are related persons or are spouses or relatives within the second degree of kinship		Note
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Name	Relationship	
MERCURIES & ASSOCIATES HOLDING, LTD.	41,018,951	60.76	-	-	-	-	-	-	-
Representative: Shiang-Li Chen	-	-	-	-	-	-	-	-	-
Mei-Ling Yu	13,666,603	20.24	-	-	-	-	-	-	-
Kuang-Lung Chiu	1,667,363	2.47	5,000	0.01	-	-	-	-	-
Acer Synergy Tech Corp.	300,000	0.44	-	-	-	-	-	-	-
Representative: Hsuan-Hui Shih	-	-	-	-	-	-	-	-	-
FLOW TIDE ENTERPRISES CO., LTD.	288,444	0.42	-	-	-	-	-	-	-
Representative: Shu-Chang Wang	-	-	-	-	-	-	-	-	-
Xin-Jie Ruan	270,000	0.40	-	-	-	-	-	-	-
GTM Holdings	200,000	0.29	-	-	-	-	-	-	-
Representative: Li-Kai Ku	-	-	-	-	-	-	-	-	-
Chung-Ping Hsieh	141,699	0.21	-	-	-	-	-	-	-
Tian-Xiang Jiang	110,000	0.16							

Name	Shares held personally		Shares held by the spouse and minor children		Total shares held in the name of others		The titles or names and relationships of the top ten shareholders who are related persons or are spouses or relatives within the second degree of kinship		Note
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Name	Relationship	
Jia-Cheng Lin	104,000	0.15							

10. The number of shares held by the Company, the Company's directors, managers and enterprises directly or indirectly controlled by the Company in the same reinvested enterprise, and the comprehensive shareholding ratio:

Comprehensive Shareholding Ratio

December 31, 2023: Unit: Shares; %

Reinvested company	Investment by the Company		Investment of directors, managers and directly or indirectly controlled enterprises		Comprehensive investment	
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio
Simple Mart Plus Co., Ltd. （Note）	6,000,000	100%	-	-	6,000,000	100%
Sanyou Drugstores, Ltd.（Note）	10,100,000	67%	4,900,000	33%	15,000,000	100%
Mercuries Life Insurance Co., Ltd. （December 8, 2023）	1,050,000	0.02%	1,644,642,327	32.25%	1,645,692,327	32.27%

Note: equity-method investments.

IV. Capital and Shares

1. Capital and Shares

(1) Source of share capital

A. Acquisition of share capital

March 31, 2024, Unit: Thousand Shares, Thousand NT$

Year/Month	Issue price (dollar)	Authorized share capital		Paid-in capital		Note		
		Number of Shares	Amount	Number of Shares	Amount	Source of Share Capital	Contribution to share capital in the form of property other than cash	Other
FEB, 2013	10	20,000	200,000	100	1,000	Share capital of $1,000,000	-	Note 1
AUG, 2017	10	80,000	800,000	45,100	451,000	Acquisition of newly issued shares through merger of 450,000,000	-	Note 2
JUL, 2018	10.87	80,000	800,000	47,688	476,880	Issuance of new shares through the conversion of subscription warrants 25,880,000	-	Note 3
AUG, 2018	100	80,000	800,000	52,988	529,886	Cash Capital increase 53,006,000	-	Note 4
SEP, 2018	21	80,000	800,000	53,096	530,966	Issuance of new shares through the conversion of subscription warrants 1,080,000	-	Note 5
APR, 2019	110	80,000	800,000	53,681	536,818	Cash Capital increase 5,852,000	-	Note 6
AUG, 2019	10	80,000	800,000	60,000	600,000	Capital surplus transferred to capital increase 53,095,000 Earnings transferred to capital increase 10,087,000	-	Note 7
DEC, 2021	69	80,000	800,000	67,500	675,000	Cash Capital increase 75,000,000	-	Note 8

Note 1: Approval of registration No.: February 07, 2013, letter Fu- Chan-Ye Commercial No. 10280605940.
Note 2: Change of registration No.: August 09, 2017, letter Fu- Chan-Ye Commercial No. 10656372120.
Note 3: Change of registration No.: July 06, 2018, letter Fu- Chan-Ye Commercial No. 10749216330.
Note 4: Change of registration No.: August 23, 2018, letter Fu- Chan-Ye Commercial No. 10701096980.
Note 5: Change of registration No.: September 13, 2018, letter Fu- Chan-Ye Commercial No. 10701111750.
Note 6: Change of registration No.: April 22, 2019, letter Jing-Shou Commercial No. 10801045270.
Note 7: Change of registration No.: August 06, 2019, letter Jing-Shou Commercial No. 10801099890.
Note 8: Change of registration No.: December 10, 2021, letter Jing-Shou Commercial No. 11001228820.

B. Type of share

March 31, 2024, Unit: Thousand shares

Type of shares	Authorized capital			Note
	Outstanding shares	Unissued shares	Total	
Registered ordinary share	67,500	12,500	80,000	Listed company stocks

C. Information related to the shelf registration system: Not applicable.

(2) Shareholder structure:

March 31, 2024；Unit：Shares；%

Shareholder Structure / Quantity	Government agencies	Financial institutions	Institutional shareholders	Per individual	Overseas institutions and individuals	Total
Number of individuals	0	3	14	3,243	9	3,269
Shares held	0	41,285	42,017,580	25,298,138	142,997	67,500,000
Percentage held	0	0.06	62.25	37.48	0.21	100

Note: First-listed (or Over-the-counter) and Emerging Stock companies are required to disclose their mainland Chinese investment holdings, where mainland Chinese investors refer to individuals, corporations, groups, institutions, or companies investing in Taiwan under the provisions of Article 3 of the Measures Governing Investment Permit to the People of Mainland Area, as well as investments in companies in third-party countries: None.

(3) Shareholding dispersion status

A. Ordinary shares:

March 31, 2024；Unit：Shares；%

Shareholding range	Number of shareholders	Shareholding range Number of shareholders	Total shares Percentage of issued shares (%)
1 tc 999	823	113,856	0.16
1,000 to 5,000	2,074	3,691,423	5.47
5,001 to 10,000	203	1,586,204	2.35
10,001 to 15,000	47	587,933	0.87
15,001 to 20,000	46	829,276	1.23
20,001 to 30,000	19	479,121	0.71
30,001 to 40,000	16	558,950	0.83
40,001 to 50,000	11	517,888	0.77
50,001 to 100,000	20	1,368,289	2.03
100,001 to 200,000	4	555,699	0.82
200,001 to 400,000	3	858,444	1.27
400,001 to 600,000	0	0	0
600,001 to 800,000	0	0	0
800,001 to 1,000,000	0	0	0
>1,000,001	3	56,352,917	83.49
Total	3,269	67,500,000	100

B. Special shares: Not applicable.

(4) List of major shareholders

The names, shareholding amounts and percentages of shareholders with a stake of 5% or more should be disclosed, and if there are less than ten such shareholders, the names, shareholding amounts and percentages of the top ten shareholders in terms of shareholding proportion should be disclosed:

March 31, 2024；Unit：Shares；%

Shares / Name Of Major Shareholder	Shares Held	Shareholding Percentage
Mercuries & Associates Holding, Ltd. Representative: Shiang-Li Chen	41,018,951	60.76
Mei-Ling Yu	13,666,603	20.24
Kuang-Lung Chiu	1,667,363	2.47
Acer Synergy Tech Corp. Representative: Hsuan-Hui Shih	300,000	0.44
Flow Tide Enterprises Co., Ltd. Representative: Shu-Chang Wang	288,444	0.42
Xin-Jie Ruan	270,000	0.40
GTM Holdings Representative: Chao-Chi Ku	200,000	0.29
Chung-Ping Hsieh	141,699	0.21
Tian-Xiang Jiang	110,000	0.16
Jia-Cheng Lin	104,000	0.15

(5) The market price, net worth, earnings, and dividends per share, and related information in the last two years

Unit: NT$

<table>
<tr><th colspan="3">Item \ Year</th><th>2022</th><th>2023</th><th>As of March 31, 2024</th></tr>
<tr><td rowspan="3">Market Price per Share</td><td colspan="2">Highest Market Price</td><td>71.40</td><td>49.30</td><td>44.02</td></tr>
<tr><td colspan="2">Lowest Market Price</td><td>34.25</td><td>38.10</td><td>40.40</td></tr>
<tr><td colspan="2">Average Market Price</td><td>51.06</td><td>42.38</td><td>43.71</td></tr>
<tr><td rowspan="2">Net Worth per Share</td><td colspan="2">Before Distribution</td><td>26.59</td><td>27.34</td><td>-</td></tr>
<tr><td colspan="2">After Distribution</td><td>25.86</td><td>(Note 1)</td><td>-</td></tr>
<tr><td rowspan="3">Earnings per Share</td><td colspan="2">Weighted Average Shares (thousand shares)</td><td>67,500</td><td>67,500</td><td>-</td></tr>
<tr><td rowspan="2">Earnings per Share</td><td>Diluted Earnings Per Share</td><td>0.82</td><td>1.50</td><td>-</td></tr>
<tr><td>Adjusted Diluted Earnings Per Share</td><td>0.82</td><td>1.50</td><td>-</td></tr>
<tr><td rowspan="4">Dividends per Share</td><td colspan="2">Cash Dividends</td><td>0.73</td><td>1.2 (Note 1)</td><td rowspan="7">NA</td></tr>
<tr><td rowspan="2">Stock Dividends</td><td>Dividends from Retained Earnings</td><td>-</td><td>-</td></tr>
<tr><td>Dividends from Capital Surplus</td><td>-</td><td>-</td></tr>
<tr><td colspan="2">Accumulated Undistributed Dividends</td><td>-</td><td>-</td></tr>
<tr><td rowspan="3">Return on Investment</td><td colspan="2">Price / Earnings Ratio</td><td>62.27</td><td>28.25</td></tr>
<tr><td colspan="2">Price / Dividend Ratio</td><td>69.95</td><td>35.32</td></tr>
<tr><td colspan="2">Cash Dividend Yield Rate</td><td>1.43%</td><td>2.83%</td></tr>
</table>

*If shares are to be issued from capital surplus or capital surplus, information on the market price and cash dividends should be disclosed, retroactively adjusted for the number of shares to be issued

Note 1: The resolution on the distribution of the 2023 earnings has not yet been approved by the shareholders at the shareholders' meeting.

(6) The Company's dividend policy and implementation status:

A. Dividend policy:

In accordance with the Company's articles of association, if the Company generates profits for the year after paying taxes and donations and offsetting accumulated losses, ten percent of such profits shall be appropriated as the statutory reserve, unless the balance of the statutory reserve has reached the amount of the Company's paid-in capital. Any remaining profits, along with the accumulated undistributed profits from prior years and adjustments to the current year's undistributed profits, shall be proposed by the Board of Directors as a profit distribution plan and submitted to the shareholders' meeting for approval. On February 23, 2024, the Board of Directors approved an amendment to Article 19-1 of the Company's Articles of Incorporation, which newly authorizes the Board of Directors to distribute all or a portion of the dividends and bonuses payable in the form of cash in accordance with the provisions of Article 240-5 of the Company Act, with the attendance of at least two-thirds of the Directors and the resolution of the majority of the Directors present, and to report to the shareholders' meeting. This amendment shall become effective upon approval by the shareholders at the regular meeting on May 30, 2024.

The dividend policy of the Company is based on the consideration of future capital needs. The type of dividend will depend on the Company's earnings, financial structure, and future operational plans. Each year, after deducting the expected capital needs and capital expenditure for the next year from the available distributable profits, all dividends will be distributed to shareholders. Dividends can be distributed to shareholders in the form of cash or stock, with cash dividends shall not less than 50%. The annual shareholders' meeting may still decide on the most appropriate and suitable dividend distribution method based on the industry's situation and the highest principle of the Company's interests and development.

The Company's dividend distribution status from 2022 to 2023 is as follows:

Unit: NT$ thousand

Year	The distributable profits after the allocation of the statutory reserve	Cash Dividend	Stock Dividend	Cash Dividend Disbursement Ratio
2023 (Note)	90,099	81,000	-	90%
2022	49,764	49,275	-	99%

Note: The appropriation of earnings for fiscal year 2023 has not yet been resolved by the shareholders at the regular meeting.

B. Proposal of dividend distribution to be resolved at this shareholders' meeting.

The proposal for the distribution of earnings for the year 2023 has been approved by the Board of Directors on February 23, 2024. The distributable earnings for the year 2022 amounted to NT$100,056 thousand after deducting the statutory reserve for earnings of NT$9,957 thousand. It is proposed to distribute a cash dividend of NT$81,000 thousand to shareholders, with an undistributed earnings balance of NT$9,099 thousand. This proposal will be submitted for approval at the annual shareholders' meeting on May 30, 2024.

(7) The effect of the proposed stock dividend issuance at the shareholders' meeting on the Company's business performance and earnings per share: Not applicable.

(8) Remuneration of Employees and Directors

A. The percentage or scope of remuneration for employees and directors as set forth in the Articles of Incorporation:

In the event that the Company earns profits during the year, it shall allocate no less than 1% of such profits as employee compensation, which may be distributed in the form of stocks or cash as determined by the Board of Directors. The distribution shall also include employees of subsidiary companies who meet certain conditions. Additionally, the Company may allocate no more than 3% of such profits as director compensation, as decided by the Board of Directors. However, if the Company has accumulated losses, the amount required to offset such losses shall be reserved first, and then employee and director compensation shall be allocated according to the aforementioned percentages.

B. The basis for estimating the amount of employee bonus and remuneration to directors/supervisors, the basis for calculating the number of shares to be distributed as stock bonuses, and the accounting treatment of discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

The estimated amounts of employee and director remuneration in this company are calculated based on the current period's pre-tax net profit, using the allocation percentage specified in the Company's articles of association, and recognized as salary expenses. If there is a difference between the actual amount of the subsequent year's dividend and the estimated amount, accounting estimates will be adjusted accordingly, and the difference will be recognized as a loss in the subsequent year.

C. Information on any employee bonus proposal approved by the Board of Directors:

a. Distribution of cash bonuses or stock bonuses to employees, and remuneration to directors and supervisors. If there is any discrepancy between such an amount

and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, reasons therefor, and how it is treated shall be disclosed:
The motion of the remuneration distribution to employees for 2023 was approved by the Board of Directors on February 23, 2024. The distribution will be made in cash and the amount of remuneration to employees will be NT$2,700 thousand, and directors' remuneration amounting to NT$1,800 thousand, of which directors' remuneration amounting to $500 thousand will be recorded as the Company's other income in 2024 due to the former director, Sumitomo Corporation, who transferred his shareholding and was dismissed as a director prior to the date of the distribution.

b. The amount of any proposed distribution of employee stock remunerations, and as a percentage of the sum of the current after-tax net income and total employee remuneration: No stock-based employee remuneration in 2023.

D. The actual distribution of employee bonus and remuneration to directors/supervisors for the previous fiscal year (including the number, dollar amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee bonus and director/supervisor compensation, additionally the discrepancy, reasons therefor, and how it is treated:
In 2022, NT$2,362 thousand was paid as compensation to employees and no compensation was paid to directors, and there was no difference from the estimated amount for the year in which the expense was recognized.

(9) Shares of the Company bought back by the Company: None.

2. Implementation status of corporate bonds: None.
3. Implementation status of special shares: None.
4. Implementation status of overseas depositary receipts: None.
5. Implementation status of employee stock option certificates: None.
6. Implementation status of employee restricted stock awards: None.
7. Implementation status of issuance of new shares due to merger and acquisition or shares transferred by other companies: None
8. Implementation status of the fund utilization plan: As of the previous quarter of printing date of the of annual report, the Company has not been in circumstances of uncompleted issuance or private placements of securities or completed plans with planned benefits not yet emerging.

V. Operation Overview

1. Business Service

(1) Business content

The company's portfolio includes various retail brands such as Simple Mart, Simple Mart Plus, Simple OFFICE Mart, and Go Simple. The main revenue comes from the Simple Mart brand, which was established in February 2013 and primarily operates supermarkets and retails a variety of food, beverages, and daily necessities. The company engages in the retail business of various consumer goods through these channels, with the mission of establishing influential stores that connect community resources while committing to environmental protection and sustainable food safety practices.

The Company's leading brand, "Simple Mart," positions itself as a community-based supermarket, emphasizing "good quality at low prices" as the main business concept. We adhere to the beliefs of passion, innovation, trust, and lean management, deeply cultivating in alleys, communities, and neighborhoods, considering ourselves as customers' storerooms, and becoming the closest supply station to consumers. We carefully select core consumer products and adhere to the concept of "one-stop shopping for household and daily necessities," focusing on retail channels and caring about consumer needs. In addition to selling various domestic brand consumer goods, we are also committed to developing our own products and importing selected foreign products, creating differentiation with innovative service methods, and satisfying customers' needs with products that offer great value. In response to the continuously growing e-commerce market, the Company established the "Go Simple" brand to enter the e-commerce market, targeting existing members of Simple Mart and providing product categories that the physical stores cannot fully satisfy, aiming to increase the frequency of existing members coming to the stores and their consumption frequency. Furthermore, we actively cooperate with e-commerce platforms to provide parcel delivery and pick-up services to increase the frequency of visits from non-existing customers.

In addition to expanding the existing physical stores of Simple Mart, the Company has also developed Simple OFFICE Mart in office spaces. Through the use of the app, customers can scan the shelves and products, and complete the entire purchasing process with online self-service checkout. Moreover, these stores offer snacks and light meals for office workers throughout the day, providing a nearby and convenient shopping experience. This not only expands the sales channels of Simple Mart from local neighborhood stores to office spaces, but also attracts different consumer groups. In 2022, a new app "Simple Mart APP " was launched, and in 2023, group purchasing and pre-ordering functions will be introduced to expand the sales scale. In the future, other functions will be gradually introduced to expand the shopping area and types of products, and improve the overall operational efficiency of physical stores through the perfect integration of OMO.

A. Revenue percentage

Unit: NT$ thousand

Year	2022		2023	
Main products	Operating revenue	%	Operating revenue	%
Sale of goods	13,502,496	95%	13,350,105	95%
Others operating income	681,007	5%	691,809	5%
Total	14,183,503	100%	14,041,914	100%

B. Current Products (Services)

Currently, both the Company and its subsidiaries are primarily engaged in the sale of consumer goods, including a diverse range of domestically-produced consumer items and proprietary products developed in-house, as well as imported alcoholic beverages, snacks, and other items from overseas, to enrich the variety of products sold in our stores and fulfill diverse consumer needs. The primary sales items are as follows:

Category	Content
Food	All kinds of fresh food, eggs, beverages, biscuits, snack foods, canned food, etc.
Wine & Tobacco	All kinds of cigarettes, beer, liquors, neutral spirits, etc.
Other Product	Various household and personal cleaning products or hardware products.
Service	Revenue from various types of collection fees, display revenue and advertising revenue

To avoid engaging in price war with our competitors, both the Company and its subsidiaries are committed to introducing various differentiated products as a means of market segmentation and differentiation from other competitors.

a. Self-imported goods

With the increase in Gross National Income, the demand for various imported foods, beverages, and supplies has also been increasing year by year. The Company increase gross profit by importing all kinds of daily necessities. The Company continuously introduces a variety of imported goods from all over the world by directly purchasing and importing them from foreign manufacturers. By doing so, we are able to obtain imported beer, wine, and snacks at lower costs and provide customers with low-priced but high-quality products that cater to their preferences. We aim to reduce costs and increase profits through self-procurement while accumulating a long-term and loyal customer base through providing a diverse range of imported goods and enhancing customer retention.

b. Private Brand

Taiwan's consumer acceptance of private label products sold by retailers has been increasing year after year, and the low price and high quality features of private labels are becoming more and more popular among consumers, Simple Mart has developed three private brands, including Simple Mart Plus, Simple Life, and TGH, which appeal to the concepts of quality, freshness, and health through packaging design, and has also commissioned well-known domestic manufacturers to collaborate on the development of private brands to provide distinctive and exclusive products. At the same time, the Company has dedicated quality assurance personnel to conduct factory assessments and regular inspections to ensure all operations comply with standards, thereby strengthening customers' recognition and trust in the channel. Currently, the developed products include fresh milk, yogurt, drinking yogurt, dried fruits, casual cookies, sparkling water, frozen meat and toilet paper, and other food products and supplies, all of which are highly praised by consumers. As for the Company, we will continue to focus on the above-mentioned developed merchandises, and also evaluate the development of other brands in the future, so that we can extend the scope of our products and services to other fields.

c. Foods To Go

In response to the increasing proportion of dining out, the Company has actively tested the development of new ready-to-eat products, in addition to its popular items such as tea eggs and baked sweet potatoes. Some stores sell lunch boxes and other products during specific periods. The Company continues to test the market acceptance of other ready-to-eat products and establish various operating standards to comply with relevant laws and regulations.

d. Fruits & Vegetable

The Company's target market consists mainly of community households. As the population structure shifts towards aging and fewer children, the proportion of single and dual-income households is gradually increasing. In response to this, the Company has begun selling fresh produce in all of the stores, offering affordable and small quantities of fruits and vegetables to cater to the needs of families. This allows for convenient shopping and easy cooking upon returning home from work. Additionally, depending on the differing business district types of each store location, we have flexibly adjusted the variety and number of produce items available for sale to meet the specific demands of each community.

e. Instant Food

As the COVID-19 pandemic subsides, the demand for home cooking has slightly decreased compared to the peak of the pandemic. However, with the heightened awareness of healthy eating and the increase in the Consumer Price Index, inflation has led to a reduction in the frequency of dining out. In response to these trends, the Company continues to introduce a variety of easy-to-prepare products to help families quickly and easily cook safe and nutritious meals at home.

f. Simple Café

According to the data from the Department of Statistics of the Ministry of Finance, the import value of coffee beans in Taiwan has increased rapidly over the past decade, indicating a growing demand in the domestic market. To capture the coffee market and provide convenient choices for consumers, the Company began to install coffee machines in some stores in 2018 to offer freshly brewed coffee. Starting from 2020, the Company has gradually replaced coffee machines or refrigerators and other related equipment to provide better options for consumers. We also source coffee beans directly from overseas to lower procurement costs and pass on the savings to our customers. In the future, we will continue to test the market acceptance of various coffee beans and launch other flavored coffee or freshly brewed tea products. We will also increase the number of stores selling coffee and expand our overall procurement volume to further reduce costs and benefit our customers.

As of the end of March 2024, there were total of 649 stores selling coffee. The Company expects to introduce freshly brewed coffee service in all stores by the end of June 2024, and in the future, it will also introduce "buy-as-you-go" service through the optimization of the APP and various marketing programs, so that consumers can have a cup of good, inexpensive coffee at any time.

C. New products (services) under development

The Company has been successfully managing community consumers through the brand of Simple Mart for years. In response to the pandemic's impact on brick-and-mortar retail, even as the situation subsides, the public requires more diverse and secure novel consumption patterns. Consequently, the operational end must undergo a transformation towards digitized services and localized demand. With this in mind, the Company plans to develop new retail service models suitable for the post-pandemic era, based on the foundation of mobile payment application, bringing in-store products directly to consumers' offices, doorsteps, mobile devices, or nearby shops within a 2 km radius. Thus, we aim to introduce three major intelligent application services: Simple OFFICE Mart, Go Simple, and Pre-order for Goodies. Moreover, as we expand our channels and services, we will fully embrace the mobile payment system and offer a cashless shopping experience that is not only allowing customers to shop conveniently, affordably, but also securely. To further enhance customer satisfaction, we will also increase our group purchase and pre-order services, which will alleviate the spatial constraints faced by physical stores. In doing so, we hope to stimulate the business activities of our small and medium-sized suppliers, franchisees, and partners within the Simple Mart living circle, and overcome the challenges posed by the pandemic.

The Company plans to propose three major intelligent application services in terms of innovative services, including:

a. Simple Office: By means of an application that allows for locating and scanning of shelves and goods, the consumer can make use of the entire self-service checkout process with online card payment or third-party payment methods. This ensures that the consumer has zero contact with the outside world. The backend of the system is equipped with intelligent computing and nearby store clerks to carry out the task of stocking the products on the convenience store shelves. In addition, there are two monthly sales events planned, proposed by employees at the cooperative venue, to dynamically meet the needs of employees within the venue through the products displayed on the shelves. As of the end of March 2024, the Company has installed shelves in 137 office spaces to solve the problems of office workers.

b. Go Simple: The Company integrates multiple payment methods on the Go Simple platform and offer cross-channel point accumulation services, allowing consumers to purchase not only essential goods but also products that are not available in physical stores during the pandemic, such as larger or higher-priced items. These products will be delivered to their homes through our logistics network, Through the continuous optimization of the platform and the introduction of marketing automation tools, marketing campaigns will be more accurately delivered to the appropriate members to increase the click rate and order rate in the future.

c. Pre-order for goodie: Based on the planning of different periods, the Company seeks to collaborate with local small and medium-sized enterprises, traditional market stores, and other manufacturers. Through participating in the pre-order activities of Go Ten, we aim to create benefits in member sharing and product activation.

(2) Industry Overview

A. Status and development

Due to the impact of weak global terminal demand and inventory depletion in the industrial chain, the export momentum of the country has been impacted, coupled with the impact of conservative corporate investment, the economic growth rate in 2023 will only be 1.40%, a decrease of approximately 34% from the original estimate of 2.12%. However, the domestic economic climate has continued to improve, and the international organizations have generally predicted that the volume of global trade will rebound this year, coupled with the continued expansion of AI, high-speed computing, and other emerging business opportunities, will boost the momentum of the country's exports. In addition, emerging business opportunities such as AI and high-speed computing applications will continue to expand, which will boost the momentum of China's exports. The General Accounting Office forecasts that the economic growth rate will be 3.35% in 2024, and although the global economic and trade growth rate has slowed down, the domestic demand market for retail sales is still assessed to be strong, with an annual growth rate of 6.88%.

According to the Census and Statistics Department's "Profile of Retail Sales in 2023" (please refer to the table below), retail sales in FY2023 amounted to $4,576.0 billion, representing an increase of 6.88% from FY2022. The general merchandise retail sales accounted for 33.53% of the total retail sales, totaling $1,534.3 billion, and representing an annual growth rate of 9.27% in FY2023. Compared to other sectors, the Compared with other industries, the retail industry still showed a slow growth, while the retail of other general merchandise and the retail of automobiles, motorcycles, parts and accessories, and supplies showed the best results, with annual growth rates of 38.03% and 15.43% respectively.

Overview of Retail Industry Revenue in 2023

Industry	2023 annual revenue (NT$ billion)	2022 annual revenue (NT$ billion)	Annual growth rate (%)	composition ratio (%)	Historical annual ranking	The highest in history	
						Revenue (NT$ billion)	Period
Retail	45,760	42,815	6.88	100	1	45,760	2023
General retail	15,343	14,042	9.27	33.53	1	15,343	2023
Department store	4,492	3,946	13.83	9.82	1	4,492	2023
Supermarket	2,582	2,548	1.35	5.64	1	2,582	2023
Convenience store	4,126	3,821	7.98	9.02	1	4,126	2023
Retail vending	2,437	2,491	-2.19	5.32	3	2,491	2022
Other general retail	1,706	1,236	38.03	3.73	1	1,706	2023
Food, beverage and tobacco product retail	3,083	2,999	2.82	6.74	11	3,493	2006
Fabric and clothing accessory retail	3,846	3,494	10.07	8.40	1	3,846	2023
Household appliance and goods retail	2,066	1,970	4.87	4.51	14	2,677	2007
Pharmaceutical, medical supplies and cosmetic retail	2,245	2,146	4.64	4.91	1	2,245	2023
Stationery, education and recreational goods retail	859	831	3.40	1.88	14	1,082	2006
Building material retail	436	479	-9.08	0.95	17	525	2014
Fuel and related products retail	2,749	2,732	0.63	6.01	7	3,138	2013
Information and communication equipment and home appliance retail	2,601	2,736	-4.94	5.68	16	3,507	2007
Automobile, motorcycle and their accessories, supplies retail	7,872	6,820	15.43	17.20	1	7,872	2023
Other specialty retail	574	505	13.63	1.25	15	673	2012
Other non-store retail	4,086	4,062	0.58	8.93	1	4,086	2023
Online shopping and mail order	3,162	3,103	1.88	6.91	1	3,162	2023

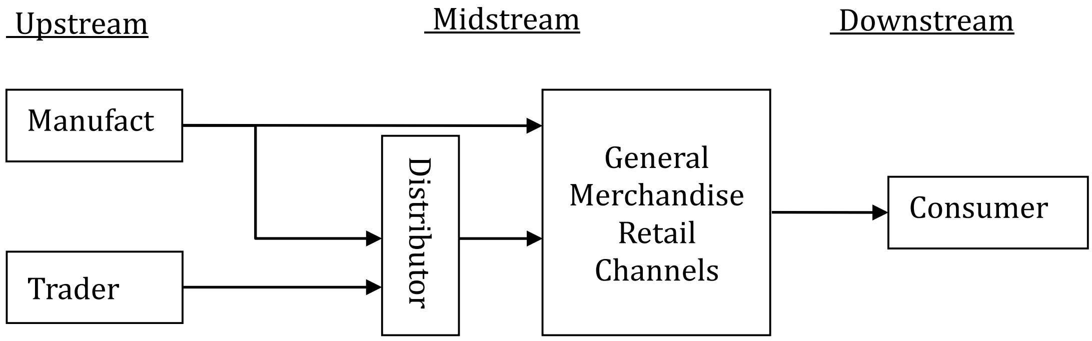
Source: Department of Statistics, Ministry of Economic Affairs

The Company is engaged in the retailing of consumer goods, of which the sales of FMCG products are the major business item, and the sales are generated from the immediate needs of consumers. However, after years of operation, the number of domestic supermarket or convenience store chains has increased year after year, and the proportion of supermarket and convenience store turnover in retail sales has also increased year after year. The COVID-19 contributed to the online shopping trend and the continuous optimization of online shopping platforms and their logistics construction, all of which had a certain impact on the revenue of physical retailers. The results of existing mass merchandisers, supermarket chains and convenience stores were affected to varying degrees. In recent years, as the original market for convenience stores is approaching saturation, and new stores opened in recent years are gradually penetrating into the community from the street level, the Company is facing intense competition in the retail market. The Company's management team continues to maintain a prudent management attitude and carefully selects the locations for store openings. In year 2023, 24 new stores were added and 22 stores were closed, resulting in a total of 812 stores opened under the Simple Mart brand as of the end of 2023, and the number of stores of the major operators in the supermarket chain industry in which the Company operates as of the end of 2023 is as follows:

Retail Brand	Simple Mart	PXMart	Carrefour	Funcom Supermarket
Numbers of Store	812	1,159	246	48

Resource: Nielsen IQ Taiwan Ltd.

B. Correlation among upstream, midstream, and downstream sections of the industry
The Company and subsidiaries procure goods through various methods, including direct purchases from brand manufacturers, indirect acquisitions via agents or distributors, or by outsourcing or commissioning production. We then utilize efficient in-house or outsourced logistics systems to transport the products to our retail outlets for end consumers to choose from. The relationships between our upstream, midstream, and downstream processes are as follows:



Industry	Upstream	Midstream	Downstream
Retail of consumer goods	Manufacturers, agents, distributors, and logistics service providers	Retail stores	End consumer

C. Various product development trends
In addition to continuing to provide freshly brewed coffee sales, the Company is gradually introducing various collection services to provide more convenience to community residents. Based on the Company's core competencies, the Company will continue to improve and adjust the contents of its merchandise, such as building an alleyway wine cellar from 2023 onwards, to continue to expand the sales of spirits, wine and other products. The Company also continues to enhance the various application functions of the APP, such as the introduction of transaction detail inquiry to facilitate members' understanding of the contents of transactions at Simple Mart stores and online, the introduction of pay-as-you-go service to facilitate consumers to collect cups of coffee or related merchandise across stores, and the continuous optimization of online group-buying and pre-purchasing functions to facilitate a smooth consumer journey.

D. Competition status
Due to the continuous increase of labor costs caused by the raise of the minimum wage, the retail industry is trending towards larger scale, chain stores, and product differentiation since the price cannot be proportionally increased. Large-scale operations allow for effective cost sharing, economy of scale, increased bargaining power, and lower procurement costs. Standardization of store-opening procedures through chain stores enables rapid store expansion and profit generation. Product differentiation helps find niche markets and maintain business profits in a fiercely competitive market. In addition to continuously developing its own products to lower costs and attract customers with high-quality goods and affordable prices, the

Company continues to seek high-quality products from various countries through self-importation to obtain low procurement costs and pass on the savings to consumers.

(3) Technology and R&D Overview

A. Technology level, research and development of the business

The Company adopts a multi-brand strategy, which extends beyond the traditional retail business of the Simple Mart brand. We have developed other brands such as "Simple Mart Plus" to enter the organic retail industry, and have also established the e-commerce brand Go Simple, actively venturing into the field of electronic commerce. In addition, we provide new retail services for corporate offices through Simple OFFICE Mart brands, which offer unmanned shelves with online payments via app, as well as online pre-orders for in-store pickup and OMO virtual-real integration for corporate group purchases. Through the integration of electronic commerce and OMO, we aim to increase overall revenue and enhance the frequency of visits and customer spending for our existing Simple Mart members. Furthermore, we have invested in Sanyou Drugstores. Ltd. acquiring a majority stake in 2022, and plan to increase product diversity by introducing nutritional and healthcare products into Simple Mart. Alongside our diverse brand operations, we are continuously researching and developing the following areas to enhance customer relationships.

a. Electronic Ordering System

The Company's core brand, Simple Mart, operates as the community micro-supermarket, with a wide range of products that require a significant amount of time and effort to accurately complete daily ordering and replenishment operations. Through our self-developed electronic ordering system, based on historical sales data, store inventory levels, product delivery cycles, and promotion periods, we calculate the optimal order quantity to effectively assist and improve the efficiency of store personnel's ordering operations, achieving effective inventory management and reducing the risks of stockouts and inventory backlogs. However, due to the rapidly changing retail environment, such as the popularization of delivery services that break down the boundaries of retail circles and make product sales more difficult to predict, or unstable seasonal temperatures or changing weather conditions, may result in stockouts and impact the Company's performance. Therefore, the Company continues to adjust relevant parameters to adapt to changing environmental factors. The Company has continuously invested in the demand forecasting system. Under the premise that stores will not run out of stock, the Company uses artificial intelligence to estimate the impact of various factors on the ordering of goods by stores, which reduces the pressure on the inventory of stores and the increase in capital costs due to the backlog of inventory.

b. Analysis of Consumption Data

Since the Company's establishment, we have accumulated years of consumer shopping information. By establishing a data warehouse and combining it with information reporting tools, we analyze the distribution of members, sales of different categories, regional consumption characteristics, and consumer behavior labels of each store to grasp the consumption profile of our core customers. With this knowledge, we provide the necessary products and services and flexibly design various marketing activities to meet the expectations of our customers. In the future, the Company plans to introduce even more efficient data analysis tools to assist in making informed operational decisions.

B. R&D staff and their academic experience

The Company primarily engages in the retail of daily consumer staples and does not have a dedicated research and development department. However, the domestic market for chain convenience stores and large supermarkets has been established and developed for many years, with leading companies already enjoying economies of scale. As a result, the competition within the industry is fierce, and companies are continuously developing new products and value-added services to enhance their competitiveness. Therefore, the Company conducts market research, analyzes consumer feedback through the customer service department, performs data analysis, and develops our own brand products to continue meeting the needs and preferences of consumers. We are committed to providing comprehensive retail services that offer differentiated value through both online and offline channels.

C. R&D expenses and successful technologies or products developed in each of the last five years

Year	Success in developing technologies and products
2019	Simple Mart has penetrated the target audience of desk jockey in commercial buildings, and has developed an easy and fast self-service store, the "Simple OFFICE Mart", to sell mainly beverages, snacks, and instant noodles. This is accompanied by the Simple Mart Retail's "Simple CITY App", which provides real-time ordering and meal reservation functions. Customers can scan the products and make payments through credit card authentication or mobile payment, and pick up their purchases at their convenience. Since April 2019, the Simple Mart has launched its LINE electronic membership service, providing customers with the ability to check their bonus points and enjoy direct discounts through their mobile phones, replacing the previous process of presenting a membership card for discounts. The purchasing power of members has also increased by 30% compared to non-members, and exclusive offers have been continuously provided to bound members to enhance customer relationships.
2020	Optimizing the automated restocking system, the system will automatically calculate the recommended daily restocking quantity based on parameters such as historical sales volume, inventory level, and safety stock level, and assist store personnel in placing orders. This will significantly reduce the time spent on manual restocking operations and lower the rate of out-of-stock products, thereby enhancing the stability of the product supply. In December 2020, an updated version of the Simple Mart LINE electronic membership was released, which simplified the process of linking physical membership cards with electronic membership. New members who join the program can have their membership activated immediately after payment is made at the store, and are able to enjoy membership benefits. Furthermore, the LINE official account has expanded its digital tagging functionality to record customer digital activity, providing a basis for precise marketing and enhancing customer loyalty.
2021	Incorporating resources from the group's cosmetics business unit, the experimental stores of Simple Mart are now selling health, skincare, and personal hygiene products. Staff shopping system: Integrating the human resources system with the staff shopping system, which allows employees to enjoy shopping discounts according to welfare policies; in the future, it will also be recommended to major enterprises as one of the employee welfare programs.
2022	Merge the APP function of the existing convenience store to develop " Simple Mart" APP, which not only strengthens the online shopping experience, but also digitizes pre-purchase and group-buying services, and introduces the intelligent logistics system for goods, breaking through the distance of the physical store's local services, diversifying services, and bringing a new shopping experience

Year	Success in developing technologies and products
	that is more Simple and convenient for the consumers.
2023	Integration of Shopee e-commerce platform delivery and pickup system, allowing customers to send and pick up e-commerce platform packages at Simple Mart and Shopee cooperating stores, thus expanding the store's service offerings. Integration of the delivery platform system, which regularly updates the products available for sale in stores on the delivery platform, so that customers can purchase the products they need and have them delivered to their homes in real time through the delivery platform, thus enhancing the convenience of shopping. The inter-store batch pickup system provides customers with the ability to make multiple purchases and enjoy price concessions, while also enhancing shopping convenience and saving customers' time and storage space through inter-store batch pickup. Develop a demand forecasting system to enhance the accuracy of store ordering.

The Company operates in the retail industry and does not invest in product development, thus there are no relevant research and development expenses.

(4) Long-term and short-term business development plans

A. Short-term plan

a. Implementing flexible and diverse marketing activities to stimulate customers to visit the store and make purchases.

b. Actively managing various social media and media outlets to communicate with customers about featured products and the latest promotional activities of Simple Mart.

c. Increasing the proportion of frozen and fresh products for sale and creating a neighborhood food bank to become the most trusted retail brand for consumers.

d. Continuously cooperating with delivery platforms to expand the service area, attract new customers, and increase revenue.

e. Adjusting the frequency of product shelving to cater to consumer needs.

f. Conducting regular consumer surveys based on consumer demands and tracking the improvement status.

g. Continuously renovating stores to provide clean, bright shopping spaces and necessary products.

h. Integrating procurement and logistics operations of subsidiary Sanyou Drugstores. Ltd. to improve the overall supply chain efficiency and effectiveness.

i. Continuously optimizing the Simple Mart application to provide customers with an OMO virtual-real integration shopping experience.

j. Introduced the "Alleyway Wine Cellar", a dedicated wine rack offering a wide variety of wine choices.

k. Expansion of pet-related products to meet the business opportunities for furry children.

B. Long-term plans

a. Scale Expansion:

The Company will continue to expand its business locations and expand its economy of scale to increase its turnover. Furthermore, the Company will enhance the bargaining power with suppliers by scaling up the procurement, strengthening its price competitiveness, and returning the profits to consumers. In addition to opening its own shops, the Company also does not rule out the possibility of merging with existing retail channels to rapidly expand its scale.

b. Increase the proportion of franchise:

The Company not only attracts aspiring partners in the retail business, but also encourages outstanding employees to participate in franchise opportunities. By increasing the proportion of franchises, we can accelerate store expansion and improve the performance and efficiency of each location, creating a win-win situation.

c. Increase the Proportion of Differentiated Products:

The Company not only sells well-known domestic brand products to consumers, but also continuously introduces unique products, including our own brand and imported goods, to attract customers, increase customer loyalty, and avoid being dragged into a price competition, ensuring our pricing image and stable profits.

d. Optimization of Logistics Management

The Company is continuously enhancing the overall efficiency of the supply chain and reducing unnecessary waste and scrap through the use of automated equipment and the introduction of logistics optimization systems. In addition, we are actively find a second logistics center to prepare for the continued expansion of our operations and to help mitigate risk.

e. Management of Membership

The Company is committed to the integration of online and offline business through the introduction of an APP, with physical stores as the core and supplemented by pre-ordering, group buying, Go Simple, and Simple OFFICE Mart and other e-commerce services. By integrating various digital tools, we aim to break the limitations of store area and business district size and create a shopping space that can meet consumer needs anytime, anywhere, with value for money, and satisfy consumers' various life needs, becoming a virtual shopping center in the community. In addition, we are adjusting our membership system to ensure that every dollar spent by members creates loyal value.

f. Talent Development and Retention

The Company is committed to continuously improving the quality of service provided by our in-store staff and their overall store management capabilities. This includes enhancing their knowledge of various products and sales promotion techniques. Furthermore, we are constantly cultivating our management team by offering various job-related training to increase the proportion of permanent staff and reduce staff turnover. This will help to build a pool of talented individuals who will contribute to the long-term sustainable development of the Company.

2. Market and Production Overview

(1) Market Analysis

A. Sales territory of the Company's main products

The Company and its subsidiaries primarily operate in Taiwan, with 100% of the revenue generated from domestic sales in this region.

B. Market Share

As of the end of 2023, the Company has more than 30% of the number of stores compared to similarly sized chain supermarkets, making us one of the major chain store operators in Taiwan. In the future, we will continue to expand our store network and increase our market share through various differentiated products and improved consumer experiences.

C. Future market supply and demand and growth

The core brand of the Company, Simple Mart, is mainly engaged in the retail of products such as tobacco, alcohol, and food, with roughly half of its revenue coming from household demand and half from personal demand. In response to rising prices, the Company expects to see continued growth in the retail business from this type of household demand as consumers become more willing to cook at home. As convenience stores have continued to open in recent years, convenience store or supermarket operators are expected to set up locations in new metropolitan areas, and traditional individually-operated grocery stores will gradually transform into chain store formats, all of which will help smaller chain supermarkets and convenience stores like Simple Mart to expand their stores.

D. Niche Marketing

Unlike other supermarkets or convenience stores, the Company has chosen to sell supermarket products for our customers at convenient distances, specifications, and prices to meet the daily needs of our neighbors. Our product selection positioning and store location development are critical factors in our business operations. All of our stores are operated through leasing, resulting in lower operating costs. Through years of experience in store management and product selection, we provide a comprehensive and convenient shopping environment. We conduct detailed evaluations and planning for business districts, market research, personnel training, and target markets. As a result, we can grasp the consumer groups of our main customers, creating stable business performance and establishing our market position. The Company's business model is between a large supermarket and a small convenience store chain. By positioning ourselves close to our customers' homes, we provide a convenient shopping experience while also offering essential household items at supermarket prices.

In recent years, the labor market has faced a shortage of workers, and retail catering industries have been struggling with labor shortages. Compared to other supermarkets in the industry, the Company's positioning as a micro-supermarket with fewer product offerings and lower capital expenditures, coupled with a community-friendly operating schedule that does not require 24-hour operations, does not pose a high barrier for those who wish to join the business. This helps to increase the proportion of franchisees and reduces the pressure of labor shortages, which in turn aids in expanding our business locations.

E. Advantageous and disadvantageous factors for development prospects and response measures

a. Advantageous factors

(a) The change of people's consumption habits

Although the COVID-19 pandemic is gradually easing and government prevention policies are becoming more relaxed, the habits formed during the pandemic for home cooking and increased health consciousness continue to drive growth in various household cooking needs. Furthermore, with inflation causing people's real incomes to stagnate or decline, consumers are becoming more cost-conscious and scrutinizing their spending, which benefits the promotion and sales of the Company's affordable, high-quality products. Furthermore, with the advancement and widespread use of communication and smart mobile devices among all age groups, along with the proximity of Simple Mart and their focus on selling basic household necessities, new business opportunities for meeting changing consumption habits and the popularity of communication tools are inevitable. In response to this new market niche, the Company will continue to provide goods and services that closely align with consumer needs. We will expand our imported and proprietary product categories, continue to increase the number of stores that sell freshly brewed coffee, add in-store package delivery and pickup services, and flexibly introduce frozen and fresh products based on the characteristics of the surrounding commercial district. By continuously optimizing our products and services, we aim to increase consumer loyalty to Simple Mart, making us the most trusted retail brand for consumers.

(b) Make Simple Mart the final destination for online shoppers by offering convenient locations near homes

Simple Mart has deeply penetrated into the community, and compared to other supermarkets and convenience stores in the industry, it is closer to home. Since the end of 2021, the Company has collaborated with Shopee, which means officially entering the realm of in-store pick-up and delivery services. Apart from directly contributing to income through service fees for package pick-up and delivery, it has also attracted younger demographics who previously did not frequent shop in Simple Mart stores. In the future, we will continue to coordinate with product promotions and expand into various types of e-commerce platforms, seizing new business opportunities in online shopping and becoming a new choice for sellers to send packages and consumers to pick up online purchases, thus bridging the last mile gap for e-commerce operators.

b. Disadvantageous factors

(a) Due to the constant rise in labor costs and the difficulty in recruiting and training talent, as well as changes in labor regulations, it has affected the progress of opening new stores.

Company’s Response:

In recent years, there has been a severe shortage of manpower in Taiwan, especially in the retail and catering industries with high staff turnover rates, which has increased various hidden costs such as education and training. In the future, the Company will continue to recruit talents through recruitment advertisements, internships or educational cooperation with local colleges and universities, and participate in various public or private recruitment activities to select suitable candidates to solve the problem of manpower shortage, furthermore, we will continue to adjust employee welfare systems. Moreover, we will continue to adjust employee welfare systems, not only by adjusting employee salaries, but also by using digital tools to improve employee learning willingness and efficiency. We will also enhance the brand image of Simple Mart in the hearts of consumers and employees to facilitate future talent recruitment In addition, the Company will continue to increase the proportion of franchisees to mitigate the impact of labor shortage on the opening of new stores.

(b) High homogeneity and substitutability of goods have led to intense competition and price-cutting competition among industry peers.

Response measure:

It seems that the Company is facing increasing competition due to the saturation of the convenience store and supermarket markets. To address this challenge, the Company has made several adjustments to its business strategy. For example, the Company is improving its product mix by offering more products that cater to the needs of small households for home-cooked meals after the pandemic. The Company is also introducing internationally recognized brands to its product mix. Additionally, the Company is expanding its service offerings to increase customer frequency, such as expanding its frozen and fresh food offerings, adding freshly brewed coffee, and providing parcel delivery services. These initiatives are aimed at improving the productivity of each store.

The Company has been deepening our membership management and actively attracting new consumers to join our membership through various marketing activities. Through our everyday membership discount, we aim to increase membership loyalty. This year, we have made several modifications to our membership system, including a 3,000-point welcome gift for new members, 10,000 bonus points for a single purchase over $200 during the member's birthday month, a points system where every $1 spent earns 1 point with no upper limit for redemption (300 points can be redeemed for $1), and doubling membership points for selected products during promotional periods. These changes are expected to increase the frequency of member visits and their average spending per visit.

(2) Major uses and production process of the primary products

A. Major uses of the primary products: Providing retail sales of general household goods and foodstuffs and various innovative services.

B. Production process: Not applicable.

(3) Main raw material supply status: None.

(4) List of vendors (customers) that account for more than 10% of total purchases(sales) within either of the last two years, their purchase amount and ratio, and reasons for changes in this amount and ratio

A. List of vendors that account for more than 10% of total purchases within either of the last two years

Unit: NT$ thousand

Item	2022				2023			
	Supplier	Amount	Net purchases ratio for the year (%)	Relationship with the Issuer	Supplier	Amount	Net purchases ratio for the year (%)	Relationship with the Issuer
1	TTL	1,904,064	17.69	Unrelated party	TTL	1,642,185	16.12	Unrelated party
2	A Company	1,226,384	11.40	Unrelated party	A Company	1,120,160	11.00	Unrelated party
	Others	7,631,156	70.91		Others	7,425,028	72.88	
	Net Purchases	10,761,604	100.00		Net Purchases	10,187,373	100.00	
Explanation of major changes in purchases: No significant changes								

B. List of customers that account for more than 10% of total sales within either of the last two years

The Company operates in the retail industry of daily necessities, with our products mainly targeting the general public. We have no major customers who account for more than 10% of our total sales.

(5) Production quantity and value in the last two years: The Company is mainly engaged in the retail business of household goods; thus, it is not applicable.

(6) Sales quantity and value in the last two years:

Unit: NT$ thousand

Primary Product	Domestic sales value (Note 1)				Export Value (Note 1)			
	2022		2023		2022		2023	
	Sales Amount	Ratio	Sales Amount	Ratio	Sales Amount	Ratio	Sales Amount	Ratio
Tobacco and Alcohol Sales	5,884,643	41.49	5,841,983	41.60	-	-	-	-
Food Sales	5,765,340	40.65	5,822,697	41.47	-	-	-	-
Other Sales	2,533,520	17.86	2,377,234	16.93	-	-	-	-
Total	14,183,503	100.00	14,041,914	100.00	-	-	-	-
Analysis of changes in the past two years: No significant differences								

Note 1: The Company operates in the retail industry of daily necessities, with 100% of the products sold domestically. In addition, due to the diverse range of products sold and the varying unit quantities, it is not possible to provide consistent quantity statistics.

3. Number of employees in the last two years and as of the printing date of the publication of the annual report

Year		2022	2023	As of March 31, 2024
Number of employees(p)	Full-time	2,314	2,177	2,109
	Part-time	1,610	1,725	1,745
	Total	3,924	3,902	3,854
Average age (years)		32.92	33.60	33.85
Average length of service (years)		2.99	3.14	3.24
Academic Distribution Rate (%)	Doctor	0	0.05	0.03
	Master	0.97	0.71	0.93
	Bachelor	62.08	61.13	61.39
	High school	35.24	36.26	35.93
	below high school	1.70	1.84	1.71

4. Environmental protection expenditures

In the most recent year and as of the printing date of this annual report, if the Company has suffered losses due to environmental pollution (including compensation, environmental protection inspection results, and relevant penalties), it shall disclose the estimated amount of current and future losses and the corresponding measures. If it is impossible to make a reasonable estimate, the Company shall explain the factual reasons for such inability: None.

5. Employer/employee relationship

The various employee welfare measures, training programs, retirement systems, and the implementation status of agreements between labor and management, as well as measures for safeguarding employee rights, are listed as follows:

(1) Employee Benefit Programs

A. On July 14, 2017, the Company established the Employee Welfare Committee under the letter no. 10635848300 issued by the Department of Labor of Taipei City. The Employee Welfare Committee is composed of representatives elected by both labor and management, who work together to promote employee welfare and well-being. Regular activities are organized by the EWC to address the needs of our employees' physical and mental health development.

B. Regularly organize labor-management meetings for all employees to participate in the Company's policies and have a channel to express their opinions and raise their needs.

C. With the concepts of employee safety and gender work harmony and equality, the Company has set up a labor safety and health management office, which regularly conducts labor safety education and training courses, sets up occupational safety and health codes of practice, and implements self-monitoring.

D. To ensure the health and well-being of our employees, we have dedicated nurses who provide health advice, manage employee health, and prevent occupational diseases. Maternal protection is also a key concern of the Company. In addition to providing lactation rooms for female employees, we also collaborate with nearby daycare centers to offer employees with childcare needs more options.

E. Safeguard gender equality at work, set up sexual harassment prevention policy with a complaint hotline 3385 (Mercury Help Me) to receive employee complaints, and strive to enhance a favorable working environment and atmosphere.

(2) Diverse employee welfare programs

A. Employee benefits: Free membership for joining the Simple Mart, employee shopping discounts, special offers from partner stores for food, clothing, housing, transportation, and entertainment, insurance discounts for employees and their dependents.

B. Activities benefits: Year-end party/spring banquet, club activity subsidies, employee health check subsidies, employee travel subsidies, travel subsidies for senior employees.

C. Allowances and awards: Mobile phone subsidies for some job positions, subsidies for weddings/funerals/celebrations, employee maternity subsidies, performance bonuses, year-end bonuses, Dragon Boat Festival/Mid-Autumn Festival and other holiday gifts, birthday gifts.

D. Various subsidies: Mobile phone subsidies for some job positions, subsidies for weddings/funerals/celebrations, employee maternity subsidies, disaster subsidies, medical subsidies.

E. Emergency relief funds.

F. Facility benefits: Nursing room, free coffee at the employee coffee bar at the headquarters.

G. To build a high-quality culture and foster a shared sense of teamwork, a quarterly publication called "Delight" is published to share organizational information and help employees understand the Company's vision, goals, cross-departmental activities, and talent development.

H. Talent development: Plan and implement a complete education and training system, promote online learning platforms to enhance employees' learning efficiency and effectiveness, and promote team development in terms of project and organizational management skills to ensure sustainable talent development. At the same time, promote labor safety and food safety-related training to take care of employees' health and customers' rights.

(3) Occupational Safety and Health Measures

A. Establish an occupational safety and health organization: Hold a quarterly occupational safety and health committee to review and coordinate occupational safety and health matters.

B. Appoint occupational safety and health personnel: One manager in charge of type A occupational safety and health matters, one type A occupational safety management engineer, and one type B occupational safety and health management officer are responsible for planning, implementing, and supervising occupational safety and health matters. The Company has reported to the Taipei City Government.

C. Develop safety and health policies:

a. Compliance with occupational safety and health regulations: Comply with relevant safety and health regulations, implement occupational safety and health management to prevent occupational accidents and diseases.

b. Strengthen training and communication: Strengthen communication skills through education and training, enhance the correct concept and consensus of all employees, and shape a high-quality occupational safety and health culture.

c. Implement gender equality: Care for the physical and mental health of all employees, maintain a safe and healthy workplace with gender equality, and fulfill corporate social responsibility.

d. Continuously improve performance: Cooperate with the current situation of the organization and revisions of laws and regulations, and continuously improve occupational safety and health management performance through Plan-Do-Check-Act (PDCA).

D. Plan and implement occupational safety and health measures:

a. Conduct regular automatic checks at headquarters and stores (quarterly for company vehicles and annually for low-voltage electrical equipment).

b. Environmental monitoring: Measure air carbon dioxide concentration and illumination in work areas (once every six months, On March 3, 2023, a total of 25 points were tested, and on September 8, 2023, a total of 25 points were tested, and a total of 50 executions were performed, all of which were below standard values) and the quality of drinking water (once per quarter, 4 times were tested in 2023, all of which met the standard value).

c. New employee safety and health education and training: 15 sessions were held in 2023.

d. Emergency response and evacuation drills: On November 3, 2023, an office escape drill was held, in which the office staff immediately got up and assembled at the designated outdoor location upon hearing the fire alarm, so as to enable the staff to master the escape routes and skills.

e. First aid personnel certification for stores: As of December 31, 2023, four licenses were obtained (including direct and franchise stores).

f. Class-3 manager of Occupational safety and health affairs certification for stores: As of December 31, 2023, total of 11 certifications were obtained (including direct and franchise stores).

g. Establish an emergency response plan: To ensure colleagues remain calm and protect themselves and others in case of emergency.

h. Establish an operational environment monitoring project: Plan the monitoring items and frequency of the work environment according to the Laboratory Methods in Workplace Monitoring to understand the trend of changes in the working environment.

i. Organized physical courses on occupational safety and health for newcomers. In 2023, a total of 110 courses were held with 771 participants.
The total number of online courses on occupational safety and health for all employees will be 23,431 minutes of online e-book reading and 3,479 viewers in 2023.
The physical and online courses included topics related to general occupational safety and health management, sexual harassment and workplace bullying prevention.

j. Safety and health audits of stores and logistics: quarterly, divided into administration, machinery and equipment, and workplace safety and health. in April 2023, a safety and health audit was conducted for the Taipei and New Taipei store, and in August and September, a safety and health audit was conducted for the logistics area.
k. Future plans:
(a) OSH 45001 System Import

(4) Health Care

A. Healthcare: Employees are covered by group accident insurance and medical insurance from their first day of work. In addition, the Company provides subsidies for on-the-job health checkups and promotes self-health management through the "Health Passport" program, employee-exclusive e-newsletters, and health education lectures.

B. On-the-job health checkup: In accordance with labor health protection rules, we provide general health checkups for employees every year, and qualified store personnel can go to contracted health checkup centers for meals and health checkups for employees; headquarters personnel can arrange for health checkup centers to come to the Taipei headquarter office for statutory health checkups. 689 people were examined in 2023.

C. Implementation of Health Care and Consultation:

a. Physician: Since 2019, we have introduced physician health services (once every three months), providing one-on-one health consultation services. In 2023, a total of 17 people received the service.
b. Nurse: We have set up one nurse to manage and care for employee health, and established a mechanism to promote health management. We conduct health classification management, abnormal correction tracking, and individual case follow-up management for employees with abnormal health examination results.
c. Promoting occupational disease prevention and special object health protection mechanisms: We have established a system for protecting maternal health, preventing human factor hazards, workplace violence, overwork, and other mechanisms.
d. Providing a quality breastfeeding room
e. Health service promotion and implementation:
(a) Health Passport: Based on the needs and characteristics of employees, we have established a health service plan that emphasizes self-management of health and work-life balance. Under the framework of Health Passport, we have designed a variety of health activities, including health check plans, health knowledge, and mental growth programs.
(b) Health seminars: 2023 Due to the impact of the epidemic, no seminar will be organized to avoid gathering of people.
(c) Health Promotion Activities: In line with the Group's sustainable management plan, the Company organized the Mercury Cup Road Run Charity Road Race on October 29, 2023, in which a total of 2,385 people, including the Company's employees, participated

A. Future Plan:
a. Health talks are organized from time to time.
b. Friendly Enterprise DEI "Diversity, Equity and Inclusion" Diversity and Inclusion Workplace Promotion

(5) Offering internal entrepreneurial opportunities

The company and its subsidiaries prioritize continuous talent acquisition and employee development to enhance professional competencies, create higher corporate value, achieve operational performance, and promote future growth. To achieve this goal, the company and its subsidiaries have established a comprehensive education and training framework in accordance with the functional system, and arranged job rotations for career planning to encourage employees to engage in diverse learning and self-improvement. In addition, internal entrepreneurship opportunities are provided, and employees who excel are encouraged to join the commissioned franchise program, with benefits such as lower franchise fees or installment payments, with the aim of growing together with the company.

(6) Continuing education and training and its implementation status

The Company and its subsidiaries are committed to the development of a learning organization. Based on the functions of the organization and the functional needs of each position, the Company plans both physical courses and online e-book training, including general knowledge functions, newcomer training, professional skills, basic supervisors, middle-level supervisors, and senior supervisors, etc. The courses cover a full range of subjects, including corporate governance, risk management, store operations, store management, merchandise knowledge, merchandise category planning, public works, marketing, data analysis, human resources operations and management, and departmental training. Management, data analysis, personnel operations and management, and training of subordinates.

In total, in 2023, there were 1,409 attendances of pre-service training for physical courses, 3,170 attendances of on-the-job training, 6,493 total classroom hours, and 34,629 total man-hours; and in 2023, there were 82,755 attendances of on-the-job training for on-line courses, and 11,034 total man-hours, for a total training expense of NT$5,123 thousand for the combined training of the physical and on-line courses.

(7) Retirement system and its implementation

In accordance with Article 67 of the Company's Employment Regulations, the Company shall apply the provisions of the Labor Pension Act to the employees' pension benefits, and the Company shall contribute 6% of the employees' monthly wages to the employees' individual pension accounts; employees may also voluntarily contribute up to 6% of their monthly wages to the employees' pension accounts, and the portion of the employees' voluntary contributions may be deducted from the total amount of the comprehensive income of the employees in the current year.

In accordance with the law, the Company establishes a special account for the labor retirement reserve for foreign employees (workers of nationalities other than those listed in Article 46, Paragraph 1, Sections 8 to 10 of the Employment Service Law) and contributes 2% of their salaries and wages on a monthly basis to the labor retirement reserve.

(8) Agreements between labor and management and various measures for protecting employees' rights and interests

The Company and its subsidiaries adhere to the Labor Standards Act and have established an employee's welfare committee where employees can communicate with the Company through the committee regarding issues related to the Company's system and working environment. As of the printing date of the annual report for the most recent year, labor relations are harmonious and there are no labor disputes that need to be coordinated.

(9) List any losses suffered by the Company in the most recent fiscal year and as of the publication date of the annual report due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the substance of the legal violations, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided:

In the most recent year and as of the printing date of the annual report, the Company has not suffered any significant losses from violations of the Labor Standards Act or any labor disputes.

6. Cyber security management

(1) Cyber security risk management framework and policies:

A. Corporate information security governance organization

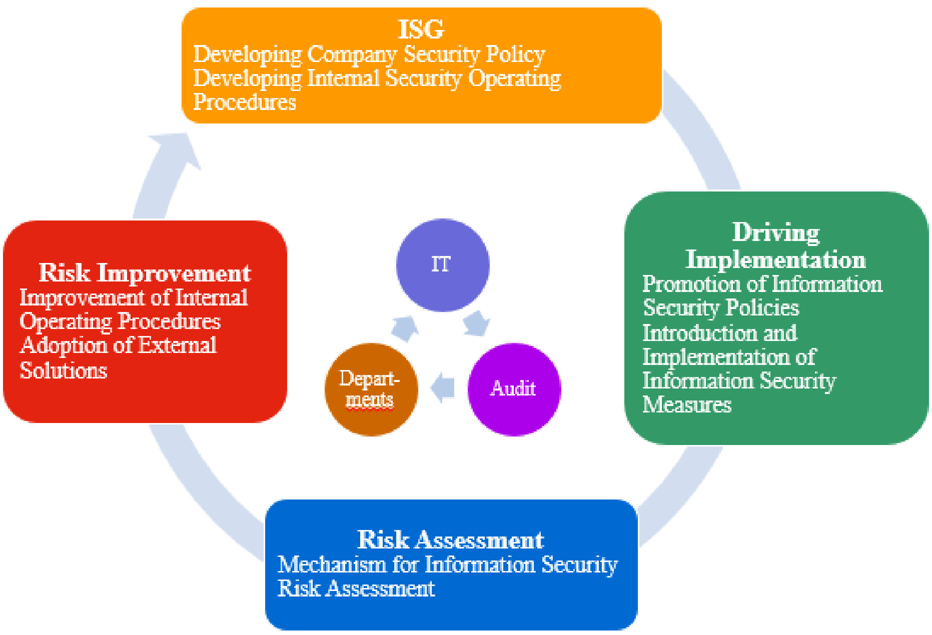
In order to safeguard the Company's competitive advantage and valuable intellectual property, the Company has established the "Information Security Management Dedicated Unit" in 2023, which will be staffed with a dedicated information security manager, a dedicated information security officer, and two information security contractors, totaling four persons, to ensure the operation of the information and communications security management system, and to establish information security management policies to strengthen the Company's information security management, to ensure the security of information, systems, equipment, and networks, and to comprehensively enhance information security awareness and protect the rights and interests of the Company and all employees. We have also formulated information security management policies to strengthen our information security management, ensure data, system, equipment, and network security, protect the rights and interests of the Company and all employees, and enhance the overall awareness of information security. In order to ensure that the operational risks of the relevant information systems can be effectively controlled, the "Information Security Management Specialized Unit" convenes at least once a year to review the information security operation and may convene an interim meeting if necessary, and in the recent year, it has already reported to the Audit Committee and the Board of Directors the implementation status of the information security risk management and the projected items to be implemented in 2024 on December 15, 2023 and December 22, 2023, respectively.

B. Cyber security risk management framework

a. The information security authority of the Company is the information unit, which is responsible for planning and implementing the security of data center, computer information file, network security, email security management, information system control access, and promoting information security awareness.

b. The Audit Department of the Company serves as the supervisory and auditing unit for information security. In the event of any deficiencies discovered during an audit, the audited unit is required to submit a related improvement plan to the Board of Directors and the progress of the improvement is regularly tracked to reduce information security risks.

c. The organizational operation mode follows a PDCA (Plan-Do-Check-Act) cycle management approach to ensure the achievement of reliability objectives and continuous improvement.



(2) Cyber Security Policy

A. Goals of Cyber Security:

To ensure the effective implementation of various information management systems in the Company, and to establish a secure and reliable computerized operating environment, we strive to maintain the security and operation of information systems, equipment, and networks. This is to safeguard the interests of the Company and to achieve sustainable operation of various information systems, in line with our goal of sustainable business operations.

B. Scope of Cyber Security:

- Personnel management and information security education training
- Computer system security management
- Network security management
- System access control
- System and maintenance security management
- Information asset security management
- Physical and environmental security management
- Information security audit

C. Principles and standards of information security:

a. non-regular information security awareness training is conducted to educate employees on the importance of information security, relevant laws and regulations, operating procedures, security incidents, and correct usage of information technology facilities. This helps to increase awareness of potential security risks and encourages employees to comply with information security regulations.

b. To prevent information systems and files from being infected by computer viruses, measures should be taken to detect and prevent computer viruses. For intrusions and malicious attacks, an active intrusion detection system should be established to ensure the requirements of computer data security.

c. To prevent significant incidents such as natural disasters or human-caused events from interrupting critical information assets and key business or communication systems, a policy for information system sustainability should be established.

D. Information security management measures

Item	Management Measure
Authority Management	Measures for managing personnel accounts, access rights, and system operations: ● Management and review of personnel account access rights. ● Regular inventory of personnel account permissions.
Access Control	Control measures for personnel access to internal and external systems, and data transmission channels: ● Connection access between internal networks, DMZ segments, test segments, and external networks is secured through firewall control. ● User web behavior is regulated using an automated web protection system. ● Automatic filtering of websites potentially linked to trojans, ransomware, or malicious programs during user web access.

Item	Management Measure
External Threats	Potential vulnerabilities, infection channels, and protective measures: ● Use antivirus software with automatic virus definition updates to reduce the risk of infection. ● Regular updates for software and operating systems. ● Automatic email threat scanning for protection against unsafe attachments, phishing emails, spam, and malicious links.
System Accessibility	Measures for system availability and handling service interruptions: ● Regular inspection, adjustment, and optimization of critical information systems by professional consultants. ● Important departmental files stored on servers with centralized backup and preservation by the IT unit. ● Daily backups set up for critical information system databases. ● Periodic disaster recovery exercises conducted.
Network, System Security	● Professional security experts are commissioned to perform internal security clinics from time to time; review the internal network architecture and malicious activities, user computers and server hosts to improve malicious activities, and improve the security of the enterprise's internal network and system.
Application Security	● External service platforms commission professional security vendors to conduct website vulnerability scanning and penetration testing. ● Web Application Firewall (WAF) is introduced to continuously strengthen the application security control mechanism.
Education, Training and Advocacy	● Enhance staff's alertness to email attacks and conduct regular social engineering drills to raise their awareness of information security.
Information Collection	● Join the "Taiwan CERT/CSIRT Information Security Alliance" for information exchange on information security.

(3) Major Cyber Security Events:

List any losses (ex. effect on the) suffered by the Company in the most recent year and as of the printing date of the annual report due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None.

7. Important Contracts

The contracting parties, major content, restrictive clauses, and the commencement dates and expiration dates of supply/distribution contracts, technical cooperation contracts, engineering/construction contracts, long-term loan contracts, and other contracts that would affect shareholders' equity, where said contracts were either still effective as of the date of publication of the annual report, or expired in the most recent year.

Contract Type	Counterparty	Contract Start and Ending Dates	Content	Restrictive Clause
Purchase Contract	TTL	2024.1.1~2024.12.31	Purchase tobacco and alcohol products	None
Engineering contract	Fu Tai Construction Co., Ltd	2023.10.25	Taoyuan Guanyin Warehouse Construction	None
Franchise contract	Franchisee	Join period	Franchise contract	None
Loan Contract	Taishin International Bank Co., Ltd.	2023.5.30~2024.5.31	Short-Term Loan	None
Loan Contract	E.SUN Commercial Bank, Ltd.	2023.10.4~2024.10.4	Short-Term Loan	The shareholding ratio of Mercuries & Associates Holding, Ltd. in the Company must be maintained at 51% or above.
Loan Contract	DBS Bank Ltd	2024.1.18~2025.1.17	Short-Term Loan	None
Issuance of commercial paper	Mega Bills Finance Co., Ltd	2023.2.16~2024.2.15	Issuance of commercial paper	None
Issuance of commercial paper	Ta Ching Bills Finance Corporation	2023.8.15~2024.8.15	Issuance of commercial paper	None
Issuance of commercial paper	Grand Bills Finance Corp.	2023.4.27~2024.4.26	Issuance of commercial paper	None

VI. Financial Overview

1. Five-year financial summary

(1) Consolidated Condensed Balance Sheet and Condensed Statement of Comprehensive Income

A. Consolidated Condensed Balance Sheet

Unit: Thousand NT$

Item \ Year		Financial Summary for The Last Five Years					As of the printing date of this annual report
		2019	2020	2021 (Note 2)	2022	2023	Year as at March 31, 2024
Current assets		2,016,233	2,041,663	2,672,554	2,671,329	2,809,491	As of the publishing date of the annual report, there has not been any financial information certified or audited by the certified public accountant.
Property, Plant and Equipment		1,342,991	1,339,308	1,362,960	1,240,694	1,143,414	
Intangible assets		50,914	37,023	24,221	19,171	21,989	
Other assets		1,601,881	1,681,536	1,817,551	1,811,811	1,905,795	
Total assets		5,012,019	5,099,530	5,877,286	5,743,005	5,880,689	
Current liabilities	Before distribution	2,553,177	2,493,147	2,489,507	2,521,217	2,545,858	
	After distribution	2,591,086	2,656,916	2,664,560	2,570,492	(Note 3)	
Non-current liabilities		1,283,402	1,285,977	1,388,069	1,362,797	1,442,493	
Total liabilities	Before distribution	3,836,579	3,779,124	3,877,576	3,884,014	3,988,351	
	After distribution	3,874,488	3,942,893	4,052,629	3,933,289	(Note 3)	
Equity attributable to shareholders of the parent		1,175,440	1,320,406	1,905,682	1,795,108	1,845,410	
Capital stock		600,000	600,000	675,000	675,000	675,000	
Capital surplus		511,664	537,938	992,115	1,001,300	1,001,300	
Retained earnings	Before distribution	63,776	207,833	238,567	118,808	169,100	
	After distribution	25,867	44,064	63,514	69,533	(Note 3)	
Other equity interest		-	-	-	-	-	
Treasury stock		-	(25,365)	-	-	-	
Equity attributable to former owner of business combination under common control		-	-	94,028	-	-	
Non-controlling interest		-	-	-	63,883	46,928	
Total equity	Before distribution	1,175,440	1,320,406	1,999,710	1,858,991	1,892,338	
	After distribution	1,137,531	1,156,637	1,824,657	1,809,716	(Note 3)	

Note 1: The above financial information has been audited and certified by the accountant.

Note 2: On April 14, 2022, the company acquired a 6% stake in Sanyou Drugstores Ltd. from Mercuries & Associates Holdings Co., Ltd. through a cash payment. The acquisition was completed on April 15, 2022, resulting in a total ownership of 51% and control over Sanyou Drugstores Ltd. Since the ultimate parent company of both Sanyou Drugstores Ltd. and the Company is Mercuries & Associates Holdings Co., Ltd., the transaction is considered a reorganization under common control and is retrospectively restated in accordance with relevant rules.

Note 3: The motion on profit distribution for 2023 was approved by the board of directors on February 23, 2024, and is pending approval at the 2024 shareholders' regular meeting.

B. Consolidated Condensed Statement of Comprehensive Income

Unit: Thousand NT$

Year / Item	Financial Summary for The Last Five Years					As of the printing date of this annual report
	2019	2020	2021 (Note 2)	2022	2023	Year as at March 31, 2024
Operating revenue	12,103,210	13,222,579	14,590,436	14,183,503	14,041,914	As of the publishing date of the annual report, there has not been any financial information certified or audited by the certified public accountant.
Gross profit	2,941,081	3,299,902	3,716,029	3,529,580	3,639,638	
Income from operations	61,477	251,464	194,548	30,885	121,266	
Non-operating income and expenses	(14,125)	(21,595)	52,122	25,320	(14,295)	
Profit from continuing income before tax	47,352	229,869	246,670	56,205	106,971	
Profit from continuing net income (Loss)	42,121	181,966	200,369	43,374	82,612	
Loss from discontinued operation	-	-	-	-	-	
Net income (Loss)	42,121	181,966	200,369	43,374	82,612	
Other comprehensive income (income after tax)	-	-	-	-	-	
Total comprehensive income	42,121	181,966	200,369	43,374	82,612	
Net income attributable to shareholders of the parent	42,121	181,966	194,503	55,294	101,146	
Net income attributable to former owner of business combination under common control	-	-	5,866	(4,124)	-	
Net income attributable to non-controlling interest	-	-	-	(7,796)	(18,534)	
Comprehensive income attributable to Shareholders of the parent	42,121	181,966	194,503	55,294	101,146	
Comprehensive income attributable to former owner of business combination under common control	-	-	5,866	(4,124)	-	
Comprehensive income attributable to non-controlling interest	-	-	-	(7,796)	(18,534)	
Earnings per share	0.70	3.04	3.21	0.82	1.50	

Note 1: The above financial information has been audited and certified by the accountant.

Note 2: On April 14, 2022, the company acquired a 6% stake in Sanyou Drugstores Ltd. from Mercuries & Associates Holdings Co., Ltd. through a cash payment. The acquisition was completed on April 15, 2022, resulting in a total ownership of 51% and control over Sanyou Drugstores Ltd. Since the ultimate parent company of both Sanyou Drugstores Ltd. and the Company is Mercuries & Associates Holdings Co., Ltd., the transaction is considered a reorganization under common control and is retrospectively restated in accordance with relevant rules.

C. Individual Condensed Balance Sheet

Unit: Thousand NT$

Item \ Year		Financial Summary for The Last Five Years				
		2019	2020	2021 (Note 2)	2022	2023
Current assets		1,969,210	1,997,256	2,363,178	2,421,733	2,543,621
Property, Plant and Equipment		1,340,190	1,337,956	1,350,302	1,228,841	1,126,053
Intangible assets		50,914	37,023	23,630	18,709	15,731
Other assets		1,646,446	1,721,816	1,889,542	1,824,730	1,979,894
Total assets		5,006,760	5,094,051	5,626,652	5,494,013	5,665,299
Current liabilities	Before distribution	2,547,918	2,487,654	2,310,140	2,393,065	2,408,975
	After distribution	2,585,827	2,651,423	2,485,193	2,442,340	(Note 3)
Non-current liabilities		1,283,402	1,285,991	1,316,802	1,305,840	1,410,914
Total liabilities	Before distribution	3,831,320	3,773,645	3,626,942	3,698,905	3,819,889
	After distribution	3,869,229	3,937,414	3,801,995	3,748,180	(Note 3)
Equity attributable to shareholders of the parent		1,175,440	1,320,406	1,999,710	1,795,108	1,845,410
Capital stock		600,000	600,000	675,000	675,000	675,000
Capital surplus		511,664	537,938	992,115	1,001,300	1,001,300
Retained earnings	Before distribution	63,776	207,833	238,567	118,808	169,100
	After distribution	25,867	44,064	63,514	69,533	(Note 3)
Other equity interest		-	-	-	-	-
Treasury stock		-	(25,365)	-	-	-
Equity attributable to former owner of business combination under common control		-	-	94,028	-	-
Total equity	Before distribution	1,175,440	1,320,406	1,999,710	1,795,108	1,845,410
	After distribution	1,137,531	1,156,637	1,824,657	1,745,833	(Note 3)

Note 1: The above financial information has been audited and certified by the accountant.

Note 2: On April 14, 2022, the company acquired a 6% stake in Sanyou Drugstores Ltd. from Mercuries & Associates Holdings Co., Ltd. through a cash payment. The acquisition was completed on April 15, 2022, resulting in a total ownership of 51% and control over Sanyou Drugstores Ltd. Since the ultimate parent company of both Sanyou Drugstores Ltd. and the Company is Mercuries & Associates Holdings Co., Ltd., the transaction is considered a reorganization under common control and is retrospectively restated in accordance with relevant rules.

Note 3: The motion on profit distribution for 2023 was approved by the board of directors on February 23, 2024, and is pending approval at the 2024 shareholders' regular meeting.

D. Individual Condensed Statement of Comprehensive Income

Unit: Thousand NT$

Item \ Year	Financial Summary for The Last Five Years				
	2019	2020	2021 (Note 2)	2022	2023
Operating revenue	12,080,447	13,198,913	13,964,763	13,643,311	13,565,837
Gross profit	2,926,681	3,284,429	3,501,022	3,353,979	3,470,708
Income from operations	67,770	255,849	249,524	68,935	153,266
Non-operating income and expenses	(20,418)	(25,980)	(2,854)	(4,934)	(27,761)
Profit from continuing income before tax	47,352	229,869	246,670	64,001	125,505
Profit from continuing net income (Loss)	42,121	181,966	200,369	51,170	101,146
Loss from discontinued operation	-	-	-	-	-
Net income (Loss)	42,121	181,966	200,369	51,170	101,146
Other comprehensive income (income after tax)	-	-	-	-	-
Total comprehensive income	42,121	181,966	200,369	51,170	101,146
Net income attributable to shareholders of the parent	42,121	181,966	194,503	55,294	101,146
Net income attributable to former owner of business combination under common control	-	-	5,866	(4,124)	-
Comprehensive income attributable to Shareholders of the parent	42,121	181,966	194,503	55,294	101,146
Comprehensive income attributable to former owner of business combination under common control	-	-	5,866	(4,124)	-
Earnings per share	0.70	3.04	3.21	0.82	1.50

Note 1: The above financial information has been audited and certified by the accountant.

Note 2: On April 14, 2022, the company acquired a 6% stake in Sanyou Drugstores Ltd. from Mercuries & Associates Holdings Co., Ltd. through a cash payment. The acquisition was completed on April 15, 2022, resulting in a total ownership of 51% and control over Sanyou Drugstores Ltd. Since the ultimate parent company of both Sanyou Drugstores Ltd. and the Company is Mercuries & Associates Holdings Co., Ltd., the transaction is considered a reorganization under common control and is retrospectively restated in accordance with relevant rules.

.

(2) Names of the CPAs for the 5 most recent fiscal years and audit opinions

Year	Accounting firm	Name of the CPA	Audit opinions
2023	KPMG	Pei-Ju Hsiao and Chi-Lung Yu	Unqualified opinion
2022	KPMG	Pao-Lian Chou and Cheng-Chien Chen	Unqualified opinion
2021	KPMG	Pao-Lian Chou and Cheng-Chien Chen	Unqualified opinion
2020	KPMG	Pao-Lian Chou and Cheng-Chien Chen	Unqualified opinion
2019	KPMG	Pao-Lian Chou and Wey-Chuan Gau	Unqualified opinion

2. Five-year financial analysis

(1) financial analysis

A. Consolidated Financial Analysis

Item (Note 2)	Year	Financial Analysis for the Last Five Years					As of the printing date of this annual report
		2019	2020	2021 (Note 3)	2022	2023	Year as at March 31, 2024
Financial structure (%)	Debt Ratio	76.55	74.11	65.98	67.63	67.82	As of the publishing date of the annual report, there has not been any financial information certified or audited by the certified public accountant.
	Ratio of long-term capital to property, plant and equipment	183.09	194.61	248.56	259.68	291.66	
Solvency (%)	Current ratio	78.97	81.89	107.35	105.95	110.36	
	Quick ratio	18.87	15.88	40.51	33.23	45.36	
	Interest earned ratio (times)	3.33	12.55	13.50	3.91	5.27	
Operating performance	Accounts receivable turnover (times)	333.14	367.43	191.91	155.15	143.59	
	Average collection period	1.10	0.99	1.90	2.35	2.54	
	Inventory turnover (times)	7.15	6.90	6.53	6.20	6.08	
	Accounts payable turnover (times)	8.27	10.11	8.76	7.48	7.25	
	Average days in sales	51	53	56	59	60	
	Property, plant and equipment turnover (times)	8.74	9.86	10.74	10.89	11.78	
	Total assets turnover (times)	2.92	2.61	2.54	2.44	2.42	
Profitability	Return on total assets (%)	1.41	3.91	3.76	1.01	1.77	
	Return on stockholders' equity (%)	3.53	14.58	11.76	2.25	4.40	
	Pre-tax income to paid-in capital (%)	7.89	38.31	36.54	8.33	15.85	
	Profit ratio (%)	0.35	1.38	1.37	0.31	0.59	
	Earnings per share (NT$)	0.70	3.04	3.21	0.82	1.50	
Cash flow	Cash flow ratio (%)	0.32	37.64	55.14	27.09	41.32	
	Cash flow adequacy ratio (%)	Note 2	98.94	164.94	152.27	196.34	
	Cash reinvestment ratio (%)	(8.00)	42.65	40.39	16.77	31.37	
Leverage	Operating leverage	11.79	3.74	5.10	25.64	7.04	
	Financial leverage	1.49	1.09	1.11	2.67	1.26	

Analysis of financial ratio differences for the last two years:

1. Increase in Quick ratio ： Mainly due to increase in net income and increase in cash and cash equivalents in 2023.
2. Increase in interest cover: Mainly due to increase in net income in 2023.
3. Overall increase in financial ratio of profitability: Mainly due to increase in net income in 2023.
4. Increase in cash flow ratio, cash flow adequacy ratio and cash reinvestment ratio: Mainly due to the increase in net income and the increase in cash flows from related operating activities in2023.
5. Decrease in operating and financial leverage: Mainly due to the increase in operating net income in 2023.

Note 1: The above financial information has been audited and certified by the accountant.

Note 2: On July 1, 2017, the Company acquired the relevant business (including assets, liabilities, and operations) of the home division separated from Mercuries & Associates Holdings, Ltd. In accordance with the Explanatory Note (100) Ji-Mi-Zhi No. 390 and (101) Ji-Mi-Zhi No. 301 of the Accounting Research and Development Foundation, the 2016 consolidated financial statements were restated. There is no information on cash flows from operating activities or capital expenditures for the years 2014 and 2015; thus, no calculations were made.

Note 3: On April 14, 2022, the company acquired a 6% stake in Sanyou Drugstores Ltd. from Mercuries & Associates Holdings Co., Ltd. through a cash payment. The acquisition was completed on April 15, 2022, resulting in a total ownership of 51% and control over Sanyou Drugstores Ltd. Since the ultimate parent company of both Sanyou Drugstores Ltd. and the Company is Mercuries & Associates Holdings Co., Ltd., the transaction is considered a reorganization under common control and is retrospectively restated in accordance with relevant rules.

B. Individual Financial Analysis

Item / Year		Financial Analysis for the Last Five Years					As of the printing date of this annual report
		2019	2020	2021 (Note 3)	2022	2023	Year as at March 31, 2024
Financial structure (%)	Debt Ratio	76.52	74.08	64.46	67.33	67.43	As of the publishing date of the annual report, there has not been any financial information certified or audited by the certified public accountant.
	Ratio of long-term capital to property, plant and equipment	183.47	194.80	245.61	252.35	289.18	
Solvency (%)	Current ratio	77.29	80.29	102.30	101.20	105.59	
	Quick ratio	17.24	14.25	37.51	30.81	42.66	
	Interest earned ratio (times)	3.34	12.57	14.63	4.47	6.19	
Operating performance	Accounts receivable turnover (times)	336.68	367.10	279.71	199.46	182.67	
	Average collection period	1.08	0.99	1.30	1.82	2.00	
	Inventory turnover (times)	7.16	6.91	7.02	6.58	6.44	
	Accounts payable turnover (times)	8.25	10.10	8.99	7.57	7.39	
	Average days in sales	51	53	52	55	57	
	Property, plant and equipment turnover (times)	8.75	9.86	10.39	10.58	11.52	
	Total assets turnover (times)	2.91	2.61	2.60	2.45	2.43	
Profitability	Return on total assets (%)	1.41	3.92	4.01	1.19	2.16	
	Return on stockholders' equity (%)	3.53	14.58	12.07	2.70	5.56	
	Pre-tax income to paid-in capital (%)	7.89	38.31	36.54	9.48	18.59	
	Profit ratio (%)	0.35	1.38	1.43	0.38	0.75	
	Earnings per share (NT$)	0.70	3.04	3.21	0.82	1.50	
Cash flow	Cash flow ratio (%)	0.24	37.50	58.92	28.52	42.06	
	Cash flow adequacy ratio (%)	Note 2	100.38	165.97	151.69	194.35	
	Cash reinvestment ratio (%)	(8.13)	42.41	40.49	17.30	30.84	
Leverage	Operating leverage	10.71	3.67	3.89	11.29	5.49	
	Financial leverage	1.43	1.08	1.08	1.37	1.19	

Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)

1. Increase in quick ratio: Mainly due to increase in net income and increase in cash and cash equivalents in 2023.
2. Increase in interest cover: Mainly due to increase in net income in 2023.
3. Overall increase in financial ratio of profitability: Mainly due to increase in net income in 2023.
4. Increase in cash flow ratio, cash flow adequacy ratio and cash reinvestment ratio: Mainly due to the increase in net income and the increase in cash flows from related operating activities in 2023.
5. Decrease in operating and financial leverage: Mainly due to the increase in operating net income in 2023.

Note 1: The above financial information has been audited and certified by the accountant.

Note 2: On July 1, 2017, the Company acquired the relevant business (including assets, liabilities, and operations) of the home division separated from Mercuries & Associates Holdings, Ltd. In accordance with the Explanatory Note (100) Ji-Mi-Zhi No. 390 and (101) Ji-Mi-Zhi No. 301 of the Accounting Research and Development Foundation, the 2016 consolidated financial statements were restated. There is no information on cash flows from operating activities or capital expenditures for the years 2014 and 2015; thus, no calculations were made.

Note 3: On April 14, 2022, the company acquired a 6% stake in Sanyou Drugstores Ltd. from Mercuries & Associates Holdings Co., Ltd. through a cash payment. The acquisition was completed on April 15, 2022, resulting in a total ownership of 51% and control over Sanyou Drugstores Ltd. Since the ultimate parent company of both Sanyou Drugstores Ltd. and the Company is Mercuries & Associates Holdings Co., Ltd., the transaction is considered a reorganization under common control and is retrospectively restated in accordance with relevant rules.

Note 4: The following lists the calculation formulas:

1. Financial structure
   (1) Debt Ratio = Total liabilities / Total assets

(2) Ratio of long-term capital to Property, plant, and equipment = (Net shareholder equity + Long-term liabilities) / Net Property, plant, and equipment (Individual report analysis calculations include investment real estate)

2. Solvency
   (1) Current ratio = Current assets / Current liabilities.
   (2) Quick ratio = (Current asset – inventory-prepaid expense) / Current liabilities
   (3) Interest earned ratio = Earnings before interests and taxes (EBIT) / Interest expenses over this period.
3. Operating performance
   (1) Accounts receivable turnover (including accounts receivable and notes receivable resulted from business operation) = Net sales / Average balance of account receivable (including accounts receivable and notes receivable resulted from business operation).
   (2) Average collection period = 365 / Accounts receivable turnover
   (3) Inventory turnover = Cost of goods sold / Average inventory
   (4) Accounts payable turnover (including accounts payable and notes payable resulted from business operation) = Cost of goods sold / Average balance of account payable (including accounts payable and notes payable resulted from business operation).
   (5) Average days in sales = 365 / Inventory turnover
   (6) Property, plant, and equipment turnover = Net sales / Average net Property, plant, and equipment (Individual report analysis calculations include investment real estate)
   (7) Total asset turnover = Net sales / Average total asset
4. Profitability
   (1) Return on total assets = [Net income + Interest expenses x (1 - tax rate)] / Average total asset
   (2) Return on equity = Net income / Average total equity
   (3) Profit ratio = Net income / Net sales
   (4) Earnings per share (EPS) = (Net income - preferred shares dividend) / Weighted average stock shares issued
5. Cash flow
   (1) Cash flow ratio = Net cash flow from operating activities / Current liabilities.
   (2) Cash flow adequacy ratio = Net cash flow from operating activities within five year / (Capital expenditure + Inventory increase + Cash dividend) within five year
   (3) Cash reinvestment ratio = (Net cash flow from operating activities - Cash dividends) / (Total fixed assets + Long-term investments + Other assets + Working capital).
6. Leverage
   (1) Operating leverage = (Net operating income - Operating variable cost and expense) / Operating income
   (2) Financial leverage = Operating income / (Operating income - Interest expense).

Note 5：The calculation formula of the above earning per share shall consider the following items for evaluation:
1. The evaluation shall be based on the weighted average number of common shares instead of the number of shares outstanding at the end of the year.
2. Capital increase by cash or treasury shares transaction shall be based on the issuance period of the shares and calculate the weighted average number of shares.
3. Increase of capital by transferring from retained earnings or by capital surplus shall be based on the proportion of capital increase when calculating the annual or the semiannual earnings per share of the previous year. The issuance period of shares does not be taken into consideration.
4. If the preferred share is a non-convertible accumulative preferred share, its annual dividend (whether paid or not) shall be deducted from the net income after tax, or increase the net loss after tax. If the preferred share is non-cumulative, in the case of net profit after tax, the preferred share dividend shall be deducted from the net profit after tax. It shall not be adjusted in the case if there is a loss.

Note 6: The cash flow analysis shall consider the following items for evaluation:
1. Net cash flow from operating activities refers to the net cash inflows from operating activities in the cash flow statement.
2. Capital expense refers to the number of cash outflows per year of capital investment.
3. The increase in inventory is only included when the ending balance is greater than the beginning balance. If the inventory is decreased at the end of the year, it is calculated as zero.
4. Cash dividends include cash dividends for common shares and preferred shares.
5. The gross property, plant and equipment value refers to the total amount of property, plant and equipment before deducting accumulated depreciation.

Note 7: The issuer shall classify various operating costs and operating expenses into non-current and current items. Any estimation or subjective judgment shall consider the reasonableness and consistency.

3. Audit Committee’s review report for the most recent year

Simple Mart Retail Co., Ltd.
Audit Committee’ Review Report

2023 Consolidated Financial Statement and Individual Financial Statements of the Company submitted by the Board of the Directors, have been audited by CPA Pei-Ju Hsiao and Chi-Lung Yu of KPMG. All Audit Committee members of the Company have verified the above along with the Company's Business Report and Earnings Distribution, and we are of the opinion that misstatement has not been found. Hence, we have issued the above statement for your reference and inspection in accordance with Article 14-4 of Securities and Exchange Act. and Article 219 of the Company Act.

To

The Regular Shareholders’ Meeting of 2024

Audit Committee Convenor: Meng-Lin Tsai

February 23, 2024

4. Consolidated financial statements of the most recent year please refer to Page 128~178.
5. Certified financial statements of the company of the most recent year please refer to Page 179~230.
6. Financial difficulties for the company and its affiliates: None

VII. Review of Financial Conditions, Operating Results and Risk

1. Analysis of Financial Status:

Any material change in the company's assets, liabilities, or equity during the 2 most recent fiscal years, the main reasons for the material change, and the effect thereof.

Unit: Thousand NT$

Item \ Year	2022	2023	Difference	
			Amount	%
Current Assets	2,671,329	2,809,491	138,162	5.17
Fixed Assets	1,240,694	1,143,414	(97,280)	(7.84)
Other Assets	1,830,982	1,927,784	96,802	5.29
Total Assets	**5,743,005**	**5,880,689**	**137,684**	**2.40**
Current Liabilities	2,521,217	2,545,858	24,641	0.98
Long-term Liabilities	1,362,797	1,442,493	79,696	5.85
Total Liabilities	**3,884,014**	**3,988,351**	**104,337**	**2.69**
Capital stock	675,000	675,000	-	-
Capital surplus	1,001,300	1,001,310	10	-
Retained Earnings	118,808	169,100	50,292	42.33
Non-controlling interest	63,883	46,928	(16,955)	(26.54)
Total Stockholders' Equity	**1,858,991**	**1,892,338**	**33,347**	**1.79**

Analysis of changes in financial ratios: (A change percentage of 20% or more with an amount exceeding NT$10 million)

1. Increase in retained earnings: Due to increase in net income in 2023.
2. Decrease in non-controlling interests: Mainly due to the increase in the Company's equity in Sanyou Drugstores. Ltd. acquired on December 1, 2023 for $50,000 thousand in cash.

2. Financial performance:

Main reasons for any material changes in operating revenue, operating profit, and profit before tax in the most recent 2 years and sales volume forecast and its basis, and possible impact on the future finance of the Company and response measures:

(1) Analysis of financial performance:

Unit: Thousand NT$

Item \ Year	2022	2023	Increase (decrease) Amount	Percentage of change (%)
Operating revenue	14,183,503	14,041,914	(141,589)	(1.00)
Operating costs	10,653,923	10,402,276	(251,647)	(2.36)
Gross margin from operations	3,529,580	3,639,638	110,058	3.12
Operating expenses	3,498,695	3,518,372	19,677	0.56
Net operating income	30,885	121,266	90,381	292.64
Non-operating income and expenses	25,320	(14,295)	(39,615)	(156.46)
Income before tax	56,205	106,971	50,766	90.32
Income tax expenses	12,831	24,359	11,528	89.84
Net income	43,374	82,612	39,238	90.46
Total comprehensive income	43,374	82,612	39,238	90.46
Analysis of changes in financial ratios: (A change percentage of 20% or more with an amount exceeding NT$10 million) Increase in net operating income and income tax expense: Mainly due to the increase in gross profit in 2023. Decrease in non-operating revenues and expenses: mainly due to the decrease in lease modification benefits recognized in 2023.				

(2) Estimated sales volume and its basis, and possible impact on the future finance of the Company and response measures:

As a retailing company, our future sales volume will be subject to fluctuations in consumer spending and overall economic conditions. In addition to actively expanding the store network to achieve economies of scale, the management team will also develop e-commerce channels to increase sales outlets. Furthermore, by increasing the proportion of imported and private brand products, the Company will create differentiation and enhance profitability.

3. Cash flow:

Analysis and explanations of changes in cash flow in recent fiscal years, plans to improve negative liquidity and cash liquidity analysis for the following year:

(1) Analysis and explanations of changes in cash flow in recent fiscal years

Unit: Thousand NT$

Item \ Year	2022	2023	change(%)
Cash inflow (outflow) from operating activities	682,927	1,052,059	54.05
Cash inflow (outflow) from investment activities	(175,455)	(130,296)	25.74
Cash inflow (outflow) from financing activities	(710,265)	(556,316)	21.67

Analysis of the Change in Cash Flow:

1. Increase in net cash inflow from operating activities in 2023 compared to 2022: Mainly due to increase in net income in 2023.
2. Decrease in net cash outflow from investing activities in 2023 compared to 2022: Mainly due to the difference in timing of equipment payments between the two years.
3. Decrease in net cash outflow from financing activities in 2023 compared to 2022: Mainly due to the decrease in cash dividends paid in 2023.

(2) Plans to improve negative liquidity: NA

(3) Cash liquidity analysis for the following year:

Unit: Thousand NT$

Cash balance, Beginning of the year	Forecast net cash inflow from operating activities	Forecast cash outflow from investment activities	Forecast cash outflow from financing activities	Cash balance, end of the year	Remedial measures for expected cash inadequacy	
					Investment plan	Financing plan
913,481	462,357	(418,463)	(385,043)	572,332	NA	NA

1. Analysis of cash flow changes for the upcoming year:
   a. Operating activities: The main purpose was to increase cash inflows from operating activities by improving the Company's overall profitability through continuous inventory control and new product development.
   b. Investment activities: Cash outflows from investing activities are mainly attributable to capital expenditures for the continued establishment of new stores and the replacement of existing stores, the expansion of logistics and the introduction of automated warehousing equipment in order to improve operational efficiency and optimize logistics operations, and the increase in investments in subsidiaries.
   c. Financing activities: In addition to the repayment of lease payments, the Company distributed and paid cash dividends in accordance with its past dividend policy, resulting in a cash outflow from financing activities.
2. Source of Funding for Negative Cash Flow: Not applicable.

4. Analysis of Major Capex and its Impact on Finance and Operations: None of material influence.
5. Policy on investment in other companies, main reasons for profit / losses resulting therefrom, improvement plan, and investment policy for the upcoming fiscal year:
   (1) Investment policy: The Company's investment policy is based on the considerations of sustainable operation and business growth, and is guided by the "Procedures for Acquiring or Disposing of Assets" established according to the regulations set forth by the competent authority, "Regulations Governing the Acquisition and Disposal of Assets by Public Companies." This allows the Company to monitor the relevant business and financial conditions of the invested enterprises. In addition, to enhance the supervision and management of invested companies, the Company has established the "Supervision and Management Measures for Subsidiaries" within its internal control system, setting out relevant regulations for information disclosure, financial, and business management, allowing the Company's investment ventures to maximize their operational performance within the Group.
   (2) Reasons for profit/losses and plans for improvement:

Unit: Thousand NT$

Investee	Major Business	Investment profits (Losses) recognized in 2023	Main Reason	Improvement
Sanyou Drugstores . Ltd.	Pharmaceutical and hygiene products retail industry	(17,800)	This was mainly due to the closure of loss-making stores and the fact that the current number of stores had not yet reached an economic scale.	In the future, the company plans to open community-based stores to rapidly achieve the break-even goal.
Simple Mart Plus Co., Ltd.	Food and beverage retail industry	1,146	Mainly due to the suspension of channel operation and resale of imported specific goods to the Company.	The TGH brand name will be retained for the production of branded products in the future. In the future, the Company will undergo a restructuring process to increase domestic and overseas trading business.

   (3) Investment policy for the upcoming fiscal year:
   The Company's board of directors approved the construction of an additional logistics center in 2023, which is expected to build 1,580 ping of additional space and be completed in 2024Q3 to support the needs of the stores in the north of central Taiwan. In addition, the Company also plans to install solar panels on the roof of the logistics center to increase the source of renewable energy in order to cope with the impact of carbon inventory and carbon pricing on the Company in the future.

6. Risk Management

(1) Impact of inflation, interest and exchange rate fluctuations, and preventive measures:

A. The effect upon the company's profits (losses) of interest rate fluctuations, and response measures to be taken in the future:

Unit: Thousand NT$；%

Item \ Year	2022	2023
Net interest income (expenses)	(16,296)	(19,644)
Operating revenue	14,183,503	14,041,914
Ratio to net operating income (%)	(0.11)%	(0.14)%

The total net interest income (expenses) of the company and its subsidiaries in 2023 is $(19,644) thousand. After deducting the financial cost of $23,316 thousand due to the adoption of IFRS 16, the remaining interest income (expenses) is mainly due to bank deposits and loans. In addition, the company and its subsidiaries have always maintained a good relationship with financial institutions, financial stability, good credit, and better interest rate conditions. It is expected that future interest rate changes will not have a major impact on the overall operation. The company and its subsidiaries will also observe changes in interest rate trends in the financial market at any time, with a view to taking corresponding measures at any time to reduce the impact of interest rate changes on profit and loss.

B. The effect upon the company's profits (losses) of exchange rate fluctuations, and response measures to be taken in the future:

Unit: Thousand NT$；%

Item \ Year	2022	2023
Foreign exchange gains and losses	2,633	1,821
Operating revenue	14,183,503	14,041,914
Ratio to net operating income (%)	-	-

The Company and its subsidiaries primarily operate in the domestic retail market, using the New Taiwan Dollar as the transaction currency. Additionally, the main currencies for imported goods from overseas are the US Dollar, Euro, and Japanese Yen. However, imported goods account for only about 3% of the company and its subsidiaries' procurement costs. In 2023 , the impact of foreign exchange gains or losses on net operating revenue was minimal, and therefore, currency fluctuations do not have a significant influence on the Company and its subsidiaries.

C. The effect upon the Company's profits (losses) of inflation rate fluctuations and response measures to be taken in the future:

According to the forecast of the Directorate General of Budget, Accounting and Statistics, the economic growth rate for 2024 will come to 3.35%, and the annual growth rate of the Consumer Price Index for 2024 is expected to be 3.08%, which means the overall price level will remain stable. However, as the Company is engaged in the retail business of consumer goods, the Company's revenue is mainly derived from the rigid demand of the public and is relatively less affected by inflation, though the Company will keep an eye on the fluctuation of market prices and maintain good interaction with suppliers to reduce the impact of inflation on the Company's operations by adjusting the product portfolios and developing more differentiated products, as well as by expanding economies of scale and reducing procurement costs. In response to the impact of inflation, the Company will continue to develop its own brands and expand the range of self-imported products to provide consumers with more affordable product choices.

(2) The Company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future:

A. The Company's policy regarding high-risk investments, highly leveraged investments; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future.

The Company and its subsidiaries are dedicated to the operation of our core business, adhering to the principle of prudent management and prioritizing sound financial development. Therefore, in the most recent year and as of the date of the annual report,the company and its subsidiaries have not engaged in high-risk or high-leverage investments.

B. The Company's policy regarding loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future.

As of the most recent year and the printing date of this annual report, the Company's Board of Directors approved on August 4, 2023 a lending of funds in the amount of NT$30 million to its subsidiary, Sanyou Drugstores Ltd. for its operating liquidity, the amount utilized up to the printing date has been repaid and has been announced in accordance with the Company's "Procedure for Lending Funds to Other Parties".

The Company and its subsidiaries have not engaged in endorsement/guarantee for other parties or derivative transactions. The "Procedures Governing Derivatives Trading" was approved to be repealed by the Company's shareholders' meeting on June 29, 2020 to reduce the risks related to derivatives trading. In addition, if the Company and its subsidiaries intend to fund lending and endorse/guarantee in the future, it is required to follow the Company's "Procedure for Lending Funds to Other Parties" and "Operation Procedure for Making of Endorsement/Guarantee".

(3) Research and development work to be carried out in the future, and further expenditures expected for research and development work:

The Company and its subsidiaries are engaged in the retailing of consumer goods, with a major investment on the development of products, services and improvement in consumer experience.

A. CRM Data Analysis:

Due to intense competition with other retail channels, which leads to a significant overlap in customer base, the Company recognizes the importance of understanding consumer shopping behavior and product demand in order to enhance the value of our product portfolio and services. To achieve this goal, we have been consistently using data analysis through Customer Relationship Management (CRM) to understand the consumption characteristics of each sales region, in order to better serve the diverse needs of local residents for daily necessities and service-oriented products and services, and to deeply cultivate the community.

B. Integration of payment tools and marketing campaigns:

Encouraged by the government's promotion of non-cash payment policies, the electronic payment market has flourished and it is expected that in the future, there will be more diverse financial services and various types of payment ecosystems. The Company continues to engage in cross-industry collaborations with electronic payment providers and e-ticketing companies. These collaborations include upgrading store payment equipment, reducing friction in the final mile of transactions, providing consumers with more convenient and secure payment experiences and marketing activities, all aimed at creating abundant business opportunities.

C. Customer Service Data Analysis:

The Company provides real-time customer service hotline support, swiftly addressing customer inquiries related to consumption and enhancing service quality. As the customer service data is mainly in text or voice format and requires extensive manual sorting and analysis, we plan to develop a text analysis cloud system that utilizes software algorithms to automatically summarize important customer feedback messages for internal operational improvement reference.

D. Warehousing Management:

As the number of suppliers and operating stores continues to expand, the volume of warehouse operations has also increased. Therefore, the Company continues to optimize warehouse management systems, implement electronic labeling to assist in picking, and introduce automated sorting systems, including paper pressing machines, to reduce warehouse management costs and improve warehouse and logistics operation efficiency.

E. Mobile Application (App) Software:

In recent years, retailers have been leveraging the development of mobile applications (apps) to guide customers towards the installation of these apps on their handheld devices through promotional campaigns. This provides a variety of consumer services, promotional information and channels for purchasing goods in a more convenient and efficient manner. In addition to launching our new MLC app, the Company is committed to continuously improving it by allocating relevant research and development resources towards its development and optimization.

F. Demand forecasting and analysis system:

With the increasingly fierce competition and rapidly changing consumer demands, supply chain management can significantly increase the productivity of enterprises, reduce costs, improve service quality and increase customer satisfaction. Ordering and replenishment is an important and indispensable activity in the daily operation of the retail industry. Being able to effectively replenish the right products in the right quantity at the right time to the right points of sale will help enhance the competitiveness of the enterprise.

(4) Effect on the Company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response:

The Company is constantly monitoring policy and legal changes related to financial operations and seeking professional opinions from external experts such as lawyers and accountants if necessary. We also discuss response measures to comply with regulations and minimize the impact on financial operations. In the most recent year and as of the printing date of this annual report, the Company and its subsidiaries have not been significantly affected by important policy and legal changes both domestically and internationally.

(5) Effect on the Company's financial operations of developments in science and technology (including cyber security risks) as well as industrial change, and measures to be taken in response:

A. Sales:

With the transformation of the industry brought on by the rise of new retail, the traditional retail landscape has evolved from offline to an integrated online-offline model. Additionally, both domestic and international e-commerce platforms have actively consolidated their presence in physical retail channels in recent years, resulting in significant changes to the industry. As Taiwan's online shopping platforms have improved their logistics integration, they have increasingly encroached upon the traditional retail market. Furthermore, the COVID-19 pandemic has accelerated the penetration of e-commerce and delivery services into the retail market as consumer habits continue to shift. In response to this trend, the Company aims to transform these challenges into business opportunities by pursuing an Omni-Channel sales model. We are committed to providing customers with 360-degree service, satisfying their needs whether they are shopping in physical stores or online. In addition to expanding our collaborations with delivery platforms, we will continue to invest in improving our e-commerce website and customer relationship management (CRM) to strengthen customer loyalty to our various brands.

B. Operation:

The Company not only continues to introduce new technologies and equipment, but also replaces high-energy-consuming and low-efficiency hardware facilities. In addition, we are evaluating the implementation of automated equipment such as self-service checkout systems in our stores to solve the problem of labor shortages. Furthermore, we will continue to optimize our ERP system and improve operational efficiency by integrating internal resources. The logistics center will also move towards automation to save labor costs and achieve the primary goal of continuously reducing inventory and increasing logistics efficiency through precise data analysis. Given that fluctuations in labor costs have a huge impact on the Company's profits and losses, we have launched a new human resources system in 2021 to assist store personnel with effective scheduling and work hour management. We have also introduced tablet devices in all stores in 2021 to increase education and training frequency and immediacy through online courses, thereby optimizing store service processes and providing customers with high-quality service.

In recent years, the Company has actively collaborated with e-commerce platforms. With over 800 physical stores located at the heart of communities, we are able to assist e-commerce platforms to bridge the last mile. In 2021, we began our partnership with Shopee, providing in-store package pickup and delivery services.

As of the end of 2023, a total of 200 stores have joined our parcel pick-up service. The number of partner stores is expected to increase continuously in the future, becoming an important logistics channel for e-commerce and increasing the Company's revenue and profitability.

C. Information Technology:

Due to the widespread use of the internet in people's daily lives, including their consumption and financial activities, incidents of hacking, ransomware attacks, and theft of consumer personal and transactional data are increasingly common. In response, the Company has established information security management policies and regularly reviews their effectiveness to mitigate potential harm to the Company's operations and reputation. Furthermore, the Company has allocated a certain budget to enhance the information security measures in 2022 to reduce the risk of operational disruption and reputational damage caused by cyber-attacks. In 2023, in addition to collaborating with a well-known Taiwan cybersecurity company to reduce cybersecurity risks, we will also establish a dedicated unit and personnel to strengthen the Company's information security and minimize risks.

(6) Effect on the Company's crisis management of changes in the Company's corporate image, and measures to be taken in response:

The Company upholds an active, steadfast, and innovative corporate culture, providing consumers with quality products at reasonable prices to meet market demands. We prioritize customer service, and have maintained a friendly and trustworthy corporate image. In 2016, we expanded into the organic retail industry with the introduction of the "Simple Mart Plus" brand, which emphasizes the provision of safe and secure goods. In recent years, we have continued to introduce new product lines (such as coffee and sweet potatoes) to offer more diverse goods and services, expanding the business scale and strengthening customer satisfaction. Additionally, we have established a customer service center to collect feedback and opinions from customers on all of our brands, and to respond promptly to their needs. The Company also has a spokesperson system and a public relations department, which has unified speaking procedures to promptly and effectively address any unexpected events and to prevent any negative impact on the Company's operations from any undue public opinion.

Moreover, every year, the Company hosts the Mercury Cup Run to express our concern for disadvantaged groups, fulfilling the corporate social responsibility.

2023 Mercury Cup will be held on October 29th under the theme of "Run for it or lose it! Trick or treat! Under the theme of "Trick or Treat!", a 1,000-person Halloween road race was held at the Dajia Riverfront Park, with the theme of family fun. The race featured a 10km challenge group, a 3km costume group and a visually impaired group. Visually impaired runners and caring chaperones were invited to participate in the event! Face painting, children's Halloween show, market stalls, DIY and lucky draw activities were also available at the venue, so that parents and children could have fun together in the morning when Halloween comes. The " Mercury Cup Charity Road Race" continues to care for the disadvantaged and donates money to the Taichung Private School for the Blind and the Visually Impaired Road Running Association to call on the public to do public service together.

In addition, we will also contribute to public welfare activities from time to time. In 2023, we will collaborate with the Women's Relief Fund to advocate the issue of "digital sexual violence". In the era of advanced Internet technology, there are numerous cases of digital sexual violence. The most common form of gender-based violence in the digital era is the distribution of private sexual images without consent. Through the consumer campaign "Collecting and Sharing Love", the company advocates to the public to educate children on the digital boundaries of the body, starting from kindergartens and parents, and not to take photos and upload them arbitrarily. By setting a good example, corporations can continue to expand the issue and make more people pay more attention to it. The event was organized with the public and a donation of NT$350,000 was made to the Women's Relief Foundation for the advocacy of the issue of "Digital Sexual Violence".

(7) Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken:

There were no relevant events for the Company and its subsidiaries during the most recent year and up to the date of this annual report.

(8) Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken:

The operations of the Company and its subsidiaries are in the trading and service industries; therefore, the description of this item is not applicable.

(9) Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken.

The Company operates community-based supermarkets with a wide variety of products and diversified sources of procurement, which eliminates the risks of excessive concentration. Although the Company's major supplier is the Taiwan Tobacco & Liquor Corporation, accounting for 16% of the total purchases in 2023, the corporation is 100% owned by the Ministry of Finance and responsible for the production and supply of domestic tobacco and liquor to balance the domestic market. Therefore, there should be no significant concerns about shortages. Additionally, the Company also procures various tobacco and liquor products from domestic and international suppliers. Even in the event of a shortage from Taiwan Tobacco & Liquor Corporation, it will not have a significant effect on the Company's operations. Hence, the Company does not face any risks related to excessive concentration of procurement.

(10) Effect upon and risk to the Company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the Company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken.

On February 27, 2024, the Company received information regarding the notification of acquisition from Ms. Mei-Ling Yu, the Shareholder, who declared and announced the notification of public acquisition, the prospectus of public acquisition and related documents, etc., and on February 25, 2024, the Company's corporate director, Sumitomo Corporation, and Ms. Mei-Ling Yu, the Public Offeror, entered into the Agreement of Sale and Purchase. Upon receipt of the Purchase Notification from the Public Offeror, the Company convened the Audit Committee and the Board of Directors in accordance with the law and released material information on the Market Observation Post System (MOPS). Sumitomo Corporation, the director of the Company, dismissed two of its directors on March 26, 2024 due to the transfer of all of its shares. Currently, the Company is still owned as to 60.76% by its parent company, Mercuries & Associates Holding, Ltd. and four of the remaining seven directors (including independent directors), therefore, this substantial transfer of shareholdings will not have any material impact on the Company's operations, for details of the shareholding transfer, please refer to page 73 of the annual report.

(11) Effect upon and risk to company associated with any change in governance personnel or top management, and mitigation measures being or to be taken.

For the most recent year and as of the printing date of the annual report, there has been no significant change in governance personnel or top management.

(12) Any litigious or non-litigious matters or administrative disputes up to the printing date of this annual report where the Company and its Directors, Supervisors, General Managers, actual person in charge, and major shareholders holding more than 10% of the Company's shares, and affiliated companies that have been concluded by means of a final judgment or are still under litigation, to be a party thereof, and where the results thereof could materially affect shareholders' equity or prices of the Company's securities, as well as the facts of the dispute, amount of money at stake, start date of litigation, and main parties to the litigation.

As of publication date of the annual report, the Company and its directors, general manager, actual person in charge, major shareholders holding more than 10% of shares, and subsidiaries have no significant litigations, non-litigations, or administrative disputes that are either already finalized or still pending, which may have a significant impact on shareholder equity or security prices.

(13) Other important risks, and mitigation measures being or to be taken: No other significant risks

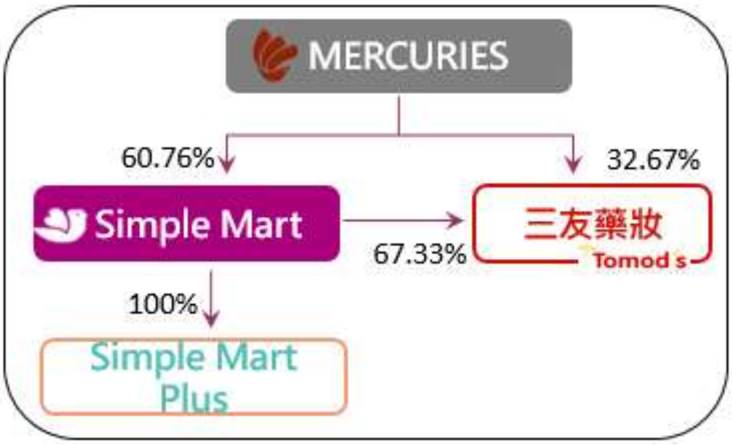
7. Other important matters: None.

VIII. Other Special Notes

1. Information Regarding Affiliated companies

(1) Consolidated Business Report of Affiliates

A. Organization structure of affiliated companies (As of December 31, 2023)



B. Basic information on affiliated companies:

Unit: Thousand NT$

Company	Date of Incorporation	Place of Registration	Capital Stock	Business Activities
Mercuries & Associates Holding, Ltd.	February 19, 1965	B1, 1F~18F, No. 145, Sec. 2 Chien Kuo N. Road, Taipei, Taiwan R.O.C.	11,224,957	General investment industry
Simple Mart Plus Co., Ltd.	February 13, 2017	B1, No.4, Section 3, Minquan East Road Taipei, Taiwan, R.O.C	60,000	Food and beverage retail industry
Sanyou Drugstores. Ltd.	August 22, 2012	B1, No.4, Section 3, Minquan East Road Taipei, Taiwan, R.O.C	150,000	Pharmaceutical and hygiene products retail industry

C. The information of the same shareholders in companies presumed to have a controlling or subordinate relation with the Company: Not applicable.

D. Overall business scope of every affiliated enterprises

Company	Business Activities
Mercuries & Associates Holding, Ltd.	General investment industry
Simple Mart Plus Co., Ltd.	Food and beverage retail industry
Sanyou Drugstores. Ltd.	Pharmaceutical and hygiene products retail industry

E. Information of Director, Supervisor and President in each affiliated company

Unit: Thousand Shares；%, December 31, 2024

Company	Title	Name/ Representative	Shareholding	
			Number of shares	Shareholding ratio
Mercuries & Associates Holding, Ltd.	Chairman	Shanglin Investment Co., Ltd.	202,868	18.07
		Representative: Shiang-Li Chen	25,337	2.25
	Director	Shanglin Investment Co., Ltd.	202,868	18.07
		Representative: Shiang-Feng Chen	17,394	1.54
	Director	Shanglin Investment Co., Ltd.	202,868	18.07
		Representative: Shiang-Chung Chen	18,014	1.60
	Director	Shuren Investment Co., Ltd.	144,195	12.84
		Representative: Ming-Yu Mao	5,708	0.51
	Director	Shuren Investment Co., Ltd.	144,195	12.84
		Representative: Wei-Chyun Wong	6,761	0.60
	Director	I-teng Cheng	0	0
	Independent Director	Chang-Yi Chen	0	0
	Independent Director	Mao Lee	0	0
	Independent Director	Te-cheng Tu	0	0
	Independent Director	Han-Zong Liou	0	0
	GM	Shiang-Li Chen	25,337	2.75
Simple Mart Plus Co., Ltd.	Chairman	Simple Mart Retail Co., Ltd.	6,000	100
		Representative: Shiang-Feng Chen	0	0
	Director	Simple Mart Retail Co., Ltd.	6,000	100
		Representative: Shiang-Li Chen	0	0
	Director	Simple Mart Retail Co., Ltd.	6,000	100
		Representative: Kuang-Lung Chiu	0	0
	Supervisor	Simple Mart Retail Co., Ltd.	6,000	100
		Representative: RUEI-SHING JEN	0	0
	GM	Kuang-Lung Chiu	0	0
Sanyou Drugstores. Ltd.	Chairman	Simple Mart Retail Co., Ltd.	10,100	67.33
		Representative: Kuang-Lung Chiu	0	0
	Director	Simple Mart Retail Co., Ltd.	10,100	67.33
		Representative: Yosuke Nagira(Note)	0	0
	Director	Mercuries & Associates Holding, Ltd.	4,900	32.67
		Representative: RUEI-SHING JEN	0	0
	Supervisor	Yen-Hsiu Liu	0	0
	GM	Kuang-Lung Chiu(Note)	0	0

Note: Sanyou Drugstores, Ltd. changed its General Manager to Tsung-Ben Chang on March 12, 2024; changed its Director to Tsung-Ben Chang on March 27, 2024

F. Business operating conditions of the affiliated enterprises of 2023:

Company name	Paid-in capital	Total assets	Total liabilities	Net value	Operating revenue	Net operating income (loss)	Profit (loss) before tax	EPS (after tax / NT$)
Mercuries & Associates Holding, Ltd.	11,224,957	23,858,869	6,960,062	16,898,807	2,584,542	2,738,711	(2,874,182)	(3.09)
Simple Mart Plus Co., Ltd.	60,000	42,252	53	42,199	70,611	737	1,146	0.19
Sanyou Drugstores. Ltd.	150,000	324,033	180,087	143,946	508,678	(34,170)	(36,729)	(2.45)

(2) Consolidated financial statements of affiliated companies: Please refer to annual report page 128~178. (Consolidated financial statement)

(3) Affiliation report: Please refer to Appendix 3.

2. Private placement of securities of the most recent year up to the publication date of this report printed: None.
3. The Shares in the Company Held or Disposed of by Subsidiaries of the most recent fiscal year up to the publication date of this report printed: None.
4. Other items that must be included：None

IX. Any event which has a material impact on the shareholders' equity or securities prices as prescribed in subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act that has occurred in the most recent year up to the printing date of this annual report:

1. The dishonoring of negotiable instruments due to insufficient deposit, the refusal to transact by banking services, or other events that result in the loss of good credit standing: None.
2. Litigation, non-litigious proceeding, administrative disposition, administrative dispute, security procedure, or compulsory execution, which has had a significant impact on the financial status or business of the company: None.
3. Serious drop in the output, complete or partial suspension of work, lease of the company factory or its main facilities, or complete or partial pledge of the material assets which has had a significant impact on the company business: None.
4. Any event specified under Article 185, paragraph 1 of the Company Act: None.
5. Judgment by the competent court to prohibit the transfer of the company's shares under Article 287, paragraph 1, item 5 of the Company Act: None.
6. Change in the chairman of the board, general manager, or one-third or more of the directors of the company: None.
7. Change in the auditing and certifying accountant. However, where the change is due to internal adjustments in the accounting office, this matter shall not be included in the above definition: None.
8. Execution, amendment, termination, and rescindment of the important memoranda, strategic alliances or other cooperative business plans, or important contracts, change in the material contents of the business plan, completion of new product development, successful development of trial products, and formal entrance into mass production, or acquisition of other enterprises, acquisition or assignment of patent rights, exclusive trademark use rights, copyrights, or other intellectual property rights transactions, which have a major effect on the finances or business of the company: None.
9. Other important events that have had significant impact on the continuation of company operation: None.

Appendix 1 Consolidated Financial Statements of the Most Recent Year

Representation Letter

The entities that are required to be included in the combined financial statements of Simple Mart Retail Co., Ltd. as of and for the years ended December 31, 2023 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 "Consolidated Financial Statements." endorsed by the Financial Supervisory Commission of the Repiblic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Simple Mart Retail Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Simple Mart Retail Co., Ltd.
Chairman: Chen, Shiang Feng
Date: February 23, 2024

Independent Auditors' Report

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

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. 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(n) for the details of related disclosures.

   Description of the key audit matter:

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

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

   How the matter was addressed in our audit:

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

Other Matter

Simple Mart Retail Co., Ltd. has prepared its parent company only financial statements as of and for the years ended December 31, 2023 and 2022, on which we have issued an unmodified opinion.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group’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 Group 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 Group’s financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Hsiao, Pei-Ju and Yu, Chi-Lung.

KPMG

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

Notes to Readers

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2023 Amount	%	December 31, 2022 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 913,481	16	548,034	9
1110	Financial assets at fair value through profit or loss - current (notes 6(b)(q) and 13)	5,345	-	5,807	-
1170	Accounts receivable, net (note 6(c))	87,309	1	92,467	2
1180	Accounts receivable - related parties, net (notes 6(c) and 7)	1,333	-	671	-
1197	Finance lease receivable - current (note 6(d))	-	-	1,490	-
1200	Other receivables (note 7)	12,138	-	12,842	-
1300	Inventories (note 6(e))	1,622,365	28	1,797,015	31
1410	Prepayments (note 7)	32,320	1	36,503	1
1476	Other current financial assets (notes 6(a) and 8)	135,200	2	176,500	3
		2,809,491	48	2,671,329	46
	Non-current assets:				
1600	Property, plant and equipment (notes 6(g) and 7)	1,143,414	20	1,240,694	22
1755	Right-of-use assets (note 6(h))	1,761,096	30	1,659,417	29
1780	Intangible assets	21,989	-	19,171	-
1840	Deferred tax assets (note 6(k))	25,583	-	23,210	1
1920	Guarantee deposits paid (note 7)	95,271	2	102,120	2
1980	Other non-current financial assets (notes 6(a) and 8)	23,845	-	27,064	-
		3,071,198	52	3,071,676	54
	Total assets	**$ 5,880,689**	**100**	**5,743,005**	**100**

	Liabilities and Equity	December 31, 2023 Amount	%	December 31, 2022 Amount	%
	Current liabilities:				
2130	Contract liabilities - current (note 6(n))	$ 58,939	1	65,731	1
2150	Notes payable (note 6(q))	153	-	252	-
2170	Accounts payable (note 6(q))	1,398,919	24	1,465,321	26
2180	Accounts payable - related parties (note 6(q) and 7)	1,973	-	3,164	-
2200	Other payables (note 6(q) and 7)	506,909	8	474,480	8
2280	Lease liabilities - current (note 6(i)(q)(t) and 7)	465,532	8	457,704	8
2300	Other current liabilities	113,433	2	54,565	1
		2,545,858	43	2,521,217	44
	Non-Current liabilities:				
2527	Contract liabilities - non-current (note 6(n))	6,674	-	8,196	-
2550	Non-current provisions	6,734	-	3,740	-
2570	Deferred tax liabilities (note 6(k))	556	-	-	-
2580	Lease liabilities - non-current (note 6(i)(q)(t) and 7)	1,342,466	23	1,249,387	22
2645	Guarantee deposits received (note 6(q) and 7)	86,063	2	101,474	2
		1,442,493	25	1,362,797	24
	Total liabilities	3,988,351	68	3,884,014	68
	Equity(notes 6(f)(l) and (u))**:**				
3110	Ordinary share	675,000	11	675,000	12
3200	Capital surplus	1,001,310	17	1,001,300	17
	Retained earnings:				
3310	Legal reserve	69,044	1	63,514	1
3350	Unappropriated retained earnings	100,056	2	55,294	1
		169,100	3	118,808	2
	Total equity attributable to owners of parent:	1,845,410	31	1,795,108	31
36XX	Non-controlling interests	46,928	1	63,883	1
	Total equity	1,892,338	32	1,858,991	32
	Total liabilities and equity	**$ 5,880,689**	**100**	**5,743,005**	**100**

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

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

		2023		2022	
		Amount	**%**	**Amount**	**%**
4000	**Operating revenue** (note 6(n), 7 and 14)	$ 14,041,914	100	14,183,503	100
5000	**Operating costs** (note 6(e) and 7)	10,402,276	74	10,653,923	75
	Gross margin from operations	3,639,638	26	3,529,580	25
	Operating expenses: (note 6(c)(g)(h)(i)(j)(o), 7 and 12)				
6100	Selling expenses	3,129,515	22	3,073,236	22
6200	Administrative expenses	389,591	3	416,666	3
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS9	(734)	-	8,793	-
	Total operating expenses	3,518,372	25	3,498,695	25
	Net operating income	121,266	1	30,885	-
	Non-operating income and expenses:				
7100	Interest income (note 6(i))	5,417	-	3,043	-
7190	Other income (note 6(i)(p) and 7)	19,751	-	57,262	-
7230	Foreign exchange gains	1,821	-	2,633	-
7235	(Losses) gains on financial assets at fair value through profit or loss	(462)	-	65	-
7510	Interest expenses (note 6(i) and 7)	(25,061)	-	(19,339)	-
7590	Miscellaneous disbursements	(9,968)	-	(10,015)	-
7610	Losses on disposal of property, plant and equipment (note 6(g))	(4,946)	-	(6,380)	-
7670	Impairment losses (note 6(g))	(847)	-	(1,949)	-
		(14,295)	-	25,320	-
	Profit from continuing operations before tax	106,971	1	56,205	-
7950	**Less: Income tax expenses** (note 6(k))	24,359	-	12,831	-
	Profit	82,612	1	43,374	-
8300	**Other comprehensive income, net of tax**	-	-	-	-
8500	**Total comprehensive income**	$ 82,612	1	43,374	-
	Profit, attributable to:				
	Owners of parent	$ 101,146	1	55,294	-
	Former owner of business combination under common control	-	-	(4,124)	-
8720	Non-controlling interests	(18,534)	-	(7,796)	-
		$ 82,612	1	43,374	-
	Comprehensive income attributable to:				
	Owners of parent	$ 101,146	1	55,294	-
	Former owner of business combination under common control	-	-	(4,124)	-
8620	Non-controlling interests	(18,534)	-	(7,796)	-
		$ 82,612	1	43,374	-
9750	Basic earnings per share (note 6(m))	$	1.50		0.82
9850	Diluted earnings per share (note 6(m))	$	1.50		0.82

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent						
			Retained earnings				
	Ordinary shares	Capital surplus	Legal reserve	Unappropriated retained earnings	Equity attributable to former owner of business combination under common control	Non-controlling interests	Total equity
Balance at January 1, 2022	$ 675,000	992,115	44,064	194,503	94,028	-	1,999,710
Distribution of retained earnings:							
Legal reserve appropriated	-	-	19,450	(19,450)	-	-	-
Cash dividends of ordinary share	-	-	-	(175,053)	-	-	(175,053)
	-	-	19,450	(194,503)	-	-	(175,053)
Other changes in capital surplus:							
Other changes in capital surplus	-	122	-	-	-	-	122
Net income	-	-	-	55,294	(4,124)	(7,796)	43,374
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	55,294	(4,124)	(7,796)	43,374
Reorganization	-	9,326	-	-	(89,904)	71,679	(8,899)
Unrealized gain or loss in the intragroup transaction	-	(263)	-	-	-	-	(263)
Balance at December 31, 2022	675,000	1,001,300	63,514	55,294	-	63,883	1,858,991
Distribution of retained earnings:							
Legal reserve appropriated	-	-	5,530	(5,530)	-	-	-
Cash dividends of ordinary share	-	-	-	(49,275)	-	-	(49,275)
	-	-	5,530	(54,805)	-	-	(49,275)
Other changes in capital surplus:							
Other changes in capital surplus	-	10	-	-	-	-	10
Net income	-	-	-	101,146	-	(18,534)	82,612
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	101,146	-	(18,534)	82,612
Changes in non-controlling interests	-	-	-	(1,579)	-	1,579	-
Balance at December 31, 2023	**$ 675,000**	**1,001,310**	**69,044**	**100,056**	**-**	**46,928**	**1,892,338**

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	2023	2022
Cash flows from (used in) operating activities:		
Profit before tax	$ 106,971	56,205
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expenses	720,098	745,247
Amortization expenses	11,771	15,655
(Reversal of expected credit loss) expected credit loss	(734)	8,793
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	462	(65)
Interest expenses	25,061	19,339
Interest income	(5,417)	(3,043)
Losses on disposal of property, plant and equipment	4,946	6,380
Profit from lease modification	(1,330)	(20,673)
Losses on disposal of intangible assets	-	1
Impairment losses on non-financial assets	847	1,949
Total adjustments to reconcile profit	755,704	773,583
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	5,892	(20,591)
Increase in accounts receivable - related parties	(662)	(565)
Decrease in other receivables	863	10,007
Decrease (increase) in inventories	174,650	(159,757)
Decrease (increase) in prepayments	4,183	(9,857)
Decrease (increase) in other financial assets	41,300	(26,500)
(Decrease) increase in contract liabilities	(8,314)	23,313
(Decrease) increase in notes payable	(99)	178
(Decrease) increase in accounts payable	(66,402)	90,201
Decrease in accounts payable - related parties	(1,191)	(174)
Increase (decrease) in other payables	26,248	(13,592)
Increase in other current liabilities	43,862	22,852
Total adjustments	976,034	689,098
Cash inflow generated from operations	1,083,005	745,303
Interest received	4,942	3,049
Interest paid	(25,030)	(19,339)
Income taxes paid	(10,858)	(46,086)
Net cash flows generated from operating activities	1,052,059	682,927
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other profit or loss	-	(5,742)
Acquisition of property, plant and equipment	(128,824)	(164,649)
Proceeds from disposal of property, plant and equipment	1,617	165
Decrease in guarantee deposits paid	6,849	14,685
Acquisition of intangible assets	(14,589)	(10,148)
Decrease in finance lease receivable	1,432	8,548
Decrease in other financial assets	3,219	-
Increase in other financial assets	-	(18,314)
Net cash flows used in investing activities	(130,296)	(175,455)
Cash flows from (used in) financing activities:		
Decrease in guarantee deposits received	(15,411)	(17,120)
Payments of lease liabilities	(491,640)	(509,315)
Cash dividends paid	(49,275)	(175,053)
Payments of reorganization	-	(8,899)
Other changes in capital surplus	10	122
Net cash flows used in financing activities	(556,316)	(710,265)
Net increase (decrease) in cash and cash equivalents	365,447	(202,793)
Cash and cash equivalents at beginning of period	548,034	750,827
Cash and cash equivalents at end of period	**$ 913,481**	**548,034**

See accompanying notes to consolidated financial statements.

(1) Company history

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

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

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

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

(3) New standards, amendments and interpretations adopted:

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

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

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

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

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

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its consolidated financial statements:

(Continued)

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

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

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

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

(4) Summary of material accounting policies:

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

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "the Regulations") and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C. (hereinafter referred to as "IFRS endorsed by the FSC").

(b) Basis of preparation

(i) Basis of measurement

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

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(Continued)

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. Subsidiaries are entities controlled by the Group. The Group "controls" an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, financial statements of subsidiaries are adjusted to align the accounting policies with those adopted by the Company.;

Changes in the Group’s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(ii) List of subsidiaries in the consolidated financial statements

List of subsidiaries in the consolidated financial statements included:

			Shareholding	
Name of investor	**Name of subsidiary**	**Main business and products**	**December 31, 2023**	**December 31, 2022**
Simple Mart Co., Ltd.	Simple Mart Plus Co., Ltd.	Retail sales of food and beverage	100%	100%
Simple Mart Co., Ltd.	Sanyou Drugstores Co., Ltd.	Retail sales of drugs and cosmetics	67.33%	51%

(iii) Subsidiaries excluded from the consolidated financial statements: None.

(d) Foreign currencies

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

(e) 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.

(Continued)

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 Group 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.

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(g) 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 Group becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at amortized cost, debt instrument measured at fair value through other comprehensive income, equity instrument measured at fair value through other comprehensive income and financial asset at fair value though profit or loss. Financial assets are not reclassified subsequent to their initial recognition unless the Group 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

(Continued)

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

3) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, accounts receivable, other receivable, leases receivable, guarantee deposit paid and other financial assets).

The Group 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.

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 Group 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 Group’s historical experience and informed credit assessment as well as forward-looking information.

As the Group’s bank deposits, time deposits and reverse repurchase agreement are dealt with financial institutions with good credit rating and graded above investment level,

(Continued)

hence, there is no significant credit risk arising.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group 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 Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group 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.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group 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 Group 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 Group's procedures for recovery of amounts due.

4) Derecognition of financial assets

The Group 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 Group 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 Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

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

3) Financial liabilities

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

4) Derecognition of financial liabilities

The Group 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.

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group 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.

(h) 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.

(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.

(Continued)

(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 Group.

(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	2~10 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 Group 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 Group 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 Group' s incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

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

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

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

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

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

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

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

2) there is a change in the Group' 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 Group 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 Group 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 Group 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 Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(Continued)

(ii) As a lessor

When the Group 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 Group 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 Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group 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 Group 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 Group 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 Group 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

(Continued)

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

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs).

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

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

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 Group expects to be entitled in exchange for transferring goods or services to a customer. The Group 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 Group’s main types of revenue are explained below.

1) Sale of goods

The Group manufactures and sells consumer foods, beverage and daily commodities in the retail market. The Group 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 Group 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 Group 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 Group 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 Group provides kinds of service, including advertisement, product launch, franchisee, etc.. The Group recognizes revenue when the service is provided to customers during the reporting period.

(Continued)

4) Financing components

The Group 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 Group does not adjust any of the transaction prices for the time value of money.

(n) Government grants

The Group recognizes an unconditional government grant in profit or loss as other income when the grant becomes receivable. Grants that compensate the Group 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.

(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 Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(p) Income taxes

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

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

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities at the reporting date and their respective tax bases. Deferred taxes are recognized except

(Continued)

for the following:

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

(ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group 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 Group 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 unused tax losses, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(q) Earnings per share

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

(r) Operating segments

(Continued)

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

(s) Business combination

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

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

The preparation of the consolidated financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC 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 Group has assessed having no assumptions and estimated uncertainties that could have a material impact on the consolidated financial statements.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

		December 31, 2023	December 31, 2022
Cash on hand	$	64,115	60,321
Bank deposits		349,324	247,698
Reverse repurchase agreement		500,042	240,015
	$	**913,481**	**548,034**

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

		December 31, 2023	December 31, 2022
Time deposits with maturities of more than three months	**$**	**-**	**10,000**

(Continued)

Restricted time deposits	$ 159,045	193,564

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

(b) Financial assetsat fair value through profit or loss (FVTPL)

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

(c) Accounts receivable (including related parties)

	December 31, 2023	December 31, 2022
Accounts receivable - measured at amortized cost	$ 92,249	101,324
Accounts receivable (related parties) - measured at amortized cost	1,333	671
Less: loss allowance	(4,940)	(8,857)
	$ 88,642	93,138

Most of the Group' s receivable are generated from the customers who paid by credit cards and e-payment.

The Group 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 grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information.

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

	December 31, 2023	December 31, 2022
Current	$ 88,208	90,765
1-60 days past due	810	2,630
61-120 days past due	280	58
121-180 days past due	44	4,371
More than 180 days past due	4,240	4,171
	$ 93,582	101,995

(Continued)

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

	For the years ended December 31, 2023	2022
Beginning balance of the period	$ 8,857	64
Add: Impairment losses recognized	-	8,793
Less: Impairment losses reversed	(734)	-
Less: Amounts written off	(3,183)	-
Ending balance of the period	$ 4,940	8,857

(d) Finance leases receivable

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

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

	December 31, 2023	December 31, 2022
Less than one year	$ -	1,491
Total lease payments receivable	-	1,491
Unearned finance income	-	(1)
Present value of lease payments receivable	$ -	1,490

(e) Inventories

	December 31, 2023	December 31, 2022
Merchandise Inventories	$ 1,596,804	1,759,374
Inventory in transit	25,561	37,641
	$ 1,622,365	1,797,015

	2023	2022
Cost of goods sold	$ 10,362,023	10,602,111
Inventory losses from obsolescence and others	40,253	51,812
Cost of sales	$ 10,402,276	10,653,923

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

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

(i) Acquisitions of NCI

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

The effects of the changes in shareholdings were as follows:

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

(g) Property, plant and equipment

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

		Land	Buildings	Machinery and equipment	Leasehold improvements	Prepayment for business facilities and construction in progress	Total
Cost:							
Balance at January 1, 2023	$	537,599	220,887	1,108,993	859,675	3,326	2,730,480
Additions		-	-	64,429	58,195	12,381	135,005
Transfer from (to)		-	-	796	1,000	(1,796)	-
Scraps		-	-	(25,980)	(29,976)	-	(55,956)
Disposal and others		-	-	(13,990)	(3,898)	-	(17,888)
Balance at December 31, 2023	$	537,599	220,887	1,134,248	884,996	13,911	2,791,641
Balance at January 1, 2022	$	537,599	220,887	1,060,896	840,575	-	2,659,957
Additions		-	-	80,561	50,386	3,326	134,273
Scraps		-	-	(22,183)	(19,537)	-	(41,720)
Disposal		-	-	(10,281)	(11,749)	-	(22,030)
Balance at December 31, 2022	$	537,599	220,887	1,108,993	859,675	3,326	2,730,480
Accumulated depreciation and impairment losses:							
Balance at January 1, 2023	$	-	27,950	806,526	655,310	-	1,489,786
Depreciation		-	4,336	139,412	81,127	-	224,875

(Continued)

Scraps		-	-	(25,567)	(27,679)	-	(53,246)
Disposal and others		-	-	(13,167)	(868)	-	(14,035)
Impairment		-	-	-	847	-	847
Balance at December 31, 2023	**$**	**-**	**32,286**	**907,204**	**708,737**	**-**	**1,648,227**
Balance at January 1, 2022	$	-	23,614	674,030	599,353	-	1,296,997
Depreciation		-	4,336	162,989	80,720	-	248,045
Scraps		-	-	(20,872)	(17,184)	-	(38,056)
Disposal		-	-	(9,621)	(9,528)	-	(19,149)
Impairment		-	-	-	1,949	-	1,949
Balance at December 31, 2022	**$**	**-**	**27,950**	**806,526**	**655,310**	**-**	**1,489,786**
Carrying amounts:							
Balance at December 31, 2023	**$**	**537,599**	**188,601**	**227,044**	**176,259**	**13,911**	**1,143,414**
Balance at January 1, 2022	**$**	**537,599**	**197,273**	**386,866**	**241,222**	**-**	**1,362,960**
Balance at December 31, 2022	**$**	**537,599**	**192,937**	**302,467**	**204,365**	**3,326**	**1,240,694**

Investing activities that are partially paid in cash:

		2023	2022
Acquisition of property, plant and equipment	$	135,005	134,273
Add: Payables on equipment, beginning of period		26,032	56,408
Less: Payables on equipment, end of period		(32,213)	(26,032)
Cash paid	**$**	**128,824**	**164,649**

(h) Right-of-use assets

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

	Buildings	Machinery and equipment	Total
Cost:			
Balance at January 1, 2023	$ 3,167,717	2,086	3,169,803
Additions	643,337	-	643,337
Derecognized	(278,821)	-	(278,821)
Balance at December 31, 2023	$ 3,532,233	2,086	3,534,319
Balance at January 1, 2022	$ 2,852,206	2,086	2,854,292
Additions	519,231	-	519,231
Derecognized	(203,720)	-	(203,720)
Balance at December 31, 2022	$ 3,167,717	2,086	3,169,803
Accumulated depreciation and impairment losses:			
Balance at January 1, 2023	$ 1,509,310	1,076	1,510,386
Depreciation	494,954	269	495,223
Derecognized	(232,386)	-	(232,386)
Balance at December 31, 2023	$ 1,771,878	1,345	1,773,223
Balance at January 1, 2022	$ 1,180,583	807	1,181,390
Depreciation	496,933	269	497,202
Derecognized	(168,206)	-	(168,206)
Balance at December 31, 2022	$ 1,509,310	1,076	1,510,386
Carrying amounts:			
Balance at December 31, 2023	$ 1,760,355	741	1,761,096
Balance at January 1, 2022	$ 1,671,623	1,279	1,672,902
Balance at December 31, 2022	$ 1,658,407	1,010	1,659,417

(i) Lease liabilities

The carrying amount of the Group’ s lease liabilities were as follows:

	December 31, 2023	December 31, 2022
Current	$ 465,532	457,704
Non-current	$ 1,342,466	1,249,387

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

(Continued)

The amounts recognized in profit or loss were as follows:

	2023	2022
Interests on lease liabilities	$ 23,316	17,798
Variable lease payments not included in the measurement of lease liabilities	$ 26,513	23,034
Income from sub-leasing right-of-use assets (recognized as interest income)	$ (1)	(55)
Expenses relating to short-term leases	$ 11,743	9,718
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	$ 2,685	2,896
COVID-19-related rent concessions (recognized as other income)	$ -	(3,044)

(Continued)

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

	2023	2022
Total cash outflow for leases	$ 555,896	559,662

(i) Real estate leases

The Group 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, of retail stores for 2 to 10 years, and of warehouse for 1 to 3 years. Some leases include an option to renew the lease for an additional period after the end of the contract term.

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

(ii) Other leases

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

(j) Employee benefit

(i) Defines benefit plan

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

2023	2022
$ 69	69

(ii) Defined contribution plans

The Group 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 Group has no legal or constructive obligation to pay additional amounts once the Group has contributed a fixed amount to the Bureau of Labor Insurance.

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

2023	2022
$ 81,339	79,037

(k) Income taxes

(i) Income tax expenses

The components of income tax were as follows:

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

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

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

		2023	2022
Income before income tax	$	106,971	56,205
Income tax using the company’s domestic tax rate		21,394	11,241
Prior year’s income tax adjustment		(754)	(1,363)
Change in unrecognized temporary differences		3,151	3,299
Tax-free income		-	(57)
Others		568	(289)
Income tax expenses	**$**	**24,359**	**12,831**

(ii) Deferred income tax assets

1) Unrecognized deferred tax assets

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

		December 31, 2023	December 31, 2022
Tax loss	$	175,137	167,148
Allowance for inventory valuation losses		347	770
Deferred revenue		1,855	2,068
Impairment loss		103	4,524
Others		483	264
	$	177,925	174,774

The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

As of December 31, 2023, the Group’s unused tax losses for which no deferred tax assets were recognized were as follows:

Year of loss		Unused tax loss	Expiry year
2014 (approved)	$	34,553	2024
2015 (approved)		66,427	2025
2016 (approved)		71,837	2026
2017 (approved)		89,161	2027
2018 (approved)		106,918	2028
2019 (approved)		171,114	2029
2020 (approved)		131,680	2030
2021 (approved)		103,159	2031
2022 (assessed)		58,973	2032
2023 (estimated)		41,865	2033
	$	875,687	

2) Recognized deferred tax assets

(Continued)

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

		Loss on investment	Unrealized Loss on inventories	Deferred income	Compesation for unused annual leave	Impairment loss	Others	Total
Deferred income tax assets:								
Balance on January 1, 2023	$	5,580	2,240	7,136	6,444	1,781	29	23,210
Recognized in profit or loss		2,358	(186)	(635)	147	(143)	832	2,373
Balance on December 31, 2023	**$**	**7,938**	**2,054**	**6,501**	**6,591**	**1,638**	**861**	**25,583**
Balance on 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 on December 31, 2022	**$**	**5,580**	**2,240**	**7,136**	**6,444**	**1,781**	**29**	**23,210**

3) Recognized deferred tax liabilities

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

		Profit on investment	Right-of-ues assets	Total
Balance at January 1, 2022	$	(765)	-	(765)
Recognized in profit or loss		765	-	765
Balance at December 31, 2022	**$**	**-**	**-**	**-**

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

The tax authorities have examined the income tax of Simple Mart Plus Co., Ltd., one of the subsidiaries of the Company, for the years through 2021.

The tax authorities have examined the income tax of Sanyou Drugstores Co., Ltd., one of the subsidiaries of the Company, for the years through 2021.

(l) Capital and other equity

(i) Ordinary shares

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

(ii) Capital surplus

The balances of capital surplus were as follows:

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

According to the Company Act, capital surplus shall be used to offset a deficit first, and only the realized capital surplus of that 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 earnings

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

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

(Continued)

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

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

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

(m) Earnings per share

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

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

(n) Revenue from contracts with customers

(i) Details of revenue

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

		2023	2022
Sale of goods	$	13,350,105	13,502,496
Others operating income		691,809	681,007
	$	14,041,914	14,183,503

(ii) Contract balances

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

	December 31, 2023	December 31, 2022
Contract liabilities - current - gift voucher revenue	$ 12,658	14,091
Contract liabilities - current - customer loyalty program	41,782	46,020
Contract liabilities - current - franchise royalty fee	4,499	5,620
Total	$ 58,939	65,731
Contract liabilities - non-current - franchise royalty fee	$ 6,674	8,196

2) The amounts of revenue recognized for the years ended December 31, 2023 and 2022, was included in the contract liabilities balance at the beginning of the period, were $61,304 thousand and $40,874 thousand, respectively.

(o) Remunerations to employees and directors

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

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

financial statements, are identical to those of the actual distributions for 2023 and 2022. Related information would be available at the Market Observation Post System website.

(Continued)

(p) Other income

		December 31, 2023	December 31, 2022
Profit of lease modification	$	1,330	20,673
Grant revenue		924	13,819
2-years past due unpaid payables transferred to		1,408	5,889
Others		16,089	16,881
	$	19,751	57,262

(q) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

The Group has a large and unrelated customer base, therefore, has limited concentration of credit risk.

(ii) Liquidity risk

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

		Carrying amount	Contractual cash flows	Within 1 year	More than 1 year
December 31, 2023					
Non derivative financial liabilities					
Notes payable	$	153	153	153	-
Accounts payable		1,398,919	1,398,919	1,398,919	-
Accounts payable - related parties		1,973	1,973	1,973	-
Other payables		506,909	506,909	506,909	-
Lease liabilities (include current and non-current)		1,807,998	1,879,866	487,964	1,391,902
Guarantee deposits received		86,063	86,063	-	86,063
	$	3,802,015	3,873,883	2,395,918	1,477,965
December 31, 2022					
Non derivative financial liabilities					
Notes payable	$	252	252	252	-

(Continued)

	Carrying amount	Contractual cash flows	Within 1 year	More than 1 year
Accounts payable	1,465,321	1,465,321	1,465,321	-
Accounts payable - related parties	3,164	3,164	3,164	-
Other payables	474,480	474,480	474,480	-
Lease liabilities (include current and non-current)	1,707,091	1,758,516	474,121	1,284,395
Guarantee deposits received	101,474	101,474	-	101,474
	$ 3,751,782	3,803,207	2,417,338	1,385,869

The Group 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 Group's significant exposure to foreign currency risk was as follows:

	December 31, 2023			December 31, 2022		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets						
Monetary items						
JPY	$ 34,793	0.215	7,487	14,779	0.230	3,405
EUR	98	33.780	3,312	11	32.520	361
USD	11	30.655	326	62	30.660	1,911
Financial liabilities						
Monetary items						
EUR	141	33.780	4,770	125	32.520	4,073
USD	-	-	-	123	30.660	3,772

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on financial assets and liabilities that are denominated in foreign currency. A depreciation or appreciation of 1% of the NTD against the USD, EUR, and JPY as of December 31, 2023 and 2022 would have increased or decreased the net profit after tax by $51 thousand for the year ended December 31, 2023, and decreased or increased the net profit after tax by $17 thousand for the year ended 2022, respectively, assuming all other factors remain constant. The analysis is performed on the same basis for both periods.

(iv) Interest rate analysis

(Continued)

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

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

(v) Other market price risk

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

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

(vi) Fair value of financial instruments

1) Fair value hierarchy

The management of the Group 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 Group valued its financial assets measured at fair value through profit or loss based on recurring fair value measurement method. The details are as follows:

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

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

(Continued)

2) Valuation techniques for financial instruments measured at fair value

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

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

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

(vii) Offsetting financial assets and financial liabilities

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

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

(Continued)

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

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

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

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

(r) Financial risk management

(i) Overview

The Group has exposures to the following risks from its financial instruments:

1) Credit risk

2) Liquidity risk

3) Market risk

The following likewise discusses the Group’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 consolidated 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 Group, as well as the adequacy of the related financial risk management framework. The internal auditors assists the board of directors in its supervisory role over the Group.

(iii) Credit risk

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

(Continued)

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group’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 Group’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 Group’s functional currency is TWD, some of its purchase transactions are denominated in EUR, USD and JPY. The Group 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 Group’s financial instrument or cash flow. The Group’s bank deposits, time deposits and short-term borrowings are subject to floating interest rates. Therefore, there is a risk that changes in market interest rates will cause the effective interest rates to change accordingly, resulting in fluctuations in its future cash flows. However, the Company have no significant interest rate risk arising from these transactions.

3) Market price risk

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

(s) Capital management

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

As of December 31, 2023, the Group’s capital management was remaining constant.

(Continued)

(t) Financing activities not affecting current cash flow

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2023	Cash flows	Non-cash changes Changes in lease	December 31, 2023
Lease liabilities	$ 1,707,091	(491,640)	592,547	1,807,998

	January 1, 2022	Cash flows	Non-cash changes Changes in lease	December 31, 2022
Lease liabilities	$ 1,753,414	(509,315)	462,992	1,707,091

(u) Business combination

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

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

(7) Related-party transactions:

(a) Names and relationship with related-parties

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

Name of related-party	Relationship with the Group
Mercuries & Associates Holding Ltd.	Parent company
Sumitomo Corporation	An entity with significant influence over the Group
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

(Continued)

Mercuries F&B Co., Ltd.	Other related party
Mercuries Life Insurance Co., Ltd.	Other related party
Horizon Securities Co., Ltd.	Other related party
Mercuries Social Welfare and Charity Foundation, Taoyuan County	Other related party
Criminal Investigation and Prevention Association, R.O.C.	Other related party
Simple Mart Retail Co., Ltd. Employee Welfare Committee	Other related party
Sanyou Drugstores Co., Ltd. Employee Welfare Committee	Other related party
Foundation for Chinese Dietary Culture	Other related party
Taiwan Chain Stores and Franchise Association	Other related party
INSIGHT EDGE, INC	Other related party
The Group’s directors, general manager and vice general managers	

(b) 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.

(ii) Purchases

The amounts of purchases from related parties were as follows:

	2023	2022
Other related parties	$ 18,761	15,873

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

(iii) Receivables from related parties

The receivables from related parties were as follows:

Accounts	Type of related parties	December 31, 2023	December 31, 2022
Accounts receivable	Other related parties	$ 1,333	4,486
Other receivables	Other related parties	5	-
		$ 1,338	4,486

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

(Continued)

(iv) Payables to related parties

The payables to related parties were as follows:

Accounts	Type of related parties	December 31, 2023	December 31, 2022
Accounts payable	Other related parties	$ 1,973	3,962
Other payable	Other related parties	2,667	7,876
		$ 4,640	11,838

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

(v) Prepayments

The prepayments to related parties were as follows:

	December 31, 2023	December 31, 2022
Other related parties	$ 3,332	3,198

The prepayments were prepaid insurance and other related expense.

(vi) Property transactions

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

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

	2023	2022
Other related parties	$ -	2,655

As of December 31, 2023 and 2022, the unpaid payments were $0 thousand and $2,788 thousand, their were classified as other payables.

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

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

For the year ended December 31, 2023 and 2022, The Group sold its office equipment to other related parties at the amounts of $0 thousand and $32, respectively, which had been fully received.

(Continued)

(vii) Leases

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

(viii) Guarantee deposits paid

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

The above transactions were guarantee deposits of office leases.

(ix) Guarantee deposits received

		December 31, 2023	December 31, 2022
Other related parties	$	-	100

The above transactions were guarantee deposits of stores leases.

(x) Other operating expenses

		2023	2022
Criminal Investigation and Prevention Association,R.O.C.	$	300	-
Mercuries Social Welfare and Charity Foundation,Taoyuan County		300	-
Foundation for Chinese Dietary Culture		-	1,500
Entities with significant influence over the Group		33	33
Other related parties		7,663	7,607
	$	8,296	9,140

The above transactions were donation, group insurance and maintenance fees, etc.

(xi) Other incomes

		2023	2022
Other related parties	$	5	-

(xii) Guarantees and endorsements

As of December 31, 2023 and 2022, in order to acquire the bank loan facility, Mercuries & Associates Holding Ltd. served as joint guarantor for the Group, guaranteed amount $100,000

(Continued)

thousand each. As of December 31, 2023 and 2022, amounts utilized have been repaid.

(c) Key management personnel compensation

		2023	2022
Short-term employee benefits	$	31,172	29,395
Post-employment benefits		821	920
	$	**31,993**	**30,315**

(8) Pledged assets:

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

Pledged Assets	Pledged to secure		December 31, 2023	December 31, 2022
Time deposits (Recorded as current and non-current other financial assets)	Performance guarantee for purchasing and collection business	$	143,950	175,250
Bank deposits (Recorded as non-current other financial assets.)	Charitable trust of gift voucher		15,095	18,314
		$	**159,045**	**193,564**

(9) Commitments and contingencies:

(a) The Group issued guarantee notes to obtain short-term loan facility, as of December 31, 2023 and 2022, the balance was $1,100,000 thousand and $900,000 thousand, respectively.

(b) The Group rent several buildings as retail stores for operation, the lease term is from 1 to 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, the lease payments shall be calculated based on actual revenue of the period.

(10) Losses due to major disasters: None

(11) Subsequent events:None

(12) Others:

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

By function / By item	For the years ended December 31, 2023			For the years ended December 31, 2022		
	Operating cost	**Operating expense**	**Total**	**Operating cost**	**Operating Expense**	**Total**
Employee benefits						
Salary	-	1,493,694	1,493,694	-	1,452,059	1,452,059
Labor and health insurance	-	174,961	174,961	-	169,114	169,114
Pension	-	81,408	81,408	-	79,106	79,106
Remuneration to directors	-	3,300	3,300	-	1,500	1,500
Others	-	92,262	92,262	-	93,162	93,162
Depreciation	-	720,098	720,098	-	745,247	745,247
Amortization	-	11,771	11,771	-	15,655	15,655

(Continued)

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on the Group’s significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the years ended December 31, 2023:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	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	Range of interest rates during the period	Purposes of fund financing for the borrower (note1)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
0	The Company	Sanyou Drudstores Co., Ltd.	Other receivables -related parties	Yes	30,000	30,000	-	-	2	-	Working capital	-		-	184,541	738,164

Note: The numbers denote the following:

1. “0” represents the Company

2. Subsidiaries are numbered starting from “1”.

Note1: Purpose of fund financing for the borrower:

1. For those companies with business transaction with the Company, please fill in 1.

2. For those companies with short-term financing needs, please fill in 2.

(ii) Guarantees and endorsements for other parties: None

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

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest Percentage of ownership (%)	Note
				Shares	Carrying value	Percentage of ownership (%)	Fair value		
The Company	Mercuries Life Insurance Co., Ltd. Common Stock	Other related party	FVTPL - current	1,050,000	5,345	0.02%	5,345	0.03%	-

(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 or 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

(x) Business relationships and significant intercompany transactions:

There was no material business relationships and intercompany transactions in the current period.

(b) Information on investees:

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

(In Thousands of New Taiwan Dollars/Shares)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2023			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				June 30, 2023	December 31, 2022	Shares	Percentage of ownership	Carrying value				
The Company	Sanyou Drugstores Co., Ltd.	Taiwan	Retail sales of drugs and cosmetics	114,879	64,879	10,100	67.33%	96,652	67.33%	(36,729)	(17,800)	(Note)
The Company	Simple Mart Plus Co., Ltd.	Taiwan	Retail sales of food and beverage	60,000	60,000	6,000	100%	42,198	100%	1,146	1,146	(Note)

Note: The above transactions between parent and subsidiary are eliminated when preparing the consolidated financial statements.

(c) Information on investment in mainland China: None

(d) Information on 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:

General information:

The Group has two reportable segments. Segment A mainly engages in selling daily commodities to customer and other segments engage in home shopping, medicament, cosmetic and organic products.

The reportable segments of the Group are strategic business units that provide different products and services. Each strategic business unit is managed separately as it requires different technology and marketing strategies.

(a) Reportable information of segments profit or loss, segment liabilities, and their measurement and reconciliations:

The Group uses the internal management report that the chief operating decision maker reviews as the basis to determine resource allocation and make a performance evaluation. The internal management report includes profit before taxation, but not including any extraordinary activity and foreign exchange gain or losses because taxation, extraordinary activity, and foreign exchange gain or losses are managed on a group basis, and hence they are not able to be allocated to each reportable segment. In addition, not all reportable segments include depreciation and amortization of significant non-cash items. The reportable amount is similar to that in the report used by the chief operating decision maker. The operating segment accounting policies are similar to those described in note 4 "Significant accounting policies".

(Continued)

The Group’ s operating segment information and reconciliation were as follows:

	For the years ended December 31, 2023				
	Segment A	Other segments	Headquarters	Reconciliation and elimination	Total
Revenue:					
Revenue from external customers	$ 13,499,701	534,894	7,319	-	14,041,914
Intersegment revenues	-	32,601	70,611	(103,212)	-
Total revenue	$ 13,499,701	567,495	77,930	(103,212)	14,041,914
Reportable segment profit or loss from continuing operations before tax	$ 189,775	(55,860)	(43,992)	17,048	106,971

	For the years ended December 31, 2022				
	Segment A	Other segments	Headquarters	Reconciliation and elimination	Total
Revenue:					
Revenue from external customers	$ 13,572,735	600,700	10,068	-	14,183,503
Intersegment revenues	-	24,579	25,770	(50,349)	-
Total revenue	$ 13,572,735	625,279	35,838	(50,349)	14,183,503
Reportable segment profit or loss from continuing operations before tax	$ 123,680	(43,069)	(37,813)	13,407	56,205

(b) Product and service information

Revenue from the external customers of the Group is mainly from super market business, details of revenue were as follows:

Products and services	2023	2022
Sale of goods	$ 13,350,105	13,502,496
Service Revenue	691,809	681,007
Total	$ 14,041,914	14,183,503

(c) Geographic information

The Group does not have foreign operation; therefore, no geographic information needs to be disclosed.

(d) Major customers

No customers constituted more than 10% of the Group’ s total revenue for the years ended December 31, 2023 and 2022.

Appendix 2 Certified Financial Statements of the Company of the Most Recent Year

Independent Auditors' Report

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In our judgment, the key audit matters we communicated in the auditors' report were as follows:

1. Recognition of retail sales revenue:

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

Description of the key audit matter:

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

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

How the matter was addressed in our audit:

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

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

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

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

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

Auditors’ Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Hsiao, Pei-Ju and Yu, Chi-Lung.

KPMG

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

Notes to Readers

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

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

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

SIMPLE MART RETAIL CO., LTD.

Balance Sheets

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

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

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

See accompanying notes to parent company only financial statements.

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

SIMPLE MART RETAIL CO., LTD.

Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

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

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

See accompanying notes to parent company only financial statements.

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

SIMPLE MART RETAIL CO., LTD.

Statements of Changes in Equity

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

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

See accompanying notes to parent company only financial statements.

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

SIMPLE MART RETAIL CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

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

See accompanying notes to parent company only financial statements.

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

SIMPLE MART RETAIL CO., LTD.

Notes to the Financial Statements

For the years ended December 31, 2023 and 2022

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

(1) Company history

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

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

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

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

(3) New standards, amendments and interpretations adopted:

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

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

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

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

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

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

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its financial statements:

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

(Continued)

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

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

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

(4) Summary of material accounting policies:

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

(a) Statement of compliance

These financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "the Regulations").

(b) Basis of preparation

(i) Basis of measurement

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

(ii) Functional and presentation currency

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

(c) Foreign currencies

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

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

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

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

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

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

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

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

An entity shall classify a liability as current when:

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

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

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

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

(e) Cash and cash equivalents

Cash comprises cash on hand and bank deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(f) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

(i) Financial assets

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

(Continued)

On initial recognition, a financial asset is classified as measured at amortized cost, debt instrument measured at fair value through other comprehensive income, equity instrument measured at fair value through other comprehensive income and financial asset at fair value though profit or loss. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

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

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

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

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

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

3) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, accounts receivable, other receivable, leases receivable, guarantee deposit paid and other financial assets).

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

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

Loss allowance for trade receivables are always measured at an amount equal to lifetime ECL.

(Continued)

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

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

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

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

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

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

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

●significant financial difficulty of the borrower or issuer;

●a breach of contract such as a default or being more than 90 days past due;

●the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

●it is probable that the borrower will enter bankruptcy or other financial reorganization; or

●the disappearance of an active market for a security because of financial difficulties.

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

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

4) Derecognition of financial assets

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

3) Financial liabilities

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

4) Derecognition of financial liabilities

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

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

(Continued)

5) Offsetting of financial assets and liabilities

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

(g) Inventories

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

(h) Investment in subsidiaries

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

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

(i) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

(Continued)

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

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

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

(j) Leases

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

(i) As a lessee

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

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

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

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

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

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

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

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

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

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

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

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

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

5) there is any lease modifications

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

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

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

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

(ii) As a lessor

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

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

(Continued)

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

(k) Intangible assets

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

(i) Subsequent expenditure

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

(ii) Amortization

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

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

Computer software and others	2~8 years

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

(l) Impairment of non-financial assets

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

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs).

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

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

(Continued)

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

(m) Revenue from contracts with customers

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

(i) Sale of goods

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

(ii) Customer loyalty program

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

(iii) Other operating income

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

(iv) Financing components

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

(n) Government grants

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

(Continued)

(o) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

(iii) Short-term employee benefits

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

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(p) Income taxes

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

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

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities at the reporting date and their respective tax bases. Deferred taxes are recognized except for the following:

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

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

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

(Continued)

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

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

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

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

1) the same taxable entity; or

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

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

(q) Earnings per share

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

(r) Operating segments

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

(s) Business combination

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

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

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

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

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

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

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

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

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

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

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

(c) Accounts receivable (including related parties)

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

(Continued)

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

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

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

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

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

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

(d) Finance leases receivable

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

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

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

(e) Inventories

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

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

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

(f) Investments accounted for using the equity method

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

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

(i) Subsidiary

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

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

(ii) Collateral

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

(Continued)

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

(i) Acquisitions of NCI

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

The effects of the changes in shareholdings were as follows:

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

(h) Property, plant and equipment

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

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

(Continued)

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

Investing activities that are partially paid in cash:

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

(i) Right-of-use assets

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

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

(Continued)

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

(j) Lease liabilities

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

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

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

The amounts recognized in profit or loss were as follows:

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

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

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

(Continued)

(i) Real estate leases

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

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

(ii) Other leases

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

(k) Employee benefit

(i) Defines benefit plan

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

2023	2022
$ 69	69

(ii) Defined contribution plans

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

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

2023	2022
$ 76,865	74,330

(Continued)

(l) Income taxes

(i) Income tax expenses

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

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

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

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

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

(ii) Deferred income tax assets and liabilities

1) Recognized deferred tax assets

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

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

(Continued)

2) Recognized deferred tax liabilities

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

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

(m) Capital and other equity

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

(i) Capital surplus

The balances of capital surplus were as follows:

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

According to the Company Act, capital surplus shall be used to offset a deficit first, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received.

(ii) Retained earning

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.

(Continued)

1) Legal reserve

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

2) Earnings distribution

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

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

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

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

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

(n) Earnings per share

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

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

(o) Revenue from contracts with customers

(i) Details of revenue

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

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

(ii) Contract balances

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

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

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

(p) Remunerations to employees and directors

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

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

(Continued)

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

(q) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

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

(ii) Liquidity risk

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

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

(Continued)

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

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

2) Sensitivity analysis

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

(iv) Interest rate analysis

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

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

(v) Other market price risk

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

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

(vi) Fair value of financial instruments

1) Fair value hierarchy

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

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

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

2) Valuation techniques for financial instruments measured at fair value

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

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

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

(vii) Offsetting financial assets and financial liabilities

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

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

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

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

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

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

(r) Financial risk management

(i) Overview

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

1) Credit risk

2) Liquidity risk

3) Market risk

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

(Continued)

(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 the adequacy of the related financial risk management framework. The internal auditors assists the board of directors in its supervisory role over the Company.

(iii) Credit risk

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

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company’ s capital and working capital are sufficient to meet all contractual obligations, and has sufficient bank facilities to cover its daily operating turnover. Therefore, there is no liquidity risk due to the inability to raise funds to meet contractual obligations.

(v) Market risk

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

1) Currency risk

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

2) Interest rate risk

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

3) Market price risk

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

(Continued)

(s) Capital management

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

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

(t) Financing activities not affecting current cash flow

Reconciliation of liabilities arising from financing activities were as follows:

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

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

(u) Business combination

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

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

(7) Related-party transactions:

(a) Parent company and ultimate controller

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

(Continued)

(b) Names and relationship with related-parties

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

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

(c) Significant transactions with related parties

(i) Sales

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

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

(Continued)

(ii) Purchases

The amounts of purchases from related parties were as follows:

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

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

(iii) Receivable from related parties

The receivables from related parties were as follows:

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

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

(iv) Payables from related parties

The payables from related parties were as follows:

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

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

(v) Prepayments

The prepayments to related parties were as follows:

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

(Continued)

The prepayments are insurance premium and others expenses.

(vi) Property transactions

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

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

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

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

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

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

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

(vii) Leases

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

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

(viii) Guarantee deposits paid

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

(Continued)

The above transactions were guarantee deposits of office leases.

(ix) Guarantee deposits received

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

The above transactions were guarantee deposits of stores leases.

(x) Other operating expenses

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

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

(xi) Other incomes

	2023	2022
Subsidiary	**$ 1,024**	**1,979**

The above transactions were the payment for services provided.

(d) Key management personnel compensation

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

(Continued)

(8) Pledged assets:

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

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

(9) Commitments and contingencies:

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

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

(10) Losses due to major disasters: None

(11) Subsequent events: None

(12) Others:

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

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

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

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

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

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

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

(Continued)

(13) Other disclosures:

(a) Information on significant transactions:

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

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

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

Note: The numbers denote the following:

1. “0” represents the Company

2. Subsidiaries are numbered starting from “1”.

Note1: Purpose of fund financing for the borrower:

1. For those companies with business transaction with the Company, please fill in 1.

2. For those companies with short-term financing needs, please fill in 2.

(ii) Guarantees and endorsements for other parties: None

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

(In Thousands of New Taiwan Dollars)

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

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

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

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

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

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

(ix) Trading in derivative instruments: None

(b) Information on investees:

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

(In Thousands of New Taiwan Dollars/Shares)

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

(Continued)

(c) Information on investment in mainland China: None

(d) Information major shareholders:

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

(14) Segment information:

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

Simple Mart Retail Co., Ltd.

Statement of Cash and Cash Equivalents

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

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

Statement of Inventories

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

Simple Mart Retail Co., Ltd.

Statement of changes in Investments under Equity Method

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

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

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

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

Simple Mart Retail Co., Ltd.

Statement of Accounts Payable

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

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

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

Statement of Other Payables

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

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

Simple Mart Retail Co., Ltd.

Statement of Lease Liabilities

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

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

Statement of Operating Revenue

For the years ended December 31, 2023

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

Simple Mart Retail Co., Ltd.

Statement of Operating Costs

For the years ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

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

Statement of Selling Expenses

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

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

Simple Mart Retail Co., Ltd.

Statement of Administrative Expenses

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

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

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

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

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

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

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

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

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

Appendix 3 Related Party Report

Stock Code：2945

SIMPLE MART RETAIL CO., LTD.

Related Party Report

For the Years Ended December 31, 2023

Address: **B1, No. 4, Section 3, Minquan East Road, Zhongshan District, Taipei City 10477, Taiwan, R.O.C.**

Telephone: **(02)2506-1166**

Related Party Report

Table of contents

Declaration

The Related Party Report of the Company for the year ended December 31, 2023, was prepared in accordance with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, and there were no material inconsistencies between the disclosed information and the related information disclosed in the notes to the financial statements for the previous period.

Company name: Simple Mart Retail Co., Ltd.
Chairman: Shiang-Feng Chen
Date: February 23, 2024

Auditors’ opinion on the Related Party Report

To Simple Mart Retail Co., Ltd.

We have reviewed the “Related Party Report” of Simple Mart Retail Co., Ltd. (“the Company”) for the year ended December 31, 2023, in accordance with the requirements of Taiwan Finance Securities Official Letter (6) No.04448 issued on November 30, 1999 by the Securities and Futures Bureau (f.k.a. Securities and Futures Commission). We conducted our review to determine whether the “Related Party Report” of Simple Mart Retail Co., Ltd. for the year 2023 was prepared in accordance with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, and that nothing has come to our attention that causes us to believe that the related disclosure information does not agree, in all material respects, to the notes and disclosures of the financial statements of the Company, audited on February 23, 2024, of the same period.

Based on our review, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above in order for them to be in conformity with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, or any other applicable laws or regulations, or to the consolidated financial statements.

KPMG

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

Simple Mart Retail Co., Ltd.
Related Party Report
For the Year Ended December 31, 2023

(1) Overview of subsidiaries and holding companies of the Company:

Unit: Thousand NT$；%

Holding company	Control reason	Shareholding and Pledging			The appointment of Directors, Supervisors or Managers	
		Shares held	%	Shares pledged	Title	Name
Mercuries & Associates Holding, Ltd.	In accordance with the article 369-2, the holding company controls the majority of directors of the Company.	41,019	60.76 %	-	Chairman Director Director Director	Shiang-Feng Chen Shiang-Li Chen Kuang-Lung Chiu Wei-Chyun Wong

(2) Sales and purchases transactions: None.

(3) Asset transactions：None.

(4) Financing transactions：None.

(5) Leases：None.

(6) Guarantees and endorsements for other parties：None.

(7) Other significant transactions:

In 2023, the Company should pay a total of NT$1,800 thousand as remuneration to the directors of Mercuries & Associates Holding, Ltd. and Sumitomo Corporation.

Chairman: Shiang-Feng Chen

Manager: Kuang-Lung Chiu

Chief accountant: Yen-Hsiu Liu

February 23, 2024

Simple Mart Retail Co., Ltd.

Chairman: Shiang-Feng Chen