

**SIMPLE MART RETAIL CO., LTD.
AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Six Months Ended June 30, 2023 and 2022**

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The independent auditors' review 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' review report and consolidated financial statements, the Chinese version shall prevail.

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Independent Auditors' Review Report

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Simple Mart Retail Co., Ltd. and its subsidiaries as of June 30, 2023 and 2022, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2023 and 2022, as well as the changes in equity and cash flows for the six months ended June 30, 2023 and 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. 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 International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with the Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” of the Republic of China. A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing of the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Simple Mart Retail Co., Ltd. and its subsidiaries as of June 30, 2023 and 2022, and of its consolidated financial performance for the three months and six months ended June 30, 2023 and 2022, as well as its consolidated cash flows for the six months ended June 30, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.



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

KPMG

Taipei, Taiwan (Republic of China)

August 4, 2023

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 review such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' review 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' review 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

June 30, 2023, December 31, 2022, and June 30, 2022

(Expressed in Thousands of New Taiwan Dollars)

Assets		June 30, 2023		December 31, 2022		June 30, 2022		Liabilities and Equity		June 30, 2023		December 31, 2022		June 30, 2022	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (note 6(a))	\$ 512,153	9	548,034	9	704,677	12	2130	Contract liabilities - current (note 6(m))	\$ 47,376	1	65,731	1	38,294	1
1110	Financial assets at fair value through profit or loss - current (notes 6(b)(o) and 13)	5,723	-	5,807	-	-	-	2150	Notes payable (note 6(o))	83	-	252	-	155	-
1150	Notes receivable, net (note 6(c))	374	-	-	-	-	-	2170	Accounts payable (note 6(o))	1,239,850	23	1,465,321	26	1,366,591	24
1170	Accounts receivable, net (note 6(c))	58,578	1	92,467	2	59,579	1	2180	Accounts payable - related parties (note 6(o) and 7)	1,361	-	3,164	-	727	-
1180	Accounts receivable - related parties, net (notes 6(c) and 7)	3,895	-	671	-	392	-	2200	Other payables (note 6(o) and 7)	507,363	9	474,480	8	616,809	11
1197	Finance lease receivable - current (note 6(d))	-	-	1,490	-	5,773	-	2280	Lease liabilities - current (note 6(h)(o)(r) and 7)	454,711	8	457,704	8	468,583	8
1200	Other receivables (note 7)	11,325	-	12,842	-	10,757	-	2300	Other current liabilities	50,682	1	54,565	1	39,130	1
1300	Inventories (note 6(e))	1,679,253	31	1,797,015	31	1,608,653	28		Non-Current liabilities:						
1410	Prepayments (note 7)	15,826	-	36,503	1	37,805	-	2527	Contract liabilities - non-current (note 6(m))	6,696	-	8,196	-	9,002	-
1476	Other current financial assets (notes 6(a) and 8)	175,000	3	176,500	3	150,000	3	2550	Non-current provisions	5,538	-	3,740	-	3,740	-
		2,462,127	44	2,671,329	46	2,577,636	44	2570	Deferred tax liabilities	349	-	-	-	-	-
	Non-current assets:							2580	Lease liabilities - non-current (note 6(h)(o)(r) and 7)	1,261,947	23	1,249,387	22	1,229,563	21
1600	Property, plant and equipment (note 6(f))	1,186,406	22	1,240,694	22	1,301,813	23	2645	Guarantee deposits received (note 6(o) and 7)	88,647	2	101,474	2	106,909	2
1755	Right-of-use assets (note 6(g))	1,670,901	30	1,659,417	29	1,647,414	29			1,363,177	25	1,362,797	24	1,349,214	23
1780	Intangible assets	22,690	1	19,171	-	17,081	1		Total liabilities	3,664,603	67	3,884,014	68	3,879,503	68
1840	Deferred tax assets	23,985	-	23,210	1	16,514	-		Equity (notes 6(k)(s)):						
1920	Guarantee deposits paid (note 7)	95,152	2	102,120	2	108,528	2	3110	Ordinary share	675,000	12	675,000	12	675,000	12
1980	Other non-current financial assets (notes 6(a) and 8)	30,185	1	27,064	-	29,566	1	3200	Capital surplus	1,001,310	18	1,001,300	17	1,001,219	18
		3,029,319	56	3,071,676	54	3,120,916	56		Retained earnings:						
								3310	Legal reserve	69,044	1	63,514	1	63,514	1
								3350	Unappropriated retained earnings	28,272	1	55,294	1	10,375	-
										97,316	2	118,808	2	73,889	1
									Total equity attributable to owners of parent:	1,773,626	32	1,795,108	31	1,750,108	31
								36XX	Non-controlling interests	53,217	1	63,883	1	68,941	1
									Total equity	1,826,843	33	1,858,991	32	1,819,049	32
Total assets		\$ 5,491,446	100	5,743,005	100	5,698,552	100	Total liabilities and equity		\$ 5,491,446	100	5,743,005	100	5,698,552	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 three months and six months ended June 30, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

	For the three months ended June 30,				For the six months ended June 30,				
	2023		2022		2023		2022		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Operating revenue (note 6(m), 7 and 14)	\$ 3,448,955	100	3,619,938	100	6,753,904	100	6,861,909	100
5000	Operating costs (note 6(e) and 7)	2,574,574	75	2,761,131	76	5,024,165	74	5,166,112	75
	Gross margin from operations	874,381	25	858,807	24	1,729,739	26	1,695,797	25
	Operating expenses: (note 6(c)(f)(g)(h)(i)(n), 7 and 12)								
6100	Selling expenses	768,333	22	757,585	21	1,510,476	22	1,493,031	22
6200	Administrative expenses	92,606	3	103,389	3	193,431	3	206,699	3
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9.	(614)	-	10	-	(3,201)	-	13	-
	Total operating expenses	860,325	25	860,984	24	1,700,706	25	1,699,743	25
	Net operating income	14,056	-	(2,177)	-	29,033	1	(3,946)	-
	Non-operating income and expenses:								
7100	Interest income (note 6(h))	1,629	-	654	-	2,413	-	1,124	-
7190	Other income	5,168	-	18,375	1	7,079	-	25,549	-
7230	Foreign exchange gains	229	-	606	-	622	-	796	-
7510	Interest expenses (note 6(h) and 7)	(5,990)	-	(4,561)	-	(11,608)	-	(9,334)	-
7590	Miscellaneous disbursements	(966)	-	(4,609)	-	(2,892)	-	(5,699)	-
7610	Losses on disposal of property, plant and equipment (note 6(f))	(708)	-	(1,893)	-	(1,391)	-	(3,175)	-
7670	Impairment losses (note 6(f))	-	-	(315)	-	-	-	(261)	-
7635	Losses on financial assets at fair value through profit or loss	441	-	-	-	(84)	-	-	-
		(197)	-	8,257	1	(5,861)	-	9,000	-
	Profit from continuing operations before tax	13,859	-	6,080	1	23,172	1	5,054	-
7950	Less: Income tax expenses (note 6(j))	3,499	-	1,433	-	6,055	-	1,541	-
	Profit	10,360	-	4,647	1	17,117	1	3,513	-
8300	Other comprehensive income, net of tax	-	-	-	-	-	-	-	-
8500	Total comprehensive income	\$ 10,360	-	4,647	1	17,117	1	3,513	-
	Profit, attributable to:								
	Owners of parent	\$ 17,577	-	7,385	1	27,783	1	10,375	-
	Former owner of business combination under common control	-	-	-	-	-	-	(4,124)	-
8620	Non-controlling interests	(7,217)	-	(2,738)	-	(10,666)	-	(2,738)	-
		\$ 10,360	-	4,647	1	17,117	1	3,513	-
	Comprehensive income attributable to:								
	Owners of parent	\$ 17,577	-	7,385	1	27,783	1	10,375	-
	Former owner of business combination under common control	-	-	-	-	-	-	(4,124)	-
8620	Non-controlling interests	(7,217)	-	(2,738)	-	(10,666)	-	(2,738)	-
		\$ 10,360	-	4,647	1	17,117	1	3,513	-
9750	Basic earnings per share (note 6(l))	\$ 0.26		0.11		0.41		0.15	
9850	Diluted earnings per share (note 6(l))	\$ 0.26		0.11		0.41		0.15	

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 six months ended June 30, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of parent				Equity attributable to former owner of business combination under common control	Non-controlling interests	Total equity
	Retained earnings						
	Ordinary shares	Capital surplus	Legal reserve	Unappropriated retained earnings			
Balance at January 1, 2022	\$ 675,000	992,115	44,064	194,503	-	-	1,905,682
Retrospective adjustment of equity attributable to former owner due to reorganization of entities under common control	-	-	-	-	94,028	-	94,028
Equity at beginning of period after adjustments	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	-	41	-	-	-	-	41
Net income	-	-	-	10,375	(4,124)	(2,738)	3,513
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	10,375	(4,124)	(2,738)	3,513
Reorganization	-	9,326	-	-	(89,904)	71,679	(8,899)
Unrealized gain or loss in the intragroup transaction	-	(263)	-	-	-	-	(263)
Balance at June 30, 2022	\$ 675,000	1,001,219	63,514	10,375	-	68,941	1,819,049
Balance at January 1, 2023	\$ 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	-	-	-	27,783	-	(10,666)	17,117
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	27,783	-	(10,666)	17,117
Balance at June 30, 2023	\$ 675,000	1,001,310	69,044	28,272	-	53,217	1,826,843

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 six months ended June 30, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	For the six months ended June 30,	
	2023	2022
Cash flows from (used in) operating activities:		
Profit before tax	\$ 23,172	5,054
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expenses	362,887	379,028
Amortization expenses	6,855	8,420
Expected credit loss(gain)	(3,201)	13
Net loss on financial assets or liabilities at fair value through profit or loss	84	-
Interest expenses	11,608	9,334
Interest income	(2,413)	(1,124)
Losses on disposal of property, plant and equipment	1,391	3,175
Profit from lease modification	(420)	(20,220)
Impairment losses on non-financial assets	-	261
Total adjustments to reconcile profit	<u>376,791</u>	<u>378,887</u>
Changes in operating assets and liabilities:		
Increase in notes receivable	(374)	-
Decrease in accounts receivable	37,090	21,077
Increase in accounts receivable - related parties	(3,224)	(286)
Decrease in other receivables	1,205	7,484
Decrease in inventories	117,762	28,605
Decrease (increase) in prepayments	20,677	(11,201)
Decrease in other financial assets	1,500	-
Decrease in other current assets	-	42
Decrease in contract liabilities	(19,855)	(3,318)
(Decrease) increase in notes payable	(169)	81
Decrease in accounts payable	(225,471)	(8,529)
Decrease in accounts payable - related parties	(1,803)	(2,611)
Decrease in other payables	(30,017)	(47,423)
(Decrease) increase in other current liabilities	(9,847)	5,210
Total adjustments	<u>264,265</u>	<u>368,018</u>
Cash inflow generated from operations	287,437	373,072
Interest received	2,415	1,085
Interest paid	(11,600)	(9,334)
Income taxes paid	(199)	(21,184)
Net cash flows from operating activities	<u>278,053</u>	<u>343,639</u>
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(49,186)	(99,705)
Proceeds from disposal of property, plant and equipment	375	43
Decrease in guarantee deposits paid	6,968	8,277
Acquisition of intangible assets	(10,374)	(823)
Decrease in finance lease receivable	1,417	4,261
Increase in other financial assets	(3,121)	(20,816)
Net cash flows used in investing activities	<u>(53,921)</u>	<u>(108,763)</u>
Cash flows from (used in) financing activities:		
Decrease in guarantee deposits received	(12,827)	(11,685)
Payments of lease liabilities	(247,196)	(260,483)
Payments of reorganization	-	(8,899)
Other changes in capital surplus	10	41
Net cash flows used in financing activities	<u>(260,013)</u>	<u>(281,026)</u>
Net Decrease in cash and cash equivalents	(35,881)	(46,150)
Cash and cash equivalents at beginning of period	<u>548,034</u>	<u>750,827</u>
Cash and cash equivalents at end of period	<u>\$ 512,153</u>	<u>704,677</u>

See accompanying notes to consolidated financial statements.

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

SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 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 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 August 4, 2023.

(3) New standards, amendments and interpretations adopted:

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

The 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”

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

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

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

(Continued)

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

- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IAS12 “International Tax Reform – Pillar Two Model Rules”

(4) Summary of material accounting policies:

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the preparation and guidelines of IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect by FSC, and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRS endorsed by the FSC) for a complete set of the annual consolidated financial statements.

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2022. For the related information, please refer to note 4 to the 2022 annual consolidated financial statements.

(b) Basis of consolidation

(i) List of the subsidiary in the consolidated financial statements

List of the subsidiary in the consolidated financial statements included:

<u>Name of investor</u>	<u>Name of subsidiary</u>	<u>Main business and products</u>	<u>Shareholding</u>		
			<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Simple Mart Co., Ltd.	Simple Mart Plus Co., Ltd.	Retail sales of food and beverage	100 %	100 %	100 %
Simple Mart Co., Ltd.	Sanyou Drugstores Co., Ltd.	Retail sales of drugs and cosmetics	51 %	51 %	51 %

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

(c) Income taxes

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of International Financial Reporting Standards 34, Interim Reporting.

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period using the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period.

(Continued)

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

(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 IFRSs (in accordance with IAS 34 “Interim Financial Reporting” and 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 preparation of the consolidated financial statements, estimates and assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2022. For related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2022.

(6) Explanation of significant accounts:

Except for the following disclosures, there were no material differences in the disclosures of significant accounts between the interim consolidated financial statements for the current period and the 2022 consolidated financial statements. Please refer to note 6 to the 2022 annual consolidated financial statements.

(a) Cash and cash equivalents

	June 30, 2023	December 31, 2022	June 30, 2022
Cash on hand	\$ 57,239	60,321	56,725
Bank deposits	254,914	247,698	165,663
Repurchase agreement	200,000	240,015	482,289
	<u>\$ 512,153</u>	<u>548,034</u>	<u>704,677</u>

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:

	June 30, 2023	December 31, 2022	June 30, 2022
Time deposits with maturities of more than three months	\$ 10,000	10,000	-
Restricted time deposits	\$ 195,185	193,564	179,566

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

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

	June 30, 2023	December 31, 2022	June 30, 2022
Stock in listed companies	\$ 5,723	5,807	-

(Continued)

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

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

	June 30, 2023	December 31, 2022	June 30, 2022
Notes receivable - measured at amortized cost	\$ 374	-	-
Accounts receivable - measured at amortized cost	61,051	101,324	59,656
Accounts receivable (related parties) - measured at amortized cost	3,895	671	392
Less: loss allowance	<u>(2,473)</u>	<u>(8,857)</u>	<u>(77)</u>
	<u>\$ 62,847</u>	<u>93,138</u>	<u>59,971</u>

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, notes and accounts receivable have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The loss allowances was determined as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
	Gross carrying amount	Gross carrying amount	Gross carrying amount
Current	\$ 61,858	90,765	58,326
1-60 days past due	1,189	2,630	1,643
61-120 days past due	113	58	22
121-180 days past due	1	4,371	-
More than 180 days past due	<u>2,159</u>	<u>4,171</u>	<u>57</u>
	<u>\$ 65,320</u>	<u>101,995</u>	<u>60,048</u>

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

	For the six months ended June 30,	
	2023	2022
Beginning balance of the period	\$ 8,857	64
Add: Impairment losses recognized	-	13
Less: Amounts written off	(3,183)	-
Less: Impairment losses reversed	<u>(3,201)</u>	<u>-</u>
Ending balance of the period	<u>\$ 2,473</u>	<u>77</u>

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

(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:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Less than one year	\$ -	1,491	5,790
One to five years	-	-	-
Total lease payments receivable	-	1,491	5,790
Unearned finance income	-	(1)	(17)
Present value of lease payments receivable	<u>\$ -</u>	<u>1,490</u>	<u>5,773</u>

(e) Inventories

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Merchandise Inventories	\$ 1,646,683	1,759,374	1,583,859
Inventory in transit	32,570	37,641	24,794
	<u>\$ 1,679,253</u>	<u>1,797,015</u>	<u>1,608,653</u>

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Cost of goods sold	\$ 2,556,846	2,753,203	4,990,136	5,143,251
Inventory losses from obsolescence and others	17,728	7,928	34,029	22,861
Cost of sales	<u>\$ 2,574,574</u>	<u>2,761,131</u>	<u>5,024,165</u>	<u>5,166,112</u>

As of June 30, 2023, December 31 and June 30, 2022, the Group did not provide any merchandise inventories as collateral for its loans.

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

(f) 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 June 30, 2023 and 2022 were as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Leasehold improvements</u>	<u>Prepayment for business facilities and construction in progress</u>	<u>Total</u>
Cost:						
Balance at January 1, 2023	\$ 537,599	220,887	1,108,993	859,675	3,326	2,730,480
Additions	-	-	33,468	28,623	720	62,811
Transfer from (to)	-	-	796	1,000	(1,796)	-
Scraps	-	-	(15,033)	(16,877)	-	(31,910)
Disposal	-	-	(15,151)	(1,120)	-	(16,271)
Balance at June 30, 2023	<u>\$ 537,599</u>	<u>220,887</u>	<u>1,113,073</u>	<u>871,301</u>	<u>2,250</u>	<u>2,745,110</u>
Balance at January 1, 2022	\$ 537,599	220,887	1,060,896	840,575	-	2,659,957
Additions	-	-	43,529	26,907	-	70,436
Scraps	-	-	(5,541)	(8,672)	-	(14,213)
Disposal	-	-	(2,517)	(4,034)	-	(6,551)
Balance at June 30, 2022	<u>\$ 537,599</u>	<u>220,887</u>	<u>1,096,367</u>	<u>854,776</u>	<u>-</u>	<u>2,709,629</u>
Accumulated depreciation and impairment losses:						
Balance at January 1, 2023	\$ -	27,950	806,526	655,310	-	1,489,786
Depreciation	-	2,168	72,747	40,418	-	115,333
Scraps	-	-	(14,641)	(16,362)	-	(31,003)
Disposal	-	-	(14,544)	(868)	-	(15,412)
Balance at June 30, 2023	<u>\$ -</u>	<u>30,118</u>	<u>850,088</u>	<u>678,498</u>	<u>-</u>	<u>1,558,704</u>
Balance at January 1, 2022	\$ -	23,614	674,030	599,353	-	1,296,997
Depreciation	-	2,168	83,848	42,088	-	128,104
Scraps	-	-	(5,475)	(6,657)	-	(12,132)
Disposal	-	-	(2,191)	(3,223)	-	(5,414)
Reversal of impairment losses	-	-	-	261	-	261
Balance at June 30, 2022	<u>\$ -</u>	<u>25,782</u>	<u>750,212</u>	<u>631,822</u>	<u>-</u>	<u>1,407,816</u>
Carrying amounts:						
Balance at January 1, 2023	<u>\$ 537,599</u>	<u>192,937</u>	<u>302,467</u>	<u>204,365</u>	<u>3,326</u>	<u>1,240,694</u>
Balance at June 30, 2023	<u>\$ 537,599</u>	<u>190,769</u>	<u>262,985</u>	<u>192,803</u>	<u>2,250</u>	<u>1,186,406</u>
Balance at January 1, 2022	<u>\$ 537,599</u>	<u>197,273</u>	<u>386,866</u>	<u>241,222</u>	<u>-</u>	<u>1,362,960</u>
Balance at June 30, 2022	<u>\$ 537,599</u>	<u>195,105</u>	<u>346,155</u>	<u>222,954</u>	<u>-</u>	<u>1,301,813</u>

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

Investing activities that are partially paid in cash:

	For the six months ended	
	June 30,	
	2023	2022
Acquisition of property, plant and equipment	\$ 62,811	70,436
Add: Payables on equipment, beginning of period	26,032	56,408
Less: Payables on equipment, end of period	<u>(39,657)</u>	<u>(27,139)</u>
Cash paid	<u>\$ 49,186</u>	<u>99,705</u>

(g) 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:

	Machinery and equipment		
	Buildings	and equipment	Total
Cost:			
Balance at January 1, 2023	\$ 3,167,717	2,086	3,169,803
Additions	273,262	-	273,262
Derecognized	<u>(141,594)</u>	<u>-</u>	<u>(141,594)</u>
Balance at June 30, 2023	<u>\$ 3,299,385</u>	<u>2,086</u>	<u>3,301,471</u>
Balance at January 1, 2022	\$ 2,852,206	2,086	2,854,292
Additions	249,751	-	249,751
Derecognized	<u>(175,342)</u>	<u>-</u>	<u>(175,342)</u>
Balance at June 30, 2022	<u>\$ 2,926,615</u>	<u>2,086</u>	<u>2,928,701</u>
Accumulated depreciation and impairment losses:			
Balance at January 1, 2023	\$ 1,509,310	1,076	1,510,386
Depreciation	247,419	135	247,554
Derecognized	<u>(127,370)</u>	<u>-</u>	<u>(127,370)</u>
Balance at June 30, 2023	<u>\$ 1,629,359</u>	<u>1,211</u>	<u>1,630,570</u>
Balance at January 1, 2022	\$ 1,180,583	807	1,181,390
Depreciation	250,789	135	250,924
Derecognized	<u>(151,027)</u>	<u>-</u>	<u>(151,027)</u>
Balance at June 30, 2022	<u>\$ 1,280,345</u>	<u>942</u>	<u>1,281,287</u>

(Continued)

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

	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Total</u>
Carrying amounts:			
Balance at January 1, 2023	\$ <u>1,658,407</u>	<u>1,010</u>	<u>1,659,417</u>
Balance at June 30, 2023	\$ <u>1,670,026</u>	<u>875</u>	<u>1,670,901</u>
Balance at January 1, 2022	\$ <u>1,671,623</u>	<u>1,279</u>	<u>1,672,902</u>
Balance at June 30, 2022	\$ <u>1,646,270</u>	<u>1,144</u>	<u>1,647,414</u>

(h) Lease liabilities

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

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Current	\$ <u>454,711</u>	<u>457,704</u>	<u>468,583</u>
Non-current	\$ <u>1,261,947</u>	<u>1,249,387</u>	<u>1,229,563</u>

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

The amounts recognized in profit or loss were as follows:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Interests on lease liabilities	\$ <u>5,544</u>	<u>4,260</u>	<u>10,658</u>	<u>8,546</u>
Variable lease payments not included in the measurement of lease liabilities	\$ <u>6,420</u>	<u>4,395</u>	<u>12,205</u>	<u>9,136</u>
Income from sub-leasing right-of-use assets	\$ <u>-</u>	<u>(8)</u>	<u>(1)</u>	<u>(39)</u>
Expenses relating to short-term leases	\$ <u>3,306</u>	<u>2,241</u>	<u>5,971</u>	<u>4,155</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>701</u>	<u>747</u>	<u>1,361</u>	<u>1,521</u>

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

	<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
Total cash outflow for leases	\$ <u>277,390</u>	<u>283,802</u>

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

(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, and of retail stores for 2 to 10 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 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.

(i) Employee benefit

(i) Defined 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:

For the three months ended		For the six months ended	
June 30,		June 30,	
2023	2022	2023	2022
\$ 17	18	35	33

(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 have been allocated to the Bureau of Labor Insurance:

For the three months ended		For the six months ended	
June 30,		June 30,	
2023	2022	2023	2022
\$ 20,248	19,362	40,382	38,862

(Continued)

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

(j) Income taxes

(i) Income tax expenses

The components of income tax were as follows:

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Current tax expenses				
Current period	\$ 6,164	2,253	6,164	2,253
Adjustments for prior years	318	(99)	318	(627)
	<u>6,482</u>	<u>2,154</u>	<u>6,482</u>	<u>1,626</u>
Deferred tax expenses				
Current period	(1,911)	14	645	650
Adjustments for prior years	(1,072)	(735)	(1,072)	(735)
Income tax expenses	<u>\$ 3,499</u>	<u>1,433</u>	<u>6,055</u>	<u>1,541</u>

(ii) There is no income tax directly recognized under equity.

(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 2020.

(k) Capital and other equity

(i) Ordinary shares

As of June 30, 2023, December 31 and June 30, 2022, the Company's authorized capital consisted of 80,000 thousand shares, amounting to \$800,000 thousand, with par value of \$10 per share. In June 30, 2023, December 31 and June 30, 2022, all of the issued shares were ordinary shares consisted of 67,500 thousand shares.

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

(ii) Capital surplus

The balances of capital surplus were as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Premium on issuance of common stock	\$ 959,010	959,010	959,010
Others	42,300	42,290	42,209
	<u>\$ 1,001,310</u>	<u>1,001,300</u>	<u>1,001,219</u>

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
Total	<u>\$ 54,805</u>	<u>194,503</u>

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

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

(l) Earnings per share

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

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Basic earnings per share				
Profit or loss attributable to ordinary shareholders of the Company	\$ <u>17,577</u>	<u>7,385</u>	<u>27,783</u>	<u>10,375</u>
Weighted-average number of ordinary shares outstanding	<u>67,500</u>	<u>67,500</u>	<u>67,500</u>	<u>67,500</u>
	<u>\$ 0.26</u>	<u>0.11</u>	<u>0.41</u>	<u>0.15</u>
Diluted earnings per share				
Profit or loss attributable to ordinary shareholders of the Company	\$ <u>17,577</u>	<u>7,385</u>	<u>27,783</u>	<u>10,375</u>
Weighted-average number of ordinary shares outstanding	67,500	67,500	67,500	67,500
Effect of dilutive potential ordinary shares - employee share bonus	<u>63</u>	<u>12</u>	<u>63</u>	<u>30</u>
Weighted-average number of ordinary shares outstanding(diluted)	<u>67,563</u>	<u>67,512</u>	<u>67,563</u>	<u>67,530</u>
	<u>\$ 0.26</u>	<u>0.11</u>	<u>0.41</u>	<u>0.15</u>

(m) Revenue from contracts with customers

(i) Details of revenue

The derives revenue from the transfer of goods and services over time or at a point in time, and the amounts of revenue for the six months ended June 30, 2023 and 2022 were as follows:

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Sale of goods	\$ 3,319,522	3,484,365	6,423,277	6,541,546
Others operating income	<u>129,433</u>	<u>135,573</u>	<u>330,627</u>	<u>320,363</u>
	<u>\$ 3,448,955</u>	<u>3,619,938</u>	<u>6,753,904</u>	<u>6,861,909</u>

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

(ii) Contract balances

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

	<u>June 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>June 30,</u> <u>2022</u>
Contract liabilities - current - gift voucher revenue	\$ 16,387	14,091	5,814
Contract liabilities - current - customer loyalty program	26,029	46,020	26,181
Contract liabilities - current - franchise royalty fee	<u>4,960</u>	<u>5,620</u>	<u>6,299</u>
Total	<u>\$ 47,376</u>	<u>65,731</u>	<u>38,294</u>
Contract liabilities - non-current - franchise royalty fee	<u>\$ 6,696</u>	<u>8,196</u>	<u>9,002</u>

- 2) The amounts of revenue recognized for the six months ended June 30, 2023 and 2022, was included in the contract liabilities balance at the beginning of the period, were \$44,029 thousand and \$28,539 thousand, respectively.

(n) 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 three months ended June 30, 2023 and 2022 and for the six months ended June 30, 2023 and 2022, the Company estimated its employee remuneration amounted to \$960 thousand, \$609 thousand, \$1,920 thousand and \$640 thousand, and directors' remuneration amounted to \$700 thousand, \$0 thousand, \$1,100 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 three months ended June 30, 2023 and 2022 and for the six months ended June 30, 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.

For the years ended December 31, 2022 and 2021, the remunerations to employees amounted to \$2,362 thousand and \$3,600 thousand; and remunerations to directors amounted to \$0 thousand and \$3,500 thousand, respectively. There were no differences between actual distribution and estimated amounts. The information is available on the Market Observation Post System website.

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

(o) 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.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>More than 1 year</u>
June 30, 2023				
Non derivative financial liabilities				
Notes payable	\$ 83	83	83	-
Accounts payable	1,239,850	1,239,850	1,239,850	-
Accounts payable - related parties	1,361	1,361	1,361	-
Other payables	507,363	507,363	507,363	-
Lease liabilities (include current and non-current)	1,716,658	1,786,461	476,018	1,310,443
Guarantee deposits received	88,647	88,647	-	88,647
	<u>\$ 3,553,962</u>	<u>3,623,765</u>	<u>2,224,675</u>	<u>1,399,090</u>
December 31, 2022				
Non derivative financial liabilities				
Notes payable	\$ 252	252	252	-
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
	<u>\$ 3,751,782</u>	<u>3,803,207</u>	<u>2,417,338</u>	<u>1,385,869</u>

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>More than 1 year</u>
June 30, 2022				
Non derivative financial liabilities				
Notes payable	\$ 155	155	155	-
Accounts payable	1,366,591	1,366,591	1,366,591	-
Accounts payable - related parties	727	727	727	-
Other payables	616,809	616,809	616,809	-
Lease liabilities (include current and non-current)	1,698,146	1,737,482	482,024	1,255,458
Guarantee deposits received	<u>106,909</u>	<u>106,909</u>	<u>-</u>	<u>106,909</u>
	<u>\$ 3,789,337</u>	<u>3,828,673</u>	<u>2,466,306</u>	<u>1,362,367</u>

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:

	<u>June 30, 2023</u>			<u>December 31, 2022</u>			<u>June 30, 2022</u>			
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	
Financial assets										
Monetary items										
JPY	\$	8,531	0.213	1,817	14,779	0.230	3,405	10,301	0.216	2,227
USD		99	31.090	3,065	62	30.660	1,911	104	29.670	2,417
EUR		112	33.610	3,775	11	32.520	361	159	30.850	4,891
Financial liabilities										
EUR		103	33.610	3,461	125	32.520	4,073	203	30.850	6,251
USD		-	-	-	123	30.660	3,772	22	29.670	660

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 weakening or strengthening of 1% of the NTD against the USD, EUR, and JPY as of June 30, 2023 and 2022 would have increased or decreased the net profit after tax by \$42 thousand and \$21 thousand, for the six month ended June 30, 2023 and 2022, respectively, assuming all other factors remain constant. The analysis is performed on the same basis for both periods.

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SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARIES
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(iv) Interest rate analysis

Please refer to the notes 6(p) 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 with variable interest rates, the analysis is based on the assumption that the amount of assets 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 did not have any borrowings with variable interest rates for the six months ended June 30, 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:

<u>Prices of securities at the reporting date</u>	<u>June 30, 2023</u>		<u>June 30, 2022</u>	
	<u>Other comprehensive income after tax</u>	<u>Net income</u>	<u>Other comprehensive income after tax</u>	<u>Net income</u>
	Increasing 5%	\$ -	229	-
Decreasing 5%	\$ -	(229)	-	-

(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:

	<u>June 30, 2023</u>				
	<u>Book Value</u>	<u>Fair Value</u>			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Financial assets at fair value through profit or loss	\$ 5,723	5,723	-	-	5,723
	<u>December 31, 2022</u>				
	<u>Book Value</u>	<u>Fair Value</u>			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Financial assets at fair value through profit or loss	\$ 5,807	5,807	-	-	5,807

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SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARIES
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2) Valuation techniques for financial instruments measured at fair value

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

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

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

(p) Financial risk management

The objectives and policies of financial risk management of the Group are consistent with those disclosed in the consolidated financial statements for the year ended December 31, 2022. For the related information, please refer to the 2022 annual consolidated financial statements.

(q) Capital management

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2022. Also, management believes that there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2022. For the related information, please refer to the 2022 annual consolidated financial statements.

(r) Changes of liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2023	Cash flows	Non-cash changes Changes in lease	June 30, 2023
Lease liabilities	<u>\$ 1,707,091</u>	<u>(247,196)</u>	<u>256,763</u>	<u>1,716,658</u>
	January 1, 2022	Cash flows	Non-cash changes Changes in lease	June 30, 2022
Lease liabilities	<u>\$ 1,753,414</u>	<u>(260,483)</u>	<u>205,215</u>	<u>1,698,146</u>

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SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARIES
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(s) 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:

<u>Name of related-party</u>	<u>Relationship with the Group</u>
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
Mercuries F&B Co., Ltd.	Other related party
Mercuries Life Insurance Co., Ltd.	Other related party
Horizon Securities Co., Ltd.	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
Taiwan Chain Stores and Franchise Association	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.

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SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARIES
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(ii) Purchases

The amounts of purchases from related parties were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Other related parties	\$ 3,354	2,019	10,377	8,794

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	June 30, 2023	December 31, 2022	June 30, 2022
Accounts receivable	Other related parties	\$ 3,895	671	392
Other receivables	Other related parties (excluding property transaction)	-	-	136
		\$ 3,895	671	528

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

(iv) Payables to related parties

The payables to related parties were as follows:

Accounts	Type of related parties	June 30, 2023	December 31, 2022	June 30, 2022
Accounts payable	Other related parties	\$ 1,361	3,164	727
Other payable	Other related parties (excluding property and lease transaction)	2,999	3,461	735
		\$ 4,360	6,625	1,462

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

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

(v) Prepayments

The prepayments to related parties were as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Other related parties	<u>\$ 813</u>	<u>3,198</u>	<u>730</u>

The prepayments were prepaid insurance.

(vi) Property transactions

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.

(vii) Leases

The Group rented office space from other related parties. For the three months ended June 30, 2023 and 2022 and for the six months ended June 30, 2022 and 2021, the Group recognized \$1 thousand, \$4 thousand, \$2 thousand and \$8 thousand as interest expenses, respectively. As of June 30, 2023, December 31 and June 30, 2022, the balance of lease liabilities amounting to \$191 thousand, \$762 thousand and \$1,330 thousand, respectively.

(viii) Guarantee deposits paid

	June 30, 2023	December 31, 2022	June 30, 2022
Other related parties	<u>\$ 292</u>	<u>292</u>	<u>292</u>

The above transactions were guarantee deposits of office leases.

(ix) Guarantee deposits received

	June 30, 2023	December 31, 2022	June 30, 2022
Other related parties	<u>\$ -</u>	<u>100</u>	<u>100</u>

The above transactions were guarantee deposits of stores leases.

(x) Other operating expenses

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Other related parties	<u>\$ 2,261</u>	<u>2,153</u>	<u>4,232</u>	<u>4,380</u>

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SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARIES
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The above transactions were group insurance and maintenance fees, etc.

(xi) Guarantees and endorsements

As of June 30, 2023, December 31 and June 30, 2022, in order to acquire the bank loan facility, Mercuries & Associates Holding Ltd. served as joint guarantor for the Group, guaranteed amount \$100,000 thousand, \$100,000 thousand and \$200,000 thousand, respectively. As of June 30, 2023, December 31 and June 30, 2022, no drawdown were made.

(c) Key management personnel compensation

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Short-term employee benefits \$	5,452	6,042	10,619	12,077
Post-employment benefits	205	246	410	504
	\$ 5,657	6,288	11,029	12,581

(8) Pledged assets:

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

Pledged Assets	Pledged to secure	June 30, 2023	December 31, 2022	June 30, 2022
Time deposits (Recorded as current and non-current other financial assets)	Performance guarantee for purchasing and collection business	\$ 173,750	175,250	160,250
Bank deposits (Recorded as non-current other financial assets.)	Charitable trust of gift voucher	21,435	18,314	19,316
		\$ 195,185	193,564	179,566

(9) Commitments and contingencies:

- (a) The Group issued guarantee notes to obtain short-term loan facility, as of June 30, 2023, December 31 and June 30, 2022, the balance was \$1,100,000 thousand, \$900,000 thousand and \$1,000,000 thousand, respectively.
- (b) The Group's performance guarantee issued by the bank due to collection business, as of June 30, 2023, December 31 and June 30, 2022, the balances were all \$500 thousand.
- (c) 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.

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

(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 item	By function	For the three months ended June 30, 2023			For the three months ended June 30, 2022		
		Operating cost	Operating expense	Total	Operating cost	Operating Expense	Total
Employee benefits							
Salary		-	366,098	366,098	-	363,907	363,907
Labor and health insurance		-	41,490	41,490	-	40,966	40,966
Pension		-	20,265	20,265	-	19,380	19,380
Remuneration of directors		-	1,075	1,075	-	375	375
Others		-	22,538	22,538	-	23,018	23,018
Depreciation		-	181,680	181,680	-	188,421	188,421
Amortization		-	3,204	3,204	-	3,881	3,881

By item	By function	For the six months ended June 30, 2023			For the six months ended June 30, 2022		
		Operating cost	Operating expense	Total	Operating cost	Operating Expense	Total
Employee benefits							
Salary		-	725,304	725,304	-	711,836	711,836
Labor and health insurance		-	84,999	84,999	-	83,292	83,292
Pension		-	40,417	40,417	-	38,895	38,895
Remuneration to directors		-	1,850	1,850	-	750	750
Others		-	46,576	46,576	-	46,341	46,341
Depreciation		-	362,887	362,887	-	379,028	379,028
Amortization		-	6,855	6,855	-	8,420	8,420

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SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARIES
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(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 six months ended June 30, 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	-		-	177,362	709,450

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 June 30, 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			Fair value	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)		
The Company	Mercuries Life Insurance Co., Ltd. Common Stock	Other related party	FVTPL - current	1,050,000	5,723	0.02 %	5,723	-

(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.

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SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARIES
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(b) Information on investees:

The following is the information on investees for the six months ended June 30, 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 June 30, 2023			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	64,879	64,879	51,000	51 %	55,071	(21,776)	(10,960)	(Note)
The Company	Simple Mart Plus Co., Ltd.	Taiwan	Retail sales of food and beverage	60,000	60,000	6,000	100 %	41,553	500	500	(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:

Shareholder's Name	Shareholding	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.

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SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARIES
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The Group's operating segment information and reconciliation were as follows:

	For the three months ended June 30, 2023				
	Segment A	Other segments	Headquarters	Reconciliation and elimination	Total
Revenue:					
Revenue from external customers	\$ 3,311,967	134,951	2,037	-	3,448,955
Intersegment revenues	-	6,560	-	(6,560)	-
Total revenue	\$ 3,311,967	141,511	2,037	(6,560)	3,448,955
Reportable segment profit or loss from continuing operations before tax	\$ 48,469	(18,551)	(23,457)	7,398	13,859
	For the three months ended June 30, 2022				
	Segment A	Other segments	Headquarters	Reconciliation and elimination	Total
Revenue:					
Revenue from external customers	\$ 3,476,187	139,929	3,822	-	3,619,938
Intersegment revenues	-	5,778	147	(5,925)	-
Total revenue	\$ 3,476,187	145,707	3,969	(5,925)	3,619,938
Reportable segment profit or loss from continuing operations before tax	\$ 19,126	(10,653)	(5,853)	3,460	6,080
	For the six months ended June 30, 2023				
	Segment A	Other segments	Headquarters	Reconciliation and elimination	Total
Revenue:					
Revenue from external customers	\$ 6,487,247	261,991	4,666	-	6,753,904
Intersegment revenues	-	14,800	24,942	(39,742)	-
Total revenue	\$ 6,487,247	276,791	29,608	(39,742)	6,753,904
Reportable segment profit or loss from continuing operations before tax	\$ 82,441	(30,703)	(39,175)	10,609	23,172

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	For the six months ended June 30, 2023				
	Segment A	Other segments	Headquarters	Reconciliation and elimination	Total
Revenue:					
Revenue from external customers	\$ 6,556,937	298,410	6,562	-	6,861,909
Intersegment revenues	-	12,804	258	(13,062)	-
Total revenue	\$ 6,556,937	311,214	6,820	(13,062)	6,861,909
Reportable segment profit or loss from continuing operations before tax	\$ 38,133	(23,918)	(16,305)	7,144	5,054