

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

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Nine Months Ended September 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 September 30, 2023 and 2022, and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2023 and 2022, as well as the changes in equity and cash flows for the nine months ended September 30, 2023 and 2022, and notes to the consolidated financial statements, including a summary of material 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 September 30, 2023 and 2022, and of its consolidated financial performance for the three months and nine months ended September 30, 2023 and 2022, as well as its consolidated cash flows for the nine months ended September 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)

November 3, 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

September 30, 2023, December 31, 2022, and September 30, 2022

(Expressed in Thousands of New Taiwan Dollars)

Assets		September 30, 2023		December 31, 2022		September 30, 2022		Liabilities and Equity		September 30, 2023		December 31, 2022		September 30, 2022	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (note 6(a))	\$ 777,326	13	548,034	9	266,614	5	2100	Short-term borrowings (note (h)(p)(s))	\$ -	-	-	-	50,000	1
1110	Financial assets at fair value through profit or loss - current (notes 6(b)(p) and 13)	5,376	-	5,807	-	-	-	2130	Contract liabilities - current (note 6(n))	58,727	1	65,731	1	62,608	1
1170	Accounts receivable, net (note 6(c))	82,111	2	92,467	2	72,321	1	2150	Notes payable (note 6(p))	912	-	252	-	115	-
1180	Accounts receivable - related parties, net (notes 6(c) and 7)	4,486	-	671	-	4,060	-	2170	Accounts payable (note 6(p))	1,578,257	27	1,465,321	26	1,221,366	22
1197	Finance lease receivable - current (note 6(d))	-	-	1,490	-	3,609	-	2180	Accounts payable - related parties (note 6(p) and 7)	3,962	-	3,164	-	3,016	-
1200	Other receivables (note 7)	11,276	-	12,842	-	31,924	1	2200	Other payables (note 6(p) and 7)	478,088	8	474,480	8	446,575	8
1300	Inventories (note 6(e))	1,679,633	28	1,797,015	31	1,663,771	30	2280	Lease liabilities - current (note 6(i)(p)(s) and 7)	462,559	8	457,704	8	462,576	9
1410	Prepayments (note 7)	25,541	1	36,503	1	24,726	-	2300	Other current liabilities	80,943	1	54,565	1	35,046	1
1476	Other current financial assets (notes 6(a) and 8)	295,200	5	176,500	3	301,500	6			<u>2,663,448</u>	<u>45</u>	<u>2,521,217</u>	<u>44</u>	<u>2,281,302</u>	<u>42</u>
		<u>2,880,949</u>	<u>49</u>	<u>2,671,329</u>	<u>46</u>	<u>2,368,525</u>	<u>43</u>	Non-Current liabilities:							
Non-current assets:								2527	Contract liabilities - non-current (note 6(n))	6,974	-	8,196	-	8,118	-
1600	Property, plant and equipment (note 6(f))	1,156,069	19	1,240,694	22	1,270,623	23	2550	Non-current provisions	6,003	-	3,740	-	3,740	-
1755	Right-of-use assets (note 6(g))	1,712,256	29	1,659,417	29	1,666,042	30	2570	Deferred tax liabilities	428	-	-	-	-	-
1780	Intangible assets	22,226	-	19,171	-	14,561	-	2580	Lease liabilities - non-current (note 6(i)(p)(s) and 7)	1,296,601	22	1,249,387	22	1,252,399	23
1840	Deferred tax assets	24,704	-	23,210	1	19,437	1	2645	Guarantee deposits received (note 6(p) and 7)	89,534	2	101,474	2	100,711	2
1920	Guarantee deposits paid (note 7)	94,879	2	102,120	2	100,674	2			<u>1,399,540</u>	<u>24</u>	<u>1,362,797</u>	<u>24</u>	<u>1,364,968</u>	<u>25</u>
1980	Other non-current financial assets (notes 6(a) and 8)	32,809	1	27,064	-	34,046	1	Total liabilities	4,062,988	69	3,884,014	68	3,646,270	67	
1990	Other non-current assets	-	-	-	-	3,874	-	Equity (notes 6(l)(t)):							
		<u>3,042,943</u>	<u>51</u>	<u>3,071,676</u>	<u>54</u>	<u>3,109,257</u>	<u>57</u>	3110	Ordinary share	675,000	11	675,000	12	675,000	13
Total assets		<u>\$ 5,923,892</u>	<u>100</u>	<u>5,743,005</u>	<u>100</u>	<u>5,477,782</u>	<u>100</u>	3200	Capital surplus	1,001,310	17	1,001,300	17	1,001,262	18
									Retained earnings:						
								3310	Legal reserve	69,044	1	63,514	1	63,514	1
								3350	Unappropriated retained earnings	67,742	1	55,294	1	25,594	-
										<u>136,786</u>	<u>2</u>	<u>118,808</u>	<u>2</u>	<u>89,108</u>	<u>1</u>
									Total equity attributable to owners of parent:	<u>1,813,096</u>	<u>30</u>	<u>1,795,108</u>	<u>31</u>	<u>1,765,370</u>	<u>32</u>
								36XX	Non-controlling interests	47,808	1	63,883	1	66,142	1
									Total equity	<u>1,860,904</u>	<u>31</u>	<u>1,858,991</u>	<u>32</u>	<u>1,831,512</u>	<u>33</u>
								Total liabilities and equity	\$ 5,923,892	100	5,743,005	100	5,477,782	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 nine months ended September 30, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

	For the three months ended September 30,				For the nine months ended September 30,				
	2023		2022		2023		2022		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Operating revenue (note 6(n), 7 and 14)	\$ 3,761,572	100	3,745,083	100	10,515,476	100	10,606,992	100
5000	Operating costs (note 6(e) and 7)	2,797,158	74	2,828,660	76	7,821,323	74	7,994,772	75
	Gross margin from operations	964,414	26	916,423	24	2,694,153	26	2,612,220	25
	Operating expenses: (note 6(c)(f)(g)(i)(j)(o), 7 and 12)								
6100	Selling expenses	822,790	22	796,498	21	2,333,266	22	2,289,529	22
6200	Administrative expenses	93,275	3	106,549	3	286,706	3	313,248	3
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9. (note 6(c))	189	-	4,455	-	(3,012)	-	4,468	-
	Total operating expenses	916,254	25	907,502	24	2,616,960	25	2,607,245	25
	Net operating income	48,160	1	8,921	-	77,193	1	4,975	-
	Non-operating income and expenses:								
7100	Interest income (note 6(i))	847	-	789	-	3,260	-	1,913	-
7190	Other income	3,525	-	15,845	-	10,604	-	41,394	-
7230	Foreign exchange gains	950	-	278	-	1,572	-	1,074	-
7510	Interest expenses (note 6(i) and 7)	(6,476)	-	(4,732)	-	(18,084)	-	(14,066)	-
7590	Miscellaneous disbursements	(1,752)	-	(3,193)	-	(4,644)	-	(8,892)	-
7610	Losses on disposal of property, plant and equipment (note 6(f))	(956)	-	(579)	-	(2,347)	-	(3,754)	-
7670	Impairment losses (note 6(f))	-	-	(1,078)	-	-	-	(1,339)	-
7635	Losses on financial assets at fair value through profit or loss	(347)	-	-	-	(431)	-	-	-
		(4,209)	-	7,330	-	(10,070)	-	16,330	-
	Profit from continuing operations before tax	43,951	1	16,251	-	67,123	1	21,305	-
7950	Less: Income tax expenses (note 6(k))	9,890	-	3,831	-	15,945	-	5,372	-
	Profit	34,061	1	12,420	-	51,178	1	15,933	-
8300	Other comprehensive income, net of tax	-	-	-	-	-	-	-	-
8500	Total comprehensive income	\$ 34,061	1	12,420	-	51,178	1	15,933	-
	Profit, attributable to:								
	Owners of parent	\$ 39,470	1	15,219	-	67,253	1	25,594	-
	Former owner of business combination under common control	-	-	-	-	-	-	(4,124)	-
8720	Non-controlling interests	(5,409)	-	(2,799)	-	(16,075)	-	(5,537)	-
		\$ 34,061	1	12,420	-	51,178	1	15,933	-
	Comprehensive income attributable to:								
	Owners of parent	\$ 39,470	1	15,219	-	67,253	1	25,594	-
	Former owner of business combination under common control	-	-	-	-	-	-	(4,124)	-
8620	Non-controlling interests	(5,409)	-	(2,799)	-	(16,075)	-	(5,537)	-
		\$ 34,061	1	12,420	-	51,178	1	15,933	-
9750	Basic earnings per share (note 6(m))	\$ 0.58		0.23		1.00		0.38	
9850	Diluted earnings per share (note 6(m))	\$ 0.58		0.23		1.00		0.38	

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 nine months ended September 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	-	84	-	-	-	-	84
Net income	-	-	-	25,594	(4,124)	(5,537)	15,933
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	25,594	(4,124)	(5,537)	15,933
Reorganization	-	9,326	-	-	(89,904)	71,679	(8,899)
Unrealized gain or loss in the intragroup transaction	-	(263)	-	-	-	-	(263)
Balance at September 30, 2022	\$ 675,000	1,001,262	63,514	25,594	-	66,142	1,831,512
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	-	-	-	67,253	-	(16,075)	51,178
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	67,253	-	(16,075)	51,178
Balance at September 30, 2023	\$ 675,000	1,001,310	69,044	67,742	-	47,808	1,860,904

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

	For the nine months ended September 30,	
	2023	2022
Cash flows from (used in) operating activities:		
Profit before tax	\$ 67,123	21,305
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expenses	542,728	563,335
Amortization expenses	9,288	12,097
Expected credit loss (gain)	(3,012)	4,468
Net loss on financial assets or liabilities at fair value through profit or loss	431	-
Interest expenses	18,084	14,066
Interest income	(3,260)	(1,913)
Losses on disposal of property, plant and equipment	2,347	3,754
Profit from lease modification	(572)	(20,630)
Losses on disposal of intangible assets	-	1
Impairment losses on non-financial assets	-	1,339
Total adjustments to reconcile profit	<u>566,034</u>	<u>576,517</u>
Changes in operating assets and liabilities:		
Decrease in accounts receivable	13,368	3,880
Increase in accounts receivable - related parties	(3,815)	(3,954)
Decrease in other receivables	1,239	2,127
Decrease (increase) in inventories	117,382	(26,513)
Decrease in prepayments	10,962	1,297
Increase in other financial assets	(118,700)	(151,500)
Decrease in other current assets	-	623
(Decrease) increase in contract liabilities	(8,226)	20,112
Increase in notes payable	660	41
Increase (decrease) in accounts payable	112,936	(153,754)
Increase (decrease) in accounts payable - related parties	798	(322)
Decrease in other payables	(14,585)	(36,559)
Increase in other current liabilities	9,945	3,333
Total adjustments	<u>687,998</u>	<u>235,328</u>
Cash inflow generated from operations	755,121	256,633
Interest received	3,262	1,872
Interest paid	(18,066)	(14,072)
Income taxes paid	(257)	(46,003)
Net cash flows from operating activities	<u>740,060</u>	<u>198,430</u>
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(71,699)	(137,006)
Proceeds from disposal of property, plant and equipment	1,013	145
Decrease in guarantee deposits paid	7,241	16,131
Acquisition of intangible assets	(12,343)	(1,980)
Decrease in finance lease receivable	1,432	6,423
Increase in other financial assets	(5,745)	(25,296)
Increase in other non-current assets	-	(3,874)
Net cash flows used in investing activities	<u>(80,101)</u>	<u>(145,457)</u>
Cash flows from (used in) financing activities:		
Increase in short-term loans	-	50,000
Decrease in guarantee deposits received	(11,940)	(17,883)
Payments of lease liabilities	(369,462)	(385,435)
Cash dividends paid	(49,275)	(175,053)
Payments of reorganization	-	(8,899)
Other changes in capital surplus	10	84
Net cash flows used in financing activities	<u>(430,667)</u>	<u>(537,186)</u>
Net increase (decrease) in cash and cash equivalents	229,292	(484,213)
Cash and cash equivalents at beginning of period	548,034	750,827
Cash and cash equivalents at end of period	<u>\$ 777,326</u>	<u>266,614</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

September 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 November 3, 2023.

(3) New standards, amendments and interpretations adopted:

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

The 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:

- 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”

(Continued)

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

- 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 not 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:

- (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 "Preparation Regulations") and 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 material 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:

Name of investor	Name of subsidiary	Main business and products	Shareholding		
			September 30, 2023	December 31, 2022	September 30, 2022
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.

(Continued)

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

(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.

(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

	September 30, 2023	December 31, 2022	September 30, 2022
Cash on hand	\$ 63,775	60,321	55,097
Bank deposits	563,551	247,698	129,211
Time deposits	-	-	50,000
Repurchase agreement	<u>150,000</u>	<u>240,015</u>	<u>32,306</u>
	<u>\$ 777,326</u>	<u>548,034</u>	<u>266,614</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:

	September 30, 2023	December 31, 2022	September 30, 2022
Time deposits with maturities of more than three months	<u>\$ 10,000</u>	<u>10,000</u>	<u>150,000</u>
Restricted time deposits	<u>\$ 318,009</u>	<u>193,564</u>	<u>185,546</u>

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SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARIES
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Please refer to note 6(p) 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)

	September 30, 2023	December 31, 2022	September 30, 2022
Stock in listed companies	<u>\$ 5,376</u>	<u>5,807</u>	<u>-</u>

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

	September 30, 2023	December 31, 2022	September 30, 2022
Accounts receivable - measured at amortized cost	\$ 84,773	101,324	76,853
Accounts receivable (related parties) - measured at amortized cost	4,486	671	4,060
Less: loss allowance	<u>(2,662)</u>	<u>(8,857)</u>	<u>(4,532)</u>
	<u>\$ 86,597</u>	<u>93,138</u>	<u>76,381</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, receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The aging analysis of the overdue accounts receivable, which have yet to be impaired, were as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
Current	\$ 86,625	90,765	71,164
1-60 days past due	61	2,630	1,498
61-120 days past due	534	58	1,244
121-180 days past due	-	4,371	742
More than 180 days past due	<u>2,039</u>	<u>4,171</u>	<u>6,265</u>
	<u>\$ 89,259</u>	<u>101,995</u>	<u>80,913</u>

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SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARIES
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The movement in the allowance for accounts receivable were as follows:

	For the nine months ended	
	September 30,	
	2023	2022
Beginning balance of the period	\$ 8,857	64
Add: Impairment losses recognized	-	4,468
Less: Impairment losses reversed	(3,012)	-
Less: Amounts written off	(3,183)	-
Ending balance of the period	<u>\$ 2,662</u>	<u>4,532</u>

(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:

	September 30,	December 31,	September 30,
	2023	2022	2022
Less than one year	\$ -	1,491	3,616
One to five years	-	-	-
Total lease payments receivable	-	1,491	3,616
Unearned finance income	-	(1)	(7)
Present value of lease payments receivable	<u>\$ -</u>	<u>1,490</u>	<u>3,609</u>

(e) Inventories

	September 30,	December 31,	September 30,
	2023	2022	2022
Merchandise Inventories	\$ 1,659,970	1,759,374	1,637,655
Inventory in transit	19,663	37,641	26,116
	<u>\$ 1,679,633</u>	<u>1,797,015</u>	<u>1,663,771</u>

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Cost of goods sold	\$ 2,800,610	2,818,524	7,790,746	7,961,775
Inventory losses from obsolescence and others	(3,452)	10,136	30,577	32,997
Cost of sales	<u>\$ 2,797,158</u>	<u>2,828,660</u>	<u>7,821,323</u>	<u>7,994,772</u>

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SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARIES
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As of September 30, 2023, December 31 and September 30, 2022, the Group did not provide any merchandise inventories as collateral for its loans.

(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 September 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	-	-	46,567	42,565	760	89,892
Transfer from (to)	-	-	796	1,000	(1,796)	-
Scraps	-	-	(17,825)	(20,590)	-	(38,415)
Disposal	-	-	(17,803)	(2,749)	-	(20,552)
Balance at September 30, 2023	<u>\$ 537,599</u>	<u>220,887</u>	<u>1,120,728</u>	<u>879,901</u>	<u>2,290</u>	<u>2,761,405</u>
Balance at January 1, 2022	\$ 537,599	220,887	1,060,824	840,647	-	2,659,957
Additions	-	-	64,787	36,911	-	101,698
Scraps	-	-	(13,110)	(22,084)	-	(35,194)
Disposal	-	-	(4,634)	(116)	-	(4,750)
Balance at September 30, 2022	<u>\$ 537,599</u>	<u>220,887</u>	<u>1,107,867</u>	<u>855,358</u>	<u>-</u>	<u>2,721,711</u>
Accumulated depreciation and impairment losses:						
Balance at January 1, 2023	\$ -	27,950	806,526	655,310	-	1,489,786
Depreciation	-	3,251	107,116	60,790	-	171,157
Scraps	-	-	(17,422)	(20,075)	-	(37,497)
Disposal	-	-	(17,242)	(868)	-	(18,110)
Balance at September 30, 2023	<u>\$ -</u>	<u>31,201</u>	<u>878,978</u>	<u>695,157</u>	<u>-</u>	<u>1,605,336</u>
Balance at January 1, 2022	\$ -	23,614	674,030	599,353	-	1,296,997
Depreciation	-	3,252	124,228	61,317	-	188,797
Scraps	-	-	(12,576)	(18,983)	-	(31,559)
Disposal	-	-	(4,370)	(116)	-	(4,486)
Impairment	-	-	-	1,339	-	1,339
Balance at September 30, 2022	<u>\$ -</u>	<u>26,866</u>	<u>781,312</u>	<u>642,910</u>	<u>-</u>	<u>1,451,088</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 September 30, 2023	<u>\$ 537,599</u>	<u>189,686</u>	<u>241,750</u>	<u>184,744</u>	<u>2,290</u>	<u>1,156,069</u>
Balance at January 1, 2022	<u>\$ 537,599</u>	<u>197,273</u>	<u>386,794</u>	<u>241,294</u>	<u>-</u>	<u>1,362,960</u>
Balance at September 30, 2022	<u>\$ 537,599</u>	<u>194,021</u>	<u>326,555</u>	<u>212,448</u>	<u>-</u>	<u>1,270,623</u>

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SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARIES
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Investing activities that are partially paid in cash:

	For the nine months ended September 30,	
	2023	2022
Acquisition of property, plant and equipment	\$ 89,892	101,698
Add: Payables on equipment, beginning of period	26,032	56,408
Less: Payables on equipment, end of period	(44,225)	(21,100)
Cash paid	\$ 71,699	137,006

(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	447,953	-	447,953
Derecognized	(210,163)	-	(210,163)
Balance at September 30, 2023	\$ 3,405,507	2,086	3,407,593
Balance at January 1, 2022	\$ 2,852,206	2,086	2,854,292
Additions	399,641	-	399,641
Derecognized	(219,577)	-	(219,577)
Balance at September 30, 2022	\$ 3,032,270	2,086	3,034,356
Accumulated depreciation and impairment losses:			
Balance at January 1, 2023	\$ 1,509,310	1,076	1,510,386
Depreciation	371,369	202	371,571
Derecognized	(186,620)	-	(186,620)
Balance at September 30, 2023	\$ 1,694,059	1,278	1,695,337
Balance at January 1, 2022	\$ 1,180,583	807	1,181,390
Depreciation	374,336	202	374,538
Derecognized	(187,614)	-	(187,614)
Balance at September 30, 2022	\$ 1,367,305	1,009	1,368,314

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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 September 30, 2023	\$ <u>1,711,448</u>	<u>808</u>	<u>1,712,256</u>
Balance at January 1, 2022	\$ <u>1,671,623</u>	<u>1,279</u>	<u>1,672,902</u>
Balance at September 30, 2022	\$ <u>1,664,965</u>	<u>1,077</u>	<u>1,666,042</u>

(h) Short-term borrowings

The short-term borrowings were summarized as follows:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Unsecured bank loans	\$ <u>-</u>	<u>-</u>	<u>50,000</u>
Range of interest rates	<u>-</u>	<u>-</u>	<u>2.13%</u>
Unused short-term credit lines	\$ <u>599,500</u>	<u>499,500</u>	<u>449,500</u>

As of September 30, 2023, the unused credit line for short-term notes and bills payable of the Group amounted to \$500,000 thousand.

The Group did not pledge its assets as collateral for its bank loans.

(i) Lease liabilities

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

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Current	\$ <u>462,559</u>	<u>457,704</u>	<u>462,576</u>
Non-current	\$ <u>1,296,601</u>	<u>1,249,387</u>	<u>1,252,399</u>

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

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SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARIES
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The amounts recognized in profit or loss were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Interests on lease liabilities	<u>\$ 6,122</u>	<u>4,379</u>	<u>16,780</u>	<u>12,925</u>
Variable lease payments not included in the measurement of lease liabilities	<u>\$ 7,493</u>	<u>7,721</u>	<u>19,698</u>	<u>16,857</u>
Income from sub-leasing right-of-use assets	<u>\$ -</u>	<u>(11)</u>	<u>(1)</u>	<u>(50)</u>
Expenses relating to short-term leases	<u>\$ 2,864</u>	<u>3,232</u>	<u>8,835</u>	<u>7,387</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 669</u>	<u>656</u>	<u>2,030</u>	<u>2,177</u>

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

	For the nine months ended September 30,	
	2023	2022
Total cash outflow for leases	<u>\$ 416,804</u>	<u>424,731</u>

(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.

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

For the three months ended September 30,		For the nine months ended September 30,	
2023	2022	2023	2022
\$ 19	18	54	51

(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 September 30,		For the nine months ended September 30,	
2023	2022	2023	2022
\$ 20,580	20,048	60,962	58,910

(k) Income taxes

(i) Income tax expenses

The components of income tax were as follows:

		For the three months ended September 30,		For the nine months ended September 30,	
		2023	2022	2023	2022
Current tax expenses					
Current period	\$	10,529	6,753	16,693	9,006
Adjustments for prior years		-	-	318	(627)
		10,529	6,753	17,011	8,379
Deferred tax expenses					
Current period		(639)	(2,922)	6	(3,007)
Adjustments for prior years		-	-	(1,072)	-
Income tax expenses	\$	9,890	3,831	15,945	5,372

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SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARIES
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- (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.

(l) Capital and other equity

(i) Ordinary shares

As of September 30, 2023, December 31 and September 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 September 30, 2023, December 31 and September 30, 2022, all of the issued shares were ordinary shares consisted of 67,500 thousand shares.

(ii) Capital surplus

The balances of capital surplus were as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
Premium on issuance of common stock	\$ 959,010	959,010	959,010
Others	42,300	42,290	42,252
	<u>\$ 1,001,310</u>	<u>1,001,300</u>	<u>1,001,262</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.

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SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARIES
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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

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

(m) Earnings per share

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Basic earnings per share				
Profit or loss attributable to ordinary shareholders of the Company	\$ 39,470	15,219	67,253	25,594
Weighted-average number of ordinary shares outstanding	67,500	67,500	67,500	67,500
Basic earnings per share	\$ 0.58	0.23	1.00	0.38
Diluted earnings per share				
Profit or loss attributable to ordinary shareholders of the Company	\$ 39,470	15,219	67,253	25,594

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SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARIES
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	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Weighted-average number of ordinary shares outstanding	67,500	67,500	67,500	67,500
Effect of dilutive potential ordinary shares - employee share bonus	83	19	83	31
Weighted-average number of ordinary shares outstanding(diluted)	<u>67,583</u>	<u>67,519</u>	<u>67,583</u>	<u>67,531</u>
Diluted earnings per share	<u>\$ 0.58</u>	<u>0.23</u>	<u>1.00</u>	<u>0.38</u>

(n) 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 nine months ended September 30, 2023 and 2022 were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Sale of goods	\$ 3,574,301	3,579,436	9,997,578	10,120,982
Others operating income	187,271	165,647	517,898	486,010
	<u>\$ 3,761,572</u>	<u>3,745,083</u>	<u>10,515,476</u>	<u>10,606,992</u>

(ii) Contract balances

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

	September 30, 2023	December 31, 2022	September 30, 2022
Contract liabilities - current - gift voucher revenue	\$ 17,731	14,091	5,849
Contract liabilities - current - customer loyalty program	36,175	46,020	39,261
Contract liabilities - current - franchise royalty fee	4,821	5,620	17,498
Total	<u>\$ 58,727</u>	<u>65,731</u>	<u>62,608</u>
Contract liabilities - non-current - franchise royalty fee	<u>\$ 6,974</u>	<u>8,196</u>	<u>8,118</u>

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SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARIES
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- 2) The amounts of revenue recognized for the nine months ended September 30, 2023 and 2022, was included in the contract liabilities balance at the beginning of the period, were \$48,551 thousand and \$31,080 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 three months ended September 30, 2023 and 2022 and for the nine months ended September 30, 2023 and 2022, the Company estimated its employee remuneration amounted to \$960 thousand, \$62 thousand, \$2,880 thousand and \$702 thousand, and directors' remuneration amounted to \$1,000 thousand, \$0 thousand, \$2,100 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 September 30, 2023 and 2022 and for the nine months ended September 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.

(p) 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.

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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>
September 30, 2023				
Non derivative financial liabilities				
Notes payable	\$ 912	912	912	-
Accounts payable	1,578,257	1,578,257	1,578,257	-
Accounts payable - related parties	3,962	3,962	3,962	-
Other payables	478,088	478,088	478,088	-
Lease liabilities (include current and non-current)	1,759,160	1,829,340	484,127	1,345,213
Guarantee deposits received	89,534	89,534	-	89,534
	<u>\$ 3,909,913</u>	<u>3,980,093</u>	<u>2,545,346</u>	<u>1,434,747</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>
September 30, 2022				
Non derivative financial liabilities				
Short-term borrowings	\$ 50,000	50,000	50,000	-
Notes payable	115	115	115	-
Accounts payable	1,221,366	1,221,366	1,221,366	-
Accounts payable - related parties	3,016	3,016	3,016	-
Other payables	446,575	446,575	446,575	-
Lease liabilities (include current and non-current)	1,714,975	1,760,002	477,362	1,282,640
Guarantee deposits received	100,711	100,711	-	100,711
	<u>\$ 3,536,758</u>	<u>3,581,785</u>	<u>2,198,434</u>	<u>1,383,351</u>

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

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SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARIES
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(iii) Currency risk

1) Exposure to foreign currency risk

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

	September 30, 2023			December 31, 2022			September 30, 2022		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets									
Monetary items									
JPY	\$ 11,918	0.214	2,552	14,779	0.230	3,405	36,893	0.218	8,046
USD	213	32.220	6,876	62	30.660	1,911	1	31.700	32
EUR	93	33.710	3,144	11	32.520	361	9	31.060	272
Financial liabilities									
Monetary items									
EUR	78	33.710	2,625	125	32.520	4,073	269	31.060	8,363
USD	-	-	-	123	30.660	3,772	6	31.700	205

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 September 30, 2023 and 2022 would have increased or decreased the net profit after tax by \$80 thousand for the nine months ended September 30, 2023, and decreased or increased the net profit after tax by \$2 thousand for the nine months ended September 30, 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(q) 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 as of September 30, 2023 and 2022.

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SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARIES
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(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>September 30, 2023</u>		<u>September 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%	\$ -	215	-	-
Decreasing 5%	\$ -	(215)	-	-

(vi) Fair value of financial instruments

1) Types and fair value of financial instruments

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>September 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	\$ 5,376	5,376	-	-	5,376

	<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

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.

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SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARIES
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(q) 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.

(r) 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.

(s) 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	September 30, 2023
Lease liabilities	\$ <u>1,707,091</u>	<u>(369,462)</u>	<u>421,531</u>	<u>1,759,160</u>
	January 1, 2022	Cash flows	Non-cash changes Changes in lease	September 30, 2022
Short-term borrowings	\$ -	50,000	-	50,000
Lease liabilities	<u>1,753,414</u>	<u>(385,435)</u>	<u>346,996</u>	<u>1,714,975</u>
	<u>\$ 1,753,414</u>	<u>(335,435)</u>	<u>346,996</u>	<u>1,764,975</u>

(t) 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.

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SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARIES
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(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
Insight Edge, Inc.	Other related party
Taiwan Masters Golf Foundation	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:

	<u>For the three months ended</u>		<u>For the nine months ended</u>	
	<u>September 30,</u>		<u>September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Other related parties	<u>\$ 5,496</u>	<u>6,012</u>	<u>15,873</u>	<u>14,806</u>

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

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

(iii) Receivables from related parties

The receivables from related parties were as follows:

<u>Accounts</u>	<u>Type of related parties</u>	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Accounts receivable	Other related parties	\$ 4,486	671	4,060
Other receivables	Other related parties	-	-	130
		<u>\$ 4,486</u>	<u>671</u>	<u>4,190</u>

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:

<u>Accounts</u>	<u>Type of related parties</u>	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Accounts payable	Other related parties	\$ 3,962	3,164	3,016
Other payable	Other related parties	7,876	3,461	4,620
		<u>\$ 11,838</u>	<u>6,625</u>	<u>7,636</u>

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:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Mercuries Life Insurance Co., Ltd.	\$ 3,842	3,198	-
Other related parties	553	-	-
	<u>\$ 4,395</u>	<u>3,198</u>	<u>-</u>

The prepayments were prepaid insurance and other disbursement.

(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.

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

(vii) Leases

The Group rented office space from other related parties. For the three months and nine months ended September 30, 2023 and 2022, the Group recognized \$6 thousand, \$3 thousand, \$8 thousand and \$11 thousand as interest expenses, respectively. As of September 30, 2023, December 31 and September 30, 2022, the balance of lease liabilities amounting to \$3,574 thousand, \$762 thousand and \$1,046 thousand, respectively.

(viii) Guarantee deposits paid

	September 30, 2023	December 31, 2022	September 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

	September 30, 2023	December 31, 2022	September 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 September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Foundation for Chinese Dietary Culture	\$ -	1,500	-	1,500
Criminal Investigation and Prevention Association, R.O.C.	-	-	300	300
Entities with significant influence over the Group	33	-	33	-
Other related parties	<u>2,247</u>	<u>1,670</u>	<u>6,179</u>	<u>5,750</u>
	<u>\$ 2,280</u>	<u>3,170</u>	<u>6,512</u>	<u>7,550</u>

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

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

(xi) Guarantees and endorsements

As of September 30, 2023, December 31 and September 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 September 30, 2023, December 31 and September 30, 2022, no drawdown were made.

(c) Key management personnel compensation

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Short-term employee benefits	\$ 5,121	5,257	15,740	17,334
Post-employment benefits	205	212	615	716
	\$ 5,326	5,469	16,355	18,050

(8) Pledged assets:

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

Pledged Assets	Pledged to secure	September 30, 2023	December 31, 2022	September 30, 2022
Time deposits (Recorded as current and non-current other financial assets)	Performance guarantee for purchasing and collection business	\$ 293,950	175,250	160,250
Bank deposits (Recorded as non-current other financial assets.)	Charitable trust of gift voucher	24,059	18,314	25,296
		\$ 318,009	193,564	185,546

(9) Commitments and contingencies:

- (a) The Group issued guarantee notes to obtain short-term loan facility, as of September 30, 2023, December 31 and September 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 September 30, 2023, December 31 and September 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:

To strengthen its financial structure by offsetting its deficit, a resolution was approved during the extraordinary shareholders' meeting held by Sanyou Drugstores Co., Ltd., one of the subsidiaries of the Company, on November 2, 2023 for a capital reduction of \$900,000 thousand, through eliminating 90,000 thousand shares, with a total of 90% shares. In addition, to provide sufficient working capital and repay the loan from a shareholder, the Board of Directors of Sanyou Drugstores Co., Ltd., has approved to issue up to 5,000 thousand ordinary shares, with the chairman being granted the authority to decide on the base date of the capital increase.

(12) Others:

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

By item	By function	For the three months ended September 30, 2023			For the three months ended September 30, 2022		
		Operating cost	Operating expense	Total	Operating cost	Operating Expense	Total
Employee benefits							
Salary		-	374,071	374,071	-	353,933	353,933
Labor and health insurance		-	44,476	44,476	-	42,382	42,382
Pension		-	20,599	20,599	-	20,066	20,066
Remuneration of directors		-	1,375	1,375	-	375	375
Others		-	22,877	22,877	-	23,252	23,252
Depreciation		-	179,841	179,841	-	184,307	184,307
Amortization		-	2,433	2,433	-	3,677	3,677

By item	By function	For the nine months ended September 30, 2023			For the nine months ended September 30, 2022		
		Operating cost	Operating expense	Total	Operating cost	Operating Expense	Total
Employee benefits							
Salary		-	1,099,375	1,099,375	-	1,065,769	1,065,769
Labor and health insurance		-	129,475	129,475	-	125,674	125,674
Pension		-	61,016	61,016	-	58,961	58,961
Remuneration to directors		-	3,225	3,225	-	1,125	1,125
Others		-	69,453	69,453	-	69,593	69,593
Depreciation		-	542,728	542,728	-	563,335	563,335
Amortization		-	9,288	9,288	-	12,097	12,097

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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 nine months ended September 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	-		-	181,309	725,238

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 September 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	5,376	0.02 %	5,376	-

(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 nine months ended September 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 September 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 %	49,599	(32,833)	(16,432)	(Note)
The Company	Simple Mart Plus Co., Ltd.	Taiwan	Retail sales of food and beverage	60,000	60,000	6,000	100 %	41,462	410	410	(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.

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

	For the three months ended September 30, 2023				
	Segment A	Other segments	Headquarters	Reconciliation and elimination	Total
Revenue:					
Revenue from external customers	\$ 3,620,278	140,010	1,284	-	3,761,572
Intersegment revenues	-	8,513	21,598	(30,111)	-
Total revenue	<u>\$ 3,620,278</u>	<u>148,523</u>	<u>22,882</u>	<u>(30,111)</u>	<u>3,761,572</u>
Reportable segment profit or loss from continuing operations before tax	<u>\$ 54,594</u>	<u>(14,490)</u>	<u>(1,893)</u>	<u>5,740</u>	<u>43,951</u>

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

	For the three months ended September 30, 2022				
	Segment A	Other segments	Headquarters	Reconciliation and elimination	Total
Revenue:					
Revenue from external customers	\$ 3,577,885	166,681	517	-	3,745,083
Intersegment revenues	-	3,897	87	(3,984)	-
Total revenue	<u>\$ 3,577,885</u>	<u>170,578</u>	<u>604</u>	<u>(3,984)</u>	<u>3,745,083</u>
Reportable segment profit or loss from continuing operations before tax	<u>\$ 48,791</u>	<u>(8,715)</u>	<u>(26,413)</u>	<u>2,588</u>	<u>16,251</u>
	For the nine months ended September 30, 2023				
	Segment A	Other segments	Headquarters	Reconciliation and elimination	Total
Revenue:					
Revenue from external customers	\$ 10,107,525	402,001	5,950	-	10,515,476
Intersegment revenues	-	23,313	46,540	(69,853)	-
Total revenue	<u>\$ 10,107,525</u>	<u>425,314</u>	<u>52,490</u>	<u>(69,853)</u>	<u>10,515,476</u>
Reportable segment profit or loss from continuing operations before tax	<u>\$ 137,035</u>	<u>(45,193)</u>	<u>(41,068)</u>	<u>16,349</u>	<u>67,123</u>
	For the nine months ended September 30, 2022				
	Segment A	Other segments	Headquarters	Reconciliation and elimination	Total
Revenue:					
Revenue from external customers	\$ 10,134,822	465,091	7,079	-	10,606,992
Intersegment revenues	-	16,701	345	(17,046)	-
Total revenue	<u>\$ 10,134,822</u>	<u>481,792</u>	<u>7,424</u>	<u>(17,046)</u>	<u>10,606,992</u>
Reportable segment profit or loss from continuing operations before tax	<u>\$ 86,924</u>	<u>(32,633)</u>	<u>(42,718)</u>	<u>9,732</u>	<u>21,305</u>