

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

**Consolidated Financial Statements**

**With Independent Auditors' Review Report  
For the Three Months Ended March 31, 2024 and 2023**

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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 March 31, 2024 and 2023, and the related consolidated statements of comprehensive income for the three months ended March 31, 2024 and 2023, changes in equity and cash flows for the three months ended March 31, 2024 and 2023, 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 March 31, 2024 and 2023, and of its consolidated financial performance for the three months ended March 31, 2024 and 2023, and its consolidated cash flows for the three months ended March 31, 2024 and 2023 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)

May 3, 2024

#### **Notes to Readers**

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to 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 Statements of Comprehensive Income****For the three months ended March 31, 2024 and 2023****(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)**

		<b>For the three months ended March 31,</b>			
		<b>2024</b>		<b>2023</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4000	<b>Operating revenue</b> (note 6(n), 7 and 14)	\$ 3,367,294	100	3,304,949	100
5000	<b>Operating costs</b> (note 6(d) and 7)	<u>2,448,560</u>	<u>73</u>	<u>2,449,591</u>	<u>74</u>
	<b>Gross margin from operations</b>	<u>918,734</u>	<u>27</u>	<u>855,358</u>	<u>26</u>
	<b>Operating expenses:</b> (note 6(c)(e)(f)(i)(j)(o), 7 and 12)				
6100	Selling expenses	776,537	23	742,143	22
6200	Administrative expenses	102,025	3	100,825	3
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS9	68	-	(2,587)	-
	<b>Total operating expenses</b>	<u>878,630</u>	<u>26</u>	<u>840,381</u>	<u>25</u>
	<b>Net operating income</b>	<u>40,104</u>	<u>1</u>	<u>14,977</u>	<u>1</u>
	<b>Non-operating income and expenses:</b>				
7100	Interest income (note 6(i))	1,209	-	784	-
7190	Other income	2,885	-	1,911	-
7230	Foreign exchange gains	116	-	393	-
7235	Losses on financial assets at fair value through profit or loss	(263)	-	(525)	-
7510	Interest expenses (note 6(i) and 7)	(7,104)	-	(5,618)	-
7590	Miscellaneous disbursements	(1,413)	-	(1,926)	-
7610	Losses on disposal of property, plant and equipment (note 6(e))	(731)	-	(683)	-
		<u>(5,301)</u>	<u>-</u>	<u>(5,664)</u>	<u>-</u>
	<b>Profit from continuing operations before tax</b>	34,803	1	9,313	1
7950	<b>Less: Income tax expenses</b> (note 6(k))	<u>7,251</u>	<u>-</u>	<u>2,556</u>	<u>-</u>
	<b>Profit</b>	<u>27,552</u>	<u>1</u>	<u>6,757</u>	<u>1</u>
8300	<b>Other comprehensive income, net of tax</b>	-	-	-	-
8500	<b>Total comprehensive income</b>	<u>\$ 27,552</u>	<u>1</u>	<u>6,757</u>	<u>1</u>
	<b>Profit, attributable to:</b>				
	Owners of parent	\$ 28,971	1	10,206	1
8620	Non-controlling interests	<u>(1,419)</u>	<u>-</u>	<u>(3,449)</u>	<u>-</u>
		<u>\$ 27,552</u>	<u>1</u>	<u>6,757</u>	<u>1</u>
	<b>Comprehensive income attributable to:</b>				
	Owners of parent	\$ 28,971	1	10,206	1
8720	Non-controlling interests	<u>(1,419)</u>	<u>-</u>	<u>(3,449)</u>	<u>-</u>
		<u>\$ 27,552</u>	<u>1</u>	<u>6,757</u>	<u>1</u>
9750	Basic earnings per share (note 6(m))	<u>\$ 0.43</u>		<u>0.15</u>	
9850	Diluted earnings per share (note 6(m))	<u>\$ 0.43</u>		<u>0.15</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****Consolidated Statements of Changes in Equity****For the three months ended March 31, 2024 and 2023****(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
	Ordinary shares	Capital surplus	Legal reserve	Unappropriated retained earnings			
<b>Balance at January 1, 2023</b>	\$ 675,000	1,001,300	63,514	55,294	-	63,883	1,858,991
Other changes in capital surplus:							
Other changes in capital surplus	-	10	-	-	-	-	10
Net income	-	-	-	10,206	-	(3,449)	6,757
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	10,206	-	(3,449)	6,757
<b>Balance at March 31, 2023</b>	<b>\$ 675,000</b>	<b>1,001,310</b>	<b>63,514</b>	<b>65,500</b>	<b>-</b>	<b>60,434</b>	<b>1,865,758</b>
<b>Balance at January 1, 2024</b>	\$ 675,000	1,001,310	69,044	100,056	-	46,928	1,892,338
Net income	-	-	-	28,971	-	(1,419)	27,552
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	28,971	-	(1,419)	27,552
<b>Balance at March 31, 2024</b>	<b>\$ 675,000</b>	<b>1,001,310</b>	<b>69,044</b>	<b>129,027</b>	<b>-</b>	<b>45,509</b>	<b>1,919,890</b>

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 three months ended March 31, 2024 and 2023****(Expressed in Thousands of New Taiwan Dollars)**

	For the three months ended March 31,	
	2024	2023
<b>Cash flows from (used in) operating activities:</b>		
<b>Profit before tax</b>	\$ 34,803	9,313
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation expenses	172,919	181,207
Amortization expenses	2,598	3,651
Expected credit loss (reversal of expected credit loss)	68	(2,587)
Net loss on financial assets or liabilities at fair value through profit or loss	263	525
Interest expenses	7,104	5,618
Interest income	(1,209)	(784)
Losses on disposal of property, plant and equipment	731	683
Profit from lease modification	(21)	(427)
<b>Total adjustments to reconcile profit</b>	<u>182,453</u>	<u>187,886</u>
<b>Changes in operating assets and liabilities:</b>		
Decrease in accounts receivable	3,363	31,186
Decrease in accounts receivable - related parties	487	366
Increase in other receivables	(697)	(7,613)
(Increase) decrease in inventories	(11,516)	39,826
Decrease in prepayments	10,446	1,206
Increase in other financial assets	(65,000)	-
Decrease in contract liabilities	(33,140)	(25,917)
Decrease in notes payable	(72)	(160)
Increase (decrease) in accounts payable	59,937	(299,170)
Increase (decrease) in accounts payable - related parties	2,571	(235)
Decrease in other payables	(49,815)	(187,502)
Increase (decrease) in other current liabilities	8,552	(11,259)
<b>Total adjustments</b>	<u>107,569</u>	<u>(271,386)</u>
Cash inflow (outflow) generated from operations	142,372	(262,073)
Interest received	541	820
Interest paid	(7,088)	(5,617)
Income taxes paid	(50)	(72)
<b>Net cash flows generated from (used in) operating activities</b>	<u>135,775</u>	<u>(266,942)</u>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of property, plant and equipment	(29,430)	(30,770)
Proceeds from disposal of property, plant and equipment	89	361
Increase in guarantee deposits paid	1,417	-
Decrease in guarantee deposits paid	-	7,505
Acquisition of intangible assets	(1,484)	-
Decrease in finance lease receivable	-	1,423
Increase in other financial assets	-	(259)
Decrease in other financial assets	3,302	-
<b>Net cash flows used in investing activities</b>	<u>(26,106)</u>	<u>(21,740)</u>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term notes and bills payable	-	199,931
Decrease in guarantee deposits received	(6,589)	(4,101)
Payments of lease liabilities	(122,695)	(124,592)
Other changes in capital surplus	-	10
<b>Net cash flows (used in) from financing activities</b>	<u>(129,284)</u>	<u>71,248</u>
<b>Net decrease in cash and cash equivalents</b>	(19,615)	(217,434)
<b>Cash and cash equivalents at beginning of period</b>	913,481	548,034
<b>Cash and cash equivalents at end of period</b>	<u>\$ 893,866</u>	<u>330,600</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**

**March 31, 2024 and 2023**

**(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 May 3, 2024.

**(3) New standards, amendments and interpretations adopted:**

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2024:

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

- (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 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”
- IFRS 18 “Presentation and Disclosure in Financial Statements”

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

**(4) Summary of material accounting policies:**

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and 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 Financial Supervisory Commission, R.O.C. (hereinafter referred to “IFRS Accounting Standards 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, 2023. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2023.

(b) Basis of consolidation

(i) List of subsidiaries in the consolidated financial statements

List of subsidiaries in the consolidated financial statements included:

Name of investor	Name of subsidiary	Main business and products	Shareholding		
			March 31, 2024	December 31, 2023	March 31, 2023
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	67.33 %	67.33 %	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.

**(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 IFRS Accounting Standards (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.

(Continued)

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

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, 2023. For related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2023.

**(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 2023 consolidated financial statements. Please refer to note 6 to the 2023 annual consolidated financial statements.

(a) Cash and cash equivalents

	<b>March 31, 2024</b>	<b>December 31, 2023</b>	<b>March 31, 2023</b>
Cash on hand	\$ 59,780	64,115	56,034
Bank deposits	464,086	349,324	274,566
Time deposits	20,000	-	-
Reverse repurchase agreement	<u>350,000</u>	<u>500,042</u>	<u>-</u>
	<u><b>\$ 893,866</b></u>	<u><b>913,481</b></u>	<u><b>330,600</b></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:

	<b>March 31, 2024</b>	<b>December 31, 2023</b>	<b>March 31, 2023</b>
Time deposits with maturities of more than three months	<u>\$ 80,000</u>	<u>-</u>	<u>10,000</u>
Restricted time deposits	<u>\$ 140,743</u>	<u>159,045</u>	<u>193,823</u>

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

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

	<b>March 31, 2024</b>	<b>December 31, 2023</b>	<b>March 31, 2023</b>
Stock in listed companies	<u>\$ 5,082</u>	<u>5,345</u>	<u>5,282</u>

(Continued)

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

(c) Accounts receivable (including related parties)

	<b>March 31, 2024</b>	<b>December 31, 2023</b>	<b>March 31, 2023</b>
Accounts receivable - measured at amortized cost	\$ 88,886	92,249	66,955
Accounts receivable (related parties) - measured at amortized cost	846	1,333	305
Less: loss allowance	<u>(5,008)</u>	<u>(4,940)</u>	<u>(3,087)</u>
	<b><u>\$ 84,724</u></b>	<b><u>88,642</u></b>	<b><u>64,173</u></b>

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 accounts receivable, based on the past due date, were as follows:

	<b>March 31, 2024</b>	<b>December 31, 2023</b>	<b>March 31, 2023</b>
Current	\$ 84,540	88,208	63,921
1-60 days past due	694	810	347
61-120 days past due	472	280	31
121-180 days past due	74	44	31
More than 181 days past due	<u>3,952</u>	<u>4,240</u>	<u>2,930</u>
	<b><u>\$ 89,732</u></b>	<b><u>93,582</u></b>	<b><u>67,260</u></b>

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

	<b>For the three months ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
Beginning balance of the period	\$ 4,940	8,857
Add: Impairment losses recognized	68	-
Less: Impairment losses reversed	-	(2,587)
Less: Amounts written off	<u>-</u>	<u>(3,183)</u>
Ending balance of the period	<b><u>\$ 5,008</u></b>	<b><u>3,087</u></b>

(Continued)

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

## (d) Inventories

	<b>March 31, 2024</b>	<b>December 31, 2023</b>	<b>March 31, 2023</b>
Merchandise Inventories	\$ 1,604,042	1,596,804	1,712,402
Inventory in transit	29,839	25,561	44,787
	<b>\$ 1,633,881</b>	<b>1,622,365</b>	<b>1,757,189</b>
	<b>For the three months ended</b>		
	<b>March 31,</b>		
		<b>2024</b>	<b>2023</b>
Cost of goods sold		\$ 2,433,257	2,433,290
Inventory losses from obsolescence and others		15,303	16,301
Cost of sales		<b>\$ 2,448,560</b>	<b>2,449,591</b>

As of March 31, 2024, December 31 and March 31, 2023, the Group did not provide any merchandise inventories as collateral for its loans.

## (e) 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 three months ended March 31, 2024 and 2023 were as follows:

	<b>Land</b>	<b>Buildings</b>	<b>Machinery and equipment</b>	<b>Leasehold improvements</b>	<b>Prepayment for business facilities and construction in progress</b>	<b>Total</b>
Cost:						
Balance at January 1, 2024	\$ 537,599	220,887	1,134,248	884,996	13,911	2,791,641
Additions	-	-	5,972	5,389	17,429	28,790
Scraps	-	-	(3,202)	(21,018)	-	(24,220)
Disposal	-	-	(2,270)	-	-	(2,270)
Balance at March 31, 2024	<b>\$ 537,599</b>	<b>220,887</b>	<b>1,134,748</b>	<b>869,367</b>	<b>31,340</b>	<b>2,793,941</b>
Balance at January 1, 2023	\$ 537,599	220,887	1,108,993	859,675	3,326	2,730,480
Additions	-	-	11,405	14,002	-	25,407
Scraps	-	-	(7,910)	(16,145)	-	(24,055)
Disposal	-	-	(723)	(1,120)	-	(1,843)
Balance at March 31, 2023	<b>\$ 537,599</b>	<b>220,887</b>	<b>1,111,765</b>	<b>856,412</b>	<b>3,326</b>	<b>2,729,989</b>
Accumulated depreciation and impairment losses:						
Balance at January 1, 2024	\$ -	32,286	907,204	708,737	-	1,648,227
Depreciation	-	1,084	29,102	18,996	-	49,182
Scraps	-	-	(3,173)	(20,401)	-	(23,574)
Disposal	-	-	(2,096)	-	-	(2,096)
Balance at March 31, 2024	<b>\$ -</b>	<b>33,370</b>	<b>931,037</b>	<b>707,332</b>	<b>-</b>	<b>1,671,739</b>

(Continued)

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

	<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>
Balance at January 1, 2023	\$ -	27,950	806,526	655,310	-	1,489,786
Depreciation	-	1,084	36,956	19,483	-	57,523
Scraps	-	-	(7,959)	(15,630)	-	(23,589)
Disposal	-	-	(397)	(868)	-	(1,265)
Balance at March 31, 2023	<u>\$ -</u>	<u>29,034</u>	<u>835,126</u>	<u>658,295</u>	<u>-</u>	<u>1,522,455</u>
Carrying amounts:						
Balance at January 1, 2024	<u>\$ 537,599</u>	<u>188,601</u>	<u>227,044</u>	<u>176,259</u>	<u>13,911</u>	<u>1,143,414</u>
Balance at March 31, 2024	<u>\$ 537,599</u>	<u>187,517</u>	<u>203,711</u>	<u>162,035</u>	<u>31,340</u>	<u>1,122,202</u>
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 March 31, 2023	<u>\$ 537,599</u>	<u>191,853</u>	<u>276,639</u>	<u>198,117</u>	<u>3,326</u>	<u>1,207,534</u>

Investing activities that are partially paid in cash:

	<b>For the three months ended March 31,</b>	
	<u>2024</u>	<u>2023</u>
Acquisition of property, plant and equipment	\$ 28,790	25,407
Add: Payables on equipment, beginning of period	32,213	26,032
Less: Payables on equipment, end of period	(31,573)	(20,669)
Cash paid	<u>\$ 29,430</u>	<u>30,770</u>

(f) 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:

	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Total</u>
Cost:			
Balance at January 1, 2024	\$ 3,532,233	2,086	3,534,319
Additions	121,436	-	121,436
Derecognized	(38,107)	-	(38,107)
Balance at March 31, 2024	<u>\$ 3,615,562</u>	<u>2,086</u>	<u>3,617,648</u>
Balance at January 1, 2023	\$ 3,167,717	2,086	3,169,803
Additions	104,654	-	104,654
Derecognized	(95,750)	-	(95,750)
Balance at March 31, 2023	<u>\$ 3,176,621</u>	<u>2,086</u>	<u>3,178,707</u>

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**SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARIES**  
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	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Total</u>
Accumulated depreciation and impairment losses:			
Balance at January 1, 2024	\$ 1,771,878	1,345	1,773,223
Depreciation	123,670	67	123,737
Derecognized	<u>(35,244)</u>	<u>-</u>	<u>(35,244)</u>
Balance at March 31, 2024	<u>\$ 1,860,304</u>	<u>1,412</u>	<u>1,861,716</u>
Balance at January 1, 2023	\$ 1,509,310	1,076	1,510,386
Depreciation	123,617	67	123,684
Derecognized	<u>(81,526)</u>	<u>-</u>	<u>(81,526)</u>
Balance at March 31, 2023	<u>\$ 1,551,401</u>	<u>1,143</u>	<u>1,552,544</u>
Carrying amounts:			
Balance at January 1, 2024	<u>\$ 1,760,355</u>	<u>741</u>	<u>1,761,096</u>
Balance at March 31, 2024	<u>\$ 1,755,258</u>	<u>674</u>	<u>1,755,932</u>
Balance at January 1, 2023	<u>\$ 1,658,407</u>	<u>1,010</u>	<u>1,659,417</u>
Balance at March 31, 2023	<u>\$ 1,625,220</u>	<u>943</u>	<u>1,626,163</u>

(g) Short-term notes and bills payable

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Commercial papers payable	\$ -	-	<u>199,931</u>
Range of interest rates	-	-	<u>1.848%~1.908%</u>
Unused short-term credit lines	<u>\$ 300,000</u>	<u>400,000</u>	<u>300,000</u>

As of March 31, 2024, December 31 and March 31, 2023, the unused bank credit line of the Group amounted to \$499,000 thousand, \$499,500 thousand and \$599,500 thousand.

The Group issued guarantee notes to obtain short-term loan facility. For related information, please refer to note 9.

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**SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARIES**  
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## (h) Other payables

	<b>March 31, 2024</b>	<b>December 31, 2023</b>	<b>March 31, 2023</b>
Salaries and bonuses payable	\$ 138,435	193,875	12,868
Accrued freight expenses	58,489	36,367	33,433
Labor insurance, health insurance and pension expense payable	53,673	53,249	53,152
Payable on unused annual leave	33,229	32,954	31,599
Payable to service rendered by franchisees	32,540	31,361	19,661
Payable on equipment	31,573	32,213	20,669
Others	<u>108,515</u>	<u>126,890</u>	<u>110,233</u>
	<u><b>\$ 456,454</b></u>	<u><b>506,909</b></u>	<u><b>281,615</b></u>

## (i) Lease liabilities

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

	<b>March 31, 2024</b>	<b>December 31, 2023</b>	<b>March 31, 2023</b>
Current	<u>\$ 458,544</u>	<u>465,532</u>	<u>447,387</u>
Non-current	<u>\$ 1,344,327</u>	<u>1,342,466</u>	<u>1,224,548</u>

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

The amounts recognized in profit or loss were as follows:

	<b>For the three months ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
Interests on lease liabilities	<u>\$ 6,766</u>	<u>5,114</u>
Variable lease payments not included in the measurement of lease liabilities	<u>\$ 5,777</u>	<u>5,785</u>
Income from sub-leasing right-of-use assets (recognized as interest income)	<u>\$ -</u>	<u>(1)</u>
Expenses relating to short-term leases	<u>\$ 2,923</u>	<u>2,665</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 511</u>	<u>660</u>

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**SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARIES**  
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The amounts recognized in the statement of cash flows by the Group were as follows:

	<b>For the three months ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
Total cash outflow for leases	<b>\$ 138,672</b>	<b>138,815</b>

(i) Real estate leases

The Group leases land and buildings for its retail stores, warehouse, and office space. The leases of office space typically run for a period of 3 to 5 years, of retail stores for 2 to 10 years, and of warehouse for 1 to 3 years. Some leases include an option to renew the lease for an additional period after the end of the contract term.

(ii) Other leases

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

(j) Employee benefit

(i) 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:

	<b>For the three months ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
Selling expenses	\$ 1	1
Administrative expenses	17	17
Total	<b>\$ 18</b>	<b>18</b>

(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.

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

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

	<b>For the three months ended</b>	
	<b>March 31,</b>	
	<b>2024</b>	<b>2023</b>
Selling expenses	\$ 17,111	16,591
Administrative expenses	3,427	3,543
	<b><u>\$ 20,538</u></b>	<b><u>20,134</u></b>

(k) Income taxes

(i) Income tax expenses

The components of income tax were as follows:

	<b>For the three months ended</b>	
	<b>March 31,</b>	
	<b>2024</b>	<b>2023</b>
Current tax expenses		
Current period	\$ 2,450	-
Deferred tax expenses		
Origination and reversal of temporary differences	\$ 4,801	2,556
Income tax expenses	<b><u>\$ 7,251</u></b>	<b><u>2,556</u></b>

There is no income tax directly recognized under equity.

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

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

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

(l) Capital and other equity

(i) Ordinary shares

As of March 31, 2024, December 31 and March 31, 2023, the Company's authorized capital consisted of 80,000 thousand shares, amounting to \$800,000 thousand, with par value of \$10 per share. On March 31, 2024, December 31 and March 31, 2023, all of the issued and outstanding 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:

	<u>March 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>	<u>March 31,</u> <u>2023</u>
Premium on issuance of common stock	\$ 959,010	959,010	959,010
Others	42,300	42,300	42,300
	<u>\$ 1,001,310</u>	<u>1,001,310</u>	<u>1,001,310</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 appropriation of earnings for 2023 had been approved in the boards' meeting held on February 23, 2024. The appropriation of earnings for 2022 had been approved in the shareholders' meeting held on May 29, 2023. These earnings were appropriated as follows:

	<u>2023</u>	<u>2022</u>
Dividends distributed to ordinary shareholders:		
Cash	\$ <u>81,000</u>	<u>49,275</u>

The 2023 earnings distribution mentioned above is still pending for the resolution of shareholders' meeting. 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**

(m) Earnings per share

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

	<b>For the three months ended</b>	
	<b>March 31,</b>	
	<b>2024</b>	<b>2023</b>
<b>Basic earnings per share</b>		
Profit or loss attributable to ordinary shareholders of the Company	<u>\$ 28,971</u>	<u>10,206</u>
Weighted-average number of ordinary shares outstanding	<u>67,500</u>	<u>67,500</u>
Basic earnings per share	<u>\$ 0.43</u>	<u>0.15</u>
<b>Diluted earnings per share</b>		
Profit or loss attributable to ordinary shareholders of the Company	<u>\$ 28,971</u>	<u>10,206</u>
Weighted-average number of ordinary shares outstanding	67,500	67,500
Effect of dilutive potential ordinary shares - employee bonus	<u>59</u>	<u>57</u>
Weighted-average number of ordinary shares outstanding(diluted)	<u>67,559</u>	<u>67,557</u>
Diluted earnings per share	<u>\$ 0.43</u>	<u>0.15</u>

(n) Revenue from contracts with customers

(i) Details of revenue

The Company derives revenue from the transfer of goods services over time or from the transfer of goods or services at a point in time, and the amounts of revenue for the three months ended March 31, 2024 and 2023, were as follows:

	<b>For the three months ended</b>	
	<b>March 31,</b>	
	<b>2024</b>	<b>2023</b>
Sale of goods	\$ 3,170,266	3,103,755
Others operating income	<u>197,028</u>	<u>201,194</u>
	<u>\$ 3,367,294</u>	<u>3,304,949</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:

	<b>March 31, 2024</b>	<b>December 31, 2023</b>	<b>March 31, 2023</b>
Contract liabilities - current - gift voucher revenue	\$ 13,551	12,658	13,778
Contract liabilities - current - customer loyalty program	9,080	41,782	21,332
Contract liabilities - current - franchise royalty fee	<u>4,018</u>	<u>4,499</u>	<u>5,333</u>
Total	<u>\$ 26,649</u>	<u>58,939</u>	<u>40,443</u>
Contract liabilities - non-current - franchise royalty fee	<u>\$ 5,824</u>	<u>6,674</u>	<u>7,567</u>

- 2) The amounts of revenue recognized for the three months ended March 31, 2024 and 2023, was included in the contract liabilities balance at the beginning of the period, were \$45,756 thousand, and \$40,443 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 March 31, 2024 and 2023, the Company estimated its employee remuneration amounted to \$960 thousand, and directors' remuneration amounted to \$900 thousand, \$400 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 March 31, 2024 and 2023. 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, 2023 and 2022, the remunerations to employees amounted to \$2,700 thousand and \$2,362 thousand; and remunerations to directors amounted to \$1,800 thousand and \$0 thousand, respectively. There were no differences between actual distribution and estimated amounts approved by the boards' meeting. The information is available on the Market Observation Post System website.

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>More than 1 year</u>
<b>March 31, 2024</b>				
Non derivative financial liabilities				
Notes payable	\$ 81	81	81	-
Accounts payable	1,458,856	1,458,856	1,458,856	-
Accounts payable - related parties	4,544	4,544	4,544	-
Other payables	456,454	456,454	456,454	-
Lease liabilities (include current and non-current)	1,802,871	1,881,694	481,821	1,399,873
Guarantee deposits received	<u>79,474</u>	<u>79,474</u>	<u>-</u>	<u>79,474</u>
	<u>\$ 3,802,280</u>	<u>3,881,103</u>	<u>2,401,756</u>	<u>1,479,347</u>
<b>December 31, 2023</b>				
Non derivative financial liabilities				
Notes payable	\$ 153	153	153	-
Accounts payable	1,398,919	1,398,919	1,398,919	-
Accounts payable - related parties	1,973	1,973	1,973	-
Other payables	506,909	506,909	506,909	-
Lease liabilities (include current and non-current)	1,807,998	1,879,866	487,964	1,391,902
Guarantee deposits received	<u>86,063</u>	<u>86,063</u>	<u>-</u>	<u>86,063</u>
	<u>\$ 3,802,015</u>	<u>3,873,883</u>	<u>2,395,918</u>	<u>1,477,965</u>

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**SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARIES**  
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	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>More than 1 year</u>
<b>March 31, 2023</b>				
Non derivative financial liabilities				
Short-term notes and bills payable	\$ 199,931	200,000	200,000	-
Notes payable	92	92	92	-
Accounts payable	1,166,151	1,166,151	1,166,151	-
Accounts payable - related parties	2,929	2,929	2,929	-
Other payables	281,615	281,615	281,615	-
Lease liabilities (include current and non-current)	1,671,935	1,735,981	467,107	1,268,874
Guarantee deposits received	<u>97,374</u>	<u>97,374</u>	<u>-</u>	<u>97,374</u>
	<u><b>\$ 3,420,027</b></u>	<u><b>3,484,142</b></u>	<u><b>2,117,894</b></u>	<u><b>1,366,248</b></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>March 31, 2024</u>			<u>December 31, 2023</u>			<u>March 31, 2023</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>
<b>Financial assets</b>									
<b>Monetary items</b>									
JPY	\$ 32,579	0.210	6,825	34,793	0.215	7,487	14,504	0.227	3,289
EUR	26	34.260	900	98	33.780	3,312	48	32.950	1,574
USD	19	31.950	613	11	30.655	326	24	30.400	725
<b>Financial liabilities</b>									
<b>Monetary items</b>									
EUR	132	34.260	4,537	141	33.780	4,770	263	32.950	8,676
USD	49	31.950	1,572	-	-	-	-	-	-

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on financial assets and liabilities that are denominated in foreign currency. A depreciation or appreciation of 1% of the NTD against the USD, EUR, and JPY as of March 31, 2024 and 2023 would have increased or decreased the net profit after tax by \$18 thousand for the three months ended March 31, 2024, and decreased or increased the net profit after tax by \$25 thousand for the three months ended March 31, 2023, 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(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 and liabilities with variable interest rates, the analysis is based on the assumption that the amount of assets and liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.5% when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change. The Group's assets and liabilities with variable interest rates have no significant impact on net profit after tax for the three months ended March 31, 2024 and 2023.

(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>March 31, 2024</u>		<u>March 31, 2023</u>	
	<u>Other comprehensive income after tax</u>	<u>Net income</u>	<u>Other comprehensive income after tax</u>	<u>Net income</u>
	<b>Increasing 5%</b>	\$ -	254	-
<b>Decreasing 5%</b>	\$ -	(254)	-	(211)

(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>March 31, 2024</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	\$ 5,082	5,082	-	-	5,082
	<u>December 31, 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	\$ 5,345	5,345	-	-	5,345

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	March 31, 2023				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss	<u>\$ 5,282</u>	<u>5,282</u>	<u>-</u>	<u>-</u>	<u>5,282</u>

2) Valuation techniques for financial instruments measured at fair value

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

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

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

(vii) Offsetting financial assets and financial liabilities

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

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

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

	March 31, 2024					
	Financial assets that are offset and have an exercisable master netting arrangement or a similar agreement					
	Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b) 350,000	Amounts not offset in the balance sheet(d)		Net amount (e)=(c)-(d) -
			Financial instruments (Note) 350,000	Cash collateral received -		
Offsetting agreement	<u>\$ 350,000</u>	<u>-</u>	<u>350,000</u>	<u>350,000</u>	<u>-</u>	<u>-</u>

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

  

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

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

(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, 2023. For the related information, please refer to the 2023 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, 2023. Also, management believes that there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2023. For the related information, please refer to the 2023 annual consolidated financial statements.

(s) Financing activities not affecting current cash flow

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2024	Cash flows	Non-cash changes Changes in lease	March 31, 2024
Lease liabilities	\$ <u>1,807,998</u>	<u>(122,695)</u>	<u>117,568</u>	<u>1,802,871</u>

  

	January 1, 2023	Cash flows	Non-cash changes Changes in lease	March 31, 2023
Lease liabilities	\$ <u>1,707,091</u>	<u>(124,592)</u>	<u>89,436</u>	<u>1,671,935</u>

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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 (Note)
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
Simple Mart Retail Co., Ltd. Employee Welfare Committee	Other related party
Horizon Securities Co., Ltd.	Other related party
Sanyou Drugstores Co., Ltd. Employee Welfare Committee	Other related party
Taiwan Chain Stores and Franchise Association	Other related party
INSIGHT EDGE, INC	Other related party (Note)
The Group's directors, general manager and vice general managers	

Note: Sumitomo Corporation lost its significant influence over the Company in March, 2024. Thus, Sumitomo Corporation and its subsidiary, INSIGHT EDGE, INC, were no longer related parties of the Company since March 2024.

(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:

	<b>For the three months ended</b>	
	<b>March 31,</b>	
	<u>2024</u>	<u>2023</u>
Other related parties	<u>\$ 4,974</u>	<u>7,023</u>

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

<u>Accounts</u>	<u>Type of related parties</u>	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Accounts receivable	Other related parties	\$ 846	1,333	305
Other receivables	Other related parties	-	5	-
		<u>\$ 846</u>	<u>1,338</u>	<u>305</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>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Accounts payable	Other related parties	\$ 4,544	1,973	2,929
Other payables	Parent company	1,300	-	-
Other payable	Other related parties	2,755	2,667	1,757
		<u>\$ 8,599</u>	<u>4,640</u>	<u>4,686</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>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Other related parties	<u>\$ 1,844</u>	<u>3,332</u>	<u>1,895</u>

The prepayments were prepaid insurance and other related expense.

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(vi) Leases

The Group rented office space from other related parties. For the three months ended March 31, 2024 and 2023, the Group recognized \$15 thousand, and \$1 thousand as interest expenses, respectively. As of March 31, 2024, December 31 and March 31, 2023, the balance of lease liabilities amounted to \$2,917 thousand, \$3,246 thousand, and \$477 thousand, respectively.

(vii) Guarantee deposits paid

	<b>March 31, 2024</b>	<b>December 31, 2023</b>	<b>March 31, 2023</b>
Other related parties	\$ <b>292</b>	<b>292</b>	<b>292</b>

The above transactions were guarantee deposits of office leases.

(viii) Other operating expenses

	<b>For the three months ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
Other related parties	\$ <b>2,053</b>	<b>1,971</b>

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

(ix) Guarantees and endorsements

In order to obtain the bank loan facility, Mercuries & Associates Holding Ltd. served as joint guarantor for the Group, the guaranteed amount were all \$100,000 thousand as of March 31, 2024, December 31 and March 31, 2023. As of March 31, 2024, December 31 and March 31, 2023, utilized amounts have been repaid.

(c) Key management personnel compensation

	<b>For the three months ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
Short-term employee benefits	\$ 5,168	5,167
Post-employment benefits	207	205
	\$ <b>5,375</b>	<b>5,372</b>

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**SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARIES**  
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**(8) Pledged assets:**

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

<u>Pledged Assets</u>	<u>Pledged to secure</u>	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Time deposits (Recorded as current and non-current other financial assets)	Performance guarantee for purchasing and collection business	\$ 128,950	143,950	175,250
Bank deposits (Recorded as non-current other financial assets.)	Charitable trust of gift voucher	11,793	15,095	18,573
		<u>\$ 140,743</u>	<u>159,045</u>	<u>193,823</u>

**(9) Commitments and contingencies:**

- (a) The Group has signed the warehouse expansion contracts with the unpaid contract amount of \$91,500 thousand as of March 31, 2024.
- (b) The Group issued guarantee notes to obtain short-term loan facility. As of March 31, 2024, December 31 and March 31, 2023, the balance were \$1,000,000 thousand, \$1,100,000 thousand, and \$1,100,000 thousand, respectively.
- (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.

**(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 March 31, 2024			For the three months ended March 31, 2023		
		Operating cost	Operating expense	Total	Operating cost	Operating Expense	Total
Employee benefits							
Salary		-	388,848	388,848	-	359,206	359,206
Labor and health insurance		-	44,104	44,104	-	43,509	43,509
Pension		-	20,556	20,556	-	20,152	20,152
Remuneration to directors		-	1,275	1,275	-	775	775
Others		-	26,183	26,183	-	24,038	24,038
Depreciation		-	172,919	172,919	-	181,207	181,207
Amortization		-	2,598	2,598	-	3,651	3,651

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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 three months ended March 31, 2024:

## (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	-		-	187,438	749,752

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 March 31, 2024 (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	Carrying value	Percentage of ownership (%)		
The Company	Mercuries Life Insurance Co., Ltd. Common Stock	Other related party	FVTPL - current	1,050,000	5,082	0.02 %	5,082	-

- (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 three months ended March 31, 2024 (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 March 31, 2024			Net income (losses) of investee	Share of profits/losses of investee	Note
				March 31, 2024	December 31, 2023	Shares	Percentage of ownership	Carrying value			
The Company	Sanyou Drugstores Co., Ltd.	Taiwan	Retail sales of drugs and cosmetics	114,879	114,879	10,100	67.33 %	93,708	(4,396)	(2,943)	(Note)
The Company	Simple Mart Plus Co., Ltd.	Taiwan	Retail sales of food and beverage	60,000	60,000	6,000	100 %	43,301	1,102	1,102	(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 %
Mei-Ling Yu		13,666,603	20.24 %

**(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:

	<b>For the three months ended March 31, 2024</b>				
	<b>Segment A</b>	<b>Other segments</b>	<b>Headquarters</b>	<b>Reconciliation and elimination</b>	<b>Total</b>
<b>Revenue:</b>					
Revenue from external customers	\$ 3,231,187	134,971	1,136	-	3,367,294
Intersegment revenues	-	7,891	-	(7,891)	-
<b>Total revenue</b>	<b>\$ 3,231,187</b>	<b>142,862</b>	<b>1,136</b>	<b>(7,891)</b>	<b>3,367,294</b>

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For the three months ended March 31, 2024					
	Segment A	Other segments	Headquarters	Reconciliation and elimination	Total
<b>Reportable segment profit or loss from continuing operations before tax</b>	\$ <u>49,071</u>	<u>(4,745)</u>	<u>(11,398)</u>	<u>1,875</u>	<u>34,803</u>
For the three months ended March 31, 2023					
	Segment A	Other segments	Headquarters	Reconciliation and elimination	Total
<b>Revenue:</b>					
Revenue from external customers	\$ 3,175,280	127,040	2,629	-	3,304,949
Intersegment revenues	<u>-</u>	<u>33,182</u>	<u>-</u>	<u>(33,182)</u>	<u>-</u>
Total revenue	<u>\$ 3,175,280</u>	<u>160,222</u>	<u>2,629</u>	<u>(33,182)</u>	<u>3,304,949</u>
<b>Reportable segment profit or loss from continuing operations before tax</b>	\$ <u>33,972</u>	<u>(11,773)</u>	<u>(16,097)</u>	<u>3,211</u>	<u>9,313</u>