

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

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Six Months Ended June 30, 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 June 30, 2024 and 2023, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2024 and 2023 as well as the changes in equity and cash flows for the six months ended June 30, 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 June 30, 2024 and 2023, and of its consolidated financial performance for three months and the six months ended June 30, 2024 and 2023, as well as its consolidated cash flows for the six months ended June 30, 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)

August 2, 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 Balance Sheets

June 30, 2024, December 31, 2023, and June 30, 2023

(Expressed in Thousands of New Taiwan Dollars)

Assets		June 30, 2024		December 31, 2023		June 30, 2023		Liabilities and Equity		June 30, 2024		December 31, 2023		June 30, 2023	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (notes 6(a) and (o))	\$ 930,960	15	913,481	16	512,153	9	2130	Contract liabilities - current (note 6(m))	\$ 39,087	1	58,939	1	47,376	1
1110	Financial assets at fair value through profit or loss - current (notes 6(b) and (o))	-	-	5,345	-	5,723	-	2150	Notes payable (note 6(o))	290	-	153	-	83	-
1150	Notes receivable, net (note 6(c))	-	-	-	-	374	-	2170	Accounts payable (note 6(o))	1,438,728	24	1,398,919	24	1,239,850	23
1170	Accounts receivable, net (note 6(c))	82,506	2	87,309	1	58,578	1	2180	Accounts payable - related parties (note 6(o) and 7)	4,580	-	1,973	-	1,361	-
1180	Accounts receivable - related parties, net (notes 6(c) and 7)	728	-	1,333	-	3,895	-	2200	Other payables (note 6(g)(o) and 7)	625,053	10	506,909	8	507,363	9
1200	Other receivables (note 7)	14,454	-	12,138	-	11,325	-	2280	Lease liabilities - current (note 6(h)(o)(r) and 7)	454,575	8	465,532	8	454,711	8
1300	Inventories (note 6(d))	1,664,933	28	1,622,365	28	1,679,253	31	2300	Other current liabilities	130,069	2	113,433	2	50,682	1
1410	Prepayments (note 7)	18,659	-	32,320	1	15,826	-			2,692,382	45	2,545,858	43	2,301,426	42
1476	Other current financial assets (notes 6(a) and 8)	200,200	3	135,200	2	175,000	3	Non-Current liabilities:							
		2,912,440	48	2,809,491	48	2,462,127	44	2527	Contract liabilities - non-current (note 6(m))	5,260	-	6,674	-	6,696	-
Non-current assets:								2550	Non-current provisions	8,499	-	6,734	-	5,538	-
1600	Property, plant and equipment (note 6(e))	1,137,696	19	1,143,414	20	1,186,406	22	2570	Deferred tax liabilities	817	-	556	-	349	-
1755	Right-of-use assets (note 6(f))	1,788,557	30	1,761,096	30	1,670,901	30	2580	Lease liabilities - non-current (note 6(h)(o)(r) and 7)	1,382,391	23	1,342,466	23	1,261,947	23
1780	Intangible assets	19,050	-	21,989	-	22,690	1	2645	Guarantee deposits received (note 6(o))	77,541	1	86,063	2	88,647	2
1840	Deferred tax assets	26,121	1	25,583	-	23,985	-			1,474,508	24	1,442,493	25	1,363,177	25
1915	Prepayments for equipment	19,809	-	-	-	-	-		Total liabilities	4,166,890	69	3,988,351	68	3,664,603	67
1920	Guarantee deposits paid (note 7)	98,287	2	95,271	2	95,152	2	Equity (note (k)):							
1980	Other non-current financial assets (notes 6(a) and 8)	25,267	-	23,845	-	30,185	1	3110	Ordinary share	675,000	11	675,000	11	675,000	12
		3,114,787	52	3,071,198	52	3,029,319	56	3200	Capital surplus	1,001,310	17	1,001,310	17	1,001,310	18
									Retained earnings:						
								3310	Legal reserve	79,000	1	69,044	1	69,044	1
								3350	Unappropriated retained earnings	65,185	1	100,056	2	28,272	1
										144,185	2	169,100	3	97,316	2
									Total equity attributable to owners of parent:	1,820,495	30	1,845,410	31	1,773,626	32
								36XX	Non-controlling interests	39,842	1	46,928	1	53,217	1
									Total equity	1,860,337	31	1,892,338	32	1,826,843	33
Total assets		\$ 6,027,227	100	5,880,689	100	5,491,446	100	Total liabilities and equity		\$ 6,027,227	100	5,880,689	100	5,491,446	100

See accompanying notes to consolidated financial statements.

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

SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARIES**Consolidated Statements of Comprehensive Income****For the three months and six months ended June 30, 2024 and 2023****(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)**

	For the three months ended June 30,				For the six months ended June 30,				
	2024		2023		2024		2023		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Operating revenue (note 6(m), 7 and 14)	\$ 3,481,351	100	3,448,955	100	6,848,645	100	6,753,904	100
5000	Operating costs (note 6(d) and 7)	<u>2,554,206</u>	<u>73</u>	<u>2,574,574</u>	<u>75</u>	<u>5,002,766</u>	<u>73</u>	<u>5,024,165</u>	<u>74</u>
	Gross margin from operations	<u>927,145</u>	<u>27</u>	<u>874,381</u>	<u>25</u>	<u>1,845,879</u>	<u>27</u>	<u>1,729,739</u>	<u>26</u>
	Operating expenses: (note 6(c)(e)(f)(h)(i)(n), 7 and 12)								
6100	Selling expenses	792,886	23	768,333	22	1,569,423	23	1,510,476	22
6200	Administrative expenses	102,425	3	92,606	3	204,450	3	193,431	3
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS9	<u>569</u>	<u>-</u>	<u>(614)</u>	<u>-</u>	<u>637</u>	<u>-</u>	<u>(3,201)</u>	<u>-</u>
	Total operating expenses	<u>895,880</u>	<u>26</u>	<u>860,325</u>	<u>25</u>	<u>1,774,510</u>	<u>26</u>	<u>1,700,706</u>	<u>25</u>
	Net operating income	<u>31,265</u>	<u>1</u>	<u>14,056</u>	<u>-</u>	<u>71,369</u>	<u>1</u>	<u>29,033</u>	<u>1</u>
	Non-operating income and expenses:								
7100	Interest income (note 6(h))	3,066	-	1,629	-	4,275	-	2,413	-
7190	Other income	3,171	-	5,168	-	6,056	-	7,079	-
7230	Foreign exchange gains	392	-	229	-	508	-	622	-
7235	Gains (losses) on financial assets at fair value through profit or loss	1,428	-	441	-	1,165	-	(84)	-
7510	Interest expenses (note 6(h) and 7)	(7,622)	-	(5,990)	-	(14,726)	-	(11,608)	-
7590	Miscellaneous disbursements	(901)	-	(966)	-	(2,314)	-	(2,892)	-
7610	Losses on disposal of property, plant and equipment (note 6(e))	<u>(3,093)</u>	<u>-</u>	<u>(708)</u>	<u>-</u>	<u>(3,824)</u>	<u>-</u>	<u>(1,391)</u>	<u>-</u>
		<u>(3,559)</u>	<u>-</u>	<u>(197)</u>	<u>-</u>	<u>(8,860)</u>	<u>-</u>	<u>(5,861)</u>	<u>-</u>
	Profit from continuing operations before tax	<u>27,706</u>	<u>1</u>	<u>13,859</u>	<u>-</u>	<u>62,509</u>	<u>1</u>	<u>23,172</u>	<u>1</u>
7950	Less: Income tax expenses (note 6(j))	<u>6,259</u>	<u>-</u>	<u>3,499</u>	<u>-</u>	<u>13,510</u>	<u>-</u>	<u>6,055</u>	<u>-</u>
	Profit	<u>21,447</u>	<u>1</u>	<u>10,360</u>	<u>-</u>	<u>48,999</u>	<u>1</u>	<u>17,117</u>	<u>1</u>
8300	Other comprehensive income, net of tax	-	-	-	-	-	-	-	-
8500	Total comprehensive income	<u>\$ 21,447</u>	<u>1</u>	<u>10,360</u>	<u>-</u>	<u>48,999</u>	<u>1</u>	<u>17,117</u>	<u>1</u>
	Profit, attributable to:								
	Owners of parent	\$ 27,114	1	17,577	-	56,085	1	27,783	1
8620	Non-controlling interests	<u>(5,667)</u>	<u>-</u>	<u>(7,217)</u>	<u>-</u>	<u>(7,086)</u>	<u>-</u>	<u>(10,666)</u>	<u>-</u>
		<u>\$ 21,447</u>	<u>1</u>	<u>10,360</u>	<u>-</u>	<u>48,999</u>	<u>1</u>	<u>17,117</u>	<u>1</u>
	Comprehensive income attributable to:								
	Owners of parent	\$ 27,114	1	17,577	-	56,085	1	27,783	1
8720	Non-controlling interests	<u>(5,667)</u>	<u>-</u>	<u>(7,217)</u>	<u>-</u>	<u>(7,086)</u>	<u>-</u>	<u>(10,666)</u>	<u>-</u>
		<u>\$ 21,447</u>	<u>1</u>	<u>10,360</u>	<u>-</u>	<u>48,999</u>	<u>1</u>	<u>17,117</u>	<u>1</u>
9750	Basic earnings per share (note 6(l))	<u>\$ 0.40</u>		<u>0.26</u>		<u>0.83</u>		<u>0.41</u>	
9850	Diluted earnings per share (note 6(l))	<u>\$ 0.40</u>		<u>0.26</u>		<u>0.83</u>		<u>0.41</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 six months ended June 30, 2024 and 2023****(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of parent					Non-controlling interests	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Retained earnings	Unappropriated retained earnings		
Balance at January 1, 2023	\$ 675,000	1,001,300	63,514	55,294	63,883	1,858,991	
Distribution of retained earnings:							
Legal reserve appropriated	-	-	5,530	(5,530)	-	-	
Cash dividends of ordinary share	-	-	-	(49,275)	-	(49,275)	
	-	-	5,530	(54,805)	-	(49,275)	
Other changes in capital surplus:							
Other changes in capital surplus	-	10	-	-	-	10	
Net income	-	-	-	27,783	(10,666)	17,117	
Other comprehensive income	-	-	-	-	-	-	
Total comprehensive income	-	-	-	27,783	(10,666)	17,117	
Balance at June 30, 2023	\$ 675,000	1,001,310	69,044	28,272	53,217	1,826,843	
Balance at January 1, 2024	\$ 675,000	1,001,310	69,044	100,056	46,928	1,892,338	
Distribution of retained earnings:							
Legal reserve appropriated	-	-	9,956	(9,956)	-	-	
Cash dividends of ordinary share	-	-	-	(81,000)	-	(81,000)	
	-	-	9,956	(90,956)	-	(81,000)	
Net income	-	-	-	56,085	(7,086)	48,999	
Other comprehensive income	-	-	-	-	-	-	
Total comprehensive income	-	-	-	56,085	(7,086)	48,999	
Balance at June 30, 2024	\$ 675,000	1,001,310	79,000	65,185	39,842	1,860,337	

See accompanying notes to consolidated financial statements.

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

SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARIES**Consolidated Statements of Cash Flows****For the six months ended June 30, 2024 and 2023****(Expressed in Thousands of New Taiwan Dollars)**

	For the six months ended June 30,	
	2024	2023
Cash flows generated from (used in) operating activities:		
Profit before tax	\$ 62,509	23,172
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expenses	343,133	362,887
Amortization expenses	5,298	6,855
Expected credit loss (reversal of expected credit loss)	637	(3,201)
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	(1,165)	84
Interest expenses	14,726	11,608
Interest income	(4,275)	(2,413)
Losses on disposal of property, plant and equipment	3,824	1,391
Profit from lease modification	(173)	(420)
Total adjustments to reconcile profit	<u>362,005</u>	<u>376,791</u>
Changes in operating assets and liabilities:		
Increase in notes receivable	-	(374)
Decrease in accounts receivable	4,166	37,090
Decrease (increase) in accounts receivable - related parties	605	(3,224)
(Increase) decrease in other receivables	(912)	1,205
(Increase) decrease in inventories	(42,568)	117,762
Decrease in prepayments	13,661	20,677
(Increase) decrease in other financial assets	(65,000)	1,500
Decrease in contract liabilities	(21,266)	(19,855)
Increase (decrease) in notes payable	137	(169)
Increase (decrease) in accounts payable	39,809	(225,471)
Increase (decrease) in accounts payable - related parties	2,607	(1,803)
Decrease in other payables	(11,364)	(30,017)
Increase (decrease) in other current liabilities	17,474	(9,847)
Total adjustments	<u>299,354</u>	<u>264,265</u>
Cash inflow generated from operations	361,863	287,437
Interest received	2,885	2,415
Interest paid	(14,689)	(11,600)
Income taxes paid	(14,638)	(199)
Net cash flows generated from operating activities	<u>335,421</u>	<u>278,053</u>
Cash flows generated from (used in) investing activities:		
Proceeds from disposal of financial assets at fair value through profit or loss	6,510	-
Acquisition of property, plant and equipment	(65,212)	(49,186)
Proceeds from disposal of property, plant and equipment	247	375
Increase in guarantee deposits paid	(3,016)	-
Decrease in guarantee deposits paid	-	6,968
Acquisition of intangible assets	(2,359)	(10,374)
Decrease in finance lease receivable	-	1,417
Increase in other financial assets	(1,422)	(3,121)
Net cash flows used in investing activities	<u>(65,252)</u>	<u>(53,921)</u>
Cash flows generated from (used in) financing activities:		
Decrease in guarantee deposits received	(8,522)	(12,827)
Payments of lease liabilities	(244,168)	(247,196)
Other changes in capital surplus	-	10
Net cash flows used in financing activities	<u>(252,690)</u>	<u>(260,013)</u>
Net increase (decrease) in cash and cash equivalents	17,479	(35,881)
Cash and cash equivalents at beginning of period	913,481	548,034
Cash and cash equivalents at end of period	<u>\$ 930,960</u>	<u>512,153</u>

See accompanying notes to consolidated financial statements.

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

SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 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 August 2, 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 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, 2025, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS21 “Lack of Exchangeability”

- (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”

(Continued)

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

- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- IFRS 18 “Presentation and Disclosure in Financial Statements”
- IFRS 19 “Subsidiaries without Public Accountability: Disclosures”
- Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”
- Annual Improvements to IFRS Accounting Standards

(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			Remark
			June 30, 2024	December 31, 2023	June 30, 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 %	
Simple Mart Co., Ltd.	Simple Mart Investment Co., Ltd.	Investment	100 %	-	-	Note

Note: Simple Mart Investment Co., Ltd was formed and invested by the Group on June 6, 2024, therefore, it was included in the consolidated financial statements since the above date.

(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.

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

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.

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

	June 30, 2024	December 31, 2023	June 30, 2023
Cash on hand	\$ 65,216	64,115	57,239
Bank deposits	615,744	349,324	254,914
Reverse repurchase agreement	250,000	500,042	200,000
	\$ 930,960	913,481	512,153

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

	June 30, 2024	December 31, 2023	June 30, 2023
Time deposits with maturities of more than three months	\$ 80,000	-	10,000
Restricted time deposits	\$ 145,467	159,045	195,185

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

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

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

	June 30, 2024	December 31, 2023	June 30, 2023
Stock in listed companies	\$ <u>-</u>	<u>5,345</u>	<u>5,723</u>

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

	June 30, 2024	December 31, 2023	June 30, 2023
Notes receivable - measured at amortized cost	\$ -	-	374
Accounts receivable - measured at amortized cost	88,083	92,249	61,051
Accounts receivable (related parties) - measured at amortized cost	728	1,333	3,895
Less: loss allowance	<u>(5,577)</u>	<u>(4,940)</u>	<u>(2,473)</u>
	\$ <u>83,234</u>	<u>88,642</u>	<u>62,847</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 accounts receivable, based on the past due date, were as follows:

	June 30, 2024	December 31, 2023	June 30, 2023
Current	\$ 81,211	88,208	61,858
1-60 days past due	2,741	810	1,189
61-120 days past due	508	280	113
121-180 days past due	4	44	1
More than 181 days past due	<u>4,347</u>	<u>4,240</u>	<u>2,159</u>
	\$ <u>88,811</u>	<u>93,582</u>	<u>65,320</u>

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

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

	For the six months ended June 30,	
	2024	2023
Beginning balance of the period	\$ 4,940	8,857
Add: Impairment losses recognized	637	-
Less: Impairment losses reversed	-	(3,201)
Less: Amounts written off	-	(3,183)
Ending balance of the period	<u>\$ 5,577</u>	<u>2,473</u>

(d) Inventories

	June 30, 2024	December 31, 2023	June 30, 2023
Merchandise Inventories	\$ 1,617,457	1,596,804	1,646,683
Inventory in transit	47,476	25,561	32,570
	<u>\$ 1,664,933</u>	<u>1,622,365</u>	<u>1,679,253</u>

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
Cost of goods sold	\$ 2,538,422	2,556,846	4,971,679	4,990,136
Inventory losses from obsolescence and others	15,784	17,728	31,087	34,029
Cost of sales	<u>\$ 2,554,206</u>	<u>2,574,574</u>	<u>5,002,766</u>	<u>5,024,165</u>

As of June 30, 2024, December 31 and June 30, 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 six months ended June 30, 2024 and 2023 were as follows:

	Land	Buildings	Machinery and equipment	Leasehold improvements	Prepayment for business facilities and construction in progress	Total
Cost:						
Balance at January 1, 2024	\$ 537,599	220,887	1,134,248	884,996	13,911	2,791,641
Additions	-	-	22,962	18,663	52,286	93,911
Scraps	-	-	(18,821)	(45,310)	-	(64,131)
Disposal	-	-	(4,322)	-	-	(4,322)
Balance at June 30, 2024	<u>\$ 537,599</u>	<u>220,887</u>	<u>1,134,067</u>	<u>858,349</u>	<u>66,197</u>	<u>2,817,099</u>

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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	\$ 537,599	220,887	1,108,993	859,675	3,326	2,730,480
Additions	-	-	33,468	28,623	720	62,811
Transfer from (to)	-	-	796	1,000	(1,796)	-
Scraps	-	-	(15,033)	(16,877)	-	(31,910)
Disposal	-	-	(15,151)	(1,120)	-	(16,271)
Balance at June 30, 2023	<u>\$ 537,599</u>	<u>220,887</u>	<u>1,113,073</u>	<u>871,301</u>	<u>2,250</u>	<u>2,745,110</u>
Accumulated depreciation and impairment losses:						
Balance at January 1, 2024	\$ -	32,286	907,204	708,737	-	1,648,227
Depreciation	-	2,168	55,334	38,056	-	95,558
Scraps	-	-	(17,559)	(42,858)	-	(60,417)
Disposal	-	-	(3,965)	-	-	(3,965)
Balance at June 30, 2024	<u>\$ -</u>	<u>34,454</u>	<u>941,014</u>	<u>703,935</u>	<u>-</u>	<u>1,679,403</u>
Balance at January 1, 2023	\$ -	27,950	806,526	655,310	-	1,489,786
Depreciation	-	2,168	72,747	40,418	-	115,333
Scraps	-	-	(14,641)	(16,362)	-	(31,003)
Disposal	-	-	(14,544)	(868)	-	(15,412)
Balance at June 30, 2023	<u>\$ -</u>	<u>30,118</u>	<u>850,088</u>	<u>678,498</u>	<u>-</u>	<u>1,558,704</u>
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 June 30, 2024	<u>\$ 537,599</u>	<u>186,433</u>	<u>193,053</u>	<u>154,414</u>	<u>66,197</u>	<u>1,137,696</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 June 30, 2023	<u>\$ 537,599</u>	<u>190,769</u>	<u>262,985</u>	<u>192,803</u>	<u>2,250</u>	<u>1,186,406</u>

Investing activities that are partially paid in cash:

	For the six months ended June 30,	
	<u>2024</u>	<u>2023</u>
Acquisition of property, plant and equipment	\$ 93,911	62,811
Add: Payables on equipment, beginning of period	32,213	26,032
Less: Payables on equipment, end of period	(80,721)	(39,657)
Add: Prepayments for equipment, end of period	19,809	-
Cash paid	<u>\$ 65,212</u>	<u>49,186</u>

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

(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	289,613	-	289,613
Derecognized	<u>(76,863)</u>	<u>-</u>	<u>(76,863)</u>
Balance at June 30, 2024	<u>\$ 3,744,983</u>	<u>2,086</u>	<u>3,747,069</u>
Balance at January 1, 2023	\$ 3,167,717	2,086	3,169,803
Additions	273,262	-	273,262
Derecognized	<u>(141,594)</u>	<u>-</u>	<u>(141,594)</u>
Balance at June 30, 2023	<u>\$ 3,299,385</u>	<u>2,086</u>	<u>3,301,471</u>
Accumulated depreciation and impairment losses:			
Balance at January 1, 2024	\$ 1,771,878	1,345	1,773,223
Depreciation	247,440	135	247,575
Derecognized	<u>(62,286)</u>	<u>-</u>	<u>(62,286)</u>
Balance at June 30, 2024	<u>\$ 1,957,032</u>	<u>1,480</u>	<u>1,958,512</u>
Balance at January 1, 2023	\$ 1,509,310	1,076	1,510,386
Depreciation	247,419	135	247,554
Derecognized	<u>(127,370)</u>	<u>-</u>	<u>(127,370)</u>
Balance at June 30, 2023	<u>\$ 1,629,359</u>	<u>1,211</u>	<u>1,630,570</u>
Carrying amounts:			
Balance at January 1, 2024	<u>\$ 1,760,355</u>	<u>741</u>	<u>1,761,096</u>
Balance at June 30, 2024	<u>\$ 1,787,951</u>	<u>606</u>	<u>1,788,557</u>
Balance at January 1, 2023	<u>\$ 1,658,407</u>	<u>1,010</u>	<u>1,659,417</u>
Balance at June 30, 2023	<u>\$ 1,670,026</u>	<u>875</u>	<u>1,670,901</u>

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

(g) Other payables

	June 30, 2024	December 31, 2023	June 30, 2023
Salaries and bonuses payable	\$ 157,608	193,875	130,290
Cash dividend payable	81,000	-	49,275
Payable on construction and equipment	80,721	32,213	39,657
Accrued freight expenses	61,372	36,367	48,955
Labor insurance, health insurance and pension expense payable	56,223	53,249	53,654
Payable on unused annual leave	35,659	32,954	29,620
Payable to service rendered by franchisees	31,417	31,361	35,321
Others	121,053	126,890	120,591
	\$ 625,053	506,909	507,363

(h) Lease liabilities

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

	June 30, 2024	December 31, 2023	June 30, 2023
Current	\$ 454,575	465,532	454,711
Non-current	\$ 1,382,391	1,342,466	1,261,947

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

The amounts recognized in profit or loss were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
Interests on lease liabilities	\$ 7,201	5,544	13,967	10,658
Variable lease payments not included in the measurement of lease liabilities	\$ 5,352	6,420	11,129	12,205
Income from sub-leasing right-of-use assets (recognized as interest income)	\$ -	-	-	(1)
Expenses relating to short-term leases	\$ 2,379	3,306	5,302	5,971
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ 517	701	1,028	1,361

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

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

	For the six months ended	
	June 30,	
	2024	2023
Total cash outflow for leases	\$ 275,594	277,390

(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.

(i) Employee benefit

(i) Defined benefit plan

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

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Selling expenses	\$ -	-	1	1
Administrative expenses	9	17	26	34
Total	\$ 9	17	27	35

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

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
Selling expenses	\$ 17,797	16,808	34,908	33,399
Administrative expenses	3,460	3,440	6,887	6,983
	<u>\$ 21,257</u>	<u>20,248</u>	<u>41,795</u>	<u>40,382</u>

(j) Income taxes

(i) Income tax expenses

The components of income tax were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
Current tax expenses				
Current period	\$ 11,967	6,164	14,417	6,164
Adjustments for prior years	(629)	318	(629)	318
	<u>11,338</u>	<u>6,482</u>	<u>13,788</u>	<u>6,482</u>
Deferred tax expenses				
Origination and reversal of temporary differences	(4,816)	(1,911)	(15)	645
Adjustments for prior years	(263)	(1,072)	(263)	(1,072)
	<u>(5,079)</u>	<u>(2,983)</u>	<u>(278)</u>	<u>(427)</u>
Income tax expenses	<u>\$ 6,259</u>	<u>3,499</u>	<u>13,510</u>	<u>6,055</u>

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 2022.

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.

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SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARIES
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(k) Capital and other equity

(i) Ordinary shares

As of June 30, 2024, December 31 and June 30, 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 June 30, 2024, December 31 and June 30, 2023, all of the issued and outstanding shares were ordinary shares consisted of 67,500 thousand shares.

(ii) Capital surplus

The balances of capital surplus were as follows:

	<u>June 30,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>	<u>June 30,</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 and 2022 had been approved in the shareholders' meeting held on May 30, 2024 and May 29, 2023, respectively. These earnings were appropriated as follows:

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SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARIES
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	2023	2022
Dividends distributed to ordinary shareholders:		
Cash	\$ 81,000	49,275

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

(I) Earnings per share

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

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Basic earnings per share				
Profit or loss attributable to ordinary shareholders of the Company	\$ 27,114	17,577	56,085	27,783
Weighted-average number of ordinary shares outstanding	67,500	67,500	67,500	67,500
Basic earnings per share	\$ 0.40	0.26	0.83	0.41
Diluted earnings per share				
Profit or loss attributable to ordinary shareholders of the Company	\$ 27,114	17,577	56,085	27,783
Weighted-average number of ordinary shares outstanding	67,500	67,500	67,500	67,500
Effect of dilutive potential ordinary shares - employee bonus	63	63	63	63
Weighted-average number of ordinary shares outstanding(diluted)	67,563	67,563	67,563	67,563
Diluted earnings per share	0.40	0.26	0.83	0.41

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

(m) 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 six months ended June 30, 2024 and 2023, were as follows:

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Sale of goods	\$ 3,316,895	3,319,522	6,487,161	6,423,277
Others operating income	164,456	129,433	361,484	330,627
	\$ 3,481,351	3,448,955	6,848,645	6,753,904

(ii) Contract balances

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

	June 30,	December 31,	June 30,
	2024	2023	2023
Contract liabilities - current - gift voucher revenue	\$ 15,970	12,658	16,387
Contract liabilities - current - customer loyalty program	19,555	41,782	26,029
Contract liabilities - current - franchise royalty fee	3,562	4,499	4,960
Total	\$ 39,087	58,939	47,376
Contract liabilities - non-current - franchise royalty fee	\$ 5,260	6,674	6,696

- 2) The amounts of revenue recognized for the six months ended June 30, 2024 and 2023, included in the contract liabilities balance at the beginning of the period, were \$48,803 thousand, and \$44,029 thousand, respectively.

(n) Remunerations to employees and directors

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

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SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARIES
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For the three months and six months ended June 30, 2024 and 2023, the Company estimated its employee remuneration amounted to \$960 thousand, \$960 thousand, \$1,920 thousand and \$1,920 thousand; and the directors' remuneration amounted to \$900 thousand, \$700 thousand, \$1,800 thousand and \$1,100 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 and six months ended June 30, 2024 and 2023, respectively. 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 year ended December 31, 2022, the remunerations to employees amounted to \$2,362 thousand; and the remunerations to directors amounted to \$0 thousand. There were no differences between actual distributions and the amounts approved by the Board of Directors on March 3, 2023. For the year ended December 31, 2023, the remunerations to employees amounted to \$2,700 thousand; and the remunerations to directors amounted to \$1,800 thousand. There were no differences between actual distributions and the amounts approved by the Board of Directors on February 23, 2024. However, the former directors transferred their shares prior to the payment date, thus, their positions were terminated and the directors' remuneration of \$500 thousand was not paid. This was approved by the Board of Directors on May 3, 2024, and the Company accounted for this adjustment as a change in accounting estimate and recognized the difference as profit or loss for 2024. The information is available on the Market Observation Post System website.

(o) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

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

(ii) Liquidity risk

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

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>More than 1 year</u>
June 30, 2024				
Non derivative financial liabilities				
Notes payable	\$ 290	290	290	-
Accounts payable	1,438,728	1,438,728	1,438,728	-
Accounts payable - related parties	4,580	4,580	4,580	-
Other payables	625,053	625,053	625,053	-
Lease liabilities (include current and non-current)	1,836,966	1,917,294	479,249	1,438,045
Guarantee deposits received	77,541	77,541	-	77,541
	<u>\$ 3,983,158</u>	<u>4,063,486</u>	<u>2,547,900</u>	<u>1,515,586</u>
December 31, 2023				
Non derivative financial liabilities				
Notes payable	\$ 153	153	153	-
Accounts payable	1,398,919	1,398,919	1,398,919	-
Accounts payable - related parties	1,973	1,973	1,973	-
Other payables	506,909	506,909	506,909	-
Lease liabilities (include current and non-current)	1,807,998	1,879,866	487,964	1,391,902
Guarantee deposits received	86,063	86,063	-	86,063
	<u>\$ 3,802,015</u>	<u>3,873,883</u>	<u>2,395,918</u>	<u>1,477,965</u>
June 30, 2023				
Non derivative financial liabilities				
Notes payable	\$ 83	83	83	-
Accounts payable	1,239,850	1,239,850	1,239,850	-
Accounts payable - related parties	1,361	1,361	1,361	-
Other payables	507,363	507,363	507,363	-
Lease liabilities (include current and non-current)	1,716,658	1,786,461	476,018	1,310,443
Guarantee deposits received	88,647	88,647	-	88,647
	<u>\$ 3,553,962</u>	<u>3,623,765</u>	<u>2,224,675</u>	<u>1,399,090</u>

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
Notes to the Consolidated Financial Statements

(iii) Currency risk

1) Exposure to foreign currency risk

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

	June 30, 2024			December 31, 2023			June 30, 2023		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets									
Monetary items									
JPY	\$ 9,585	0.200	1,914	34,793	0.215	7,487	8,531	0.213	1,817
EUR	68	34.510	2,338	98	33.780	3,312	112	33.610	3,775
USD	54	32.400	1,745	11	30.655	326	99	31.090	3,065
Financial liabilities									
Monetary items									
EUR	81	34.510	2,812	141	33.780	4,770	103	33.610	3,461
USD	32	32.400	1,028	-	-	-	-	-	-

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 June 30, 2024 and 2023 would have increased or decreased the net profit after tax by \$17 thousand and \$42 thousand for the six months ended June 30, 2024, and 2023, 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(p) on interest rate exposure of the Group's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of non-derivative financial instruments on the reporting date. Regarding assets 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 six months ended June 30, 2024 and 2023.

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

(v) Other market price risk

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

<u>Prices of securities at the reporting date</u>	<u>June 30, 2024</u>		<u>June 30, 2023</u>	
	<u>Other comprehensive income after tax</u>	<u>Net income</u>	<u>Other comprehensive income after tax</u>	<u>Net income</u>
Increasing 5%	\$ -	-	-	229
Decreasing 5%	\$ -	-	-	(229)

(vi) Fair value of financial instruments

1) Fair value hierarchy

The management of the Group believes the carrying amount of loans and receivables, financial assets measured at amortized cost, and financial liabilities measured at amortized cost are reasonably closed to its fair value in the current period. Also, a disclosure of the fair value information for lease liabilities is not required under regulations. The Group valued its financial assets measured at fair value through profit or loss based on recurring fair value measurement method. The details are as follows:

	<u>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

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

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
Notes to the Consolidated Financial Statements

(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:

June 30, 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)	Amounts not offset in the balance sheet(d)		Net amount (e)=(c)-(d)
			Financial instruments (Note)	Cash collateral received	
\$ 250,000	-	250,000	250,000	-	-
Offsetting agreement					
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 (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet(d)		Net amount (e)=(c)-(d)
			Financial instruments (Note)	Cash collateral received	
\$ 500,042	-	500,042	500,042	-	-
Offsetting agreement					
June 30, 2023					
Financial assets that are offset and have an exercisable master netting arrangement or a similar agreement					
Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet(d)		Net amount (e)=(c)-(d)
			Financial instruments (Note)	Cash collateral received	
\$ 200,000	-	200,000	200,000	-	-
Offsetting agreement					

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

(p) Financial risk management

The objectives and policies of financial risk management of the Group are consistent with those disclosed in the consolidated financial statements for the year ended December 31, 2023. For the related information, please refer to the 2023 annual consolidated financial statements.

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

(q) Capital management

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 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.

(r) 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	June 30, 2024
Lease liabilities	\$ <u>1,807,998</u>	<u>(244,168)</u>	<u>273,136</u>	<u>1,836,966</u>

	January 1, 2023	Cash flows	Non-cash changes Changes in lease	June 30, 2023
Lease liabilities	\$ <u>1,707,091</u>	<u>(247,196)</u>	<u>256,763</u>	<u>1,716,658</u>

(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
Criminal Investigation and Prevention Association, R.O.C.	Other related party

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SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARIES
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Name of related-party	Relationship with the Group
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:

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Other related parties	\$ 4,882	3,354	9,856	10,377

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

(iii) Receivables from related parties

The receivables from related parties were as follows:

Accounts	Type of related parties	June 30, 2024	December 31, 2023	June 30, 2023
Accounts receivable	Other related parties	\$ 728	1,333	3,895
Other receivables	Other related parties	-	5	-
		\$ 728	1,338	3,895

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

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

(iv) Payables to related parties

The payables to related parties were as follows:

<u>Accounts</u>	<u>Type of related parties</u>	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Accounts payable	Other related parties	\$ 4,580	1,973	1,361
Other payable	Other related parties	<u>2,637</u>	<u>2,667</u>	<u>2,999</u>
		<u>\$ 7,217</u>	<u>4,640</u>	<u>4,360</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>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Other related parties	<u>\$ 747</u>	<u>3,332</u>	<u>813</u>

The prepayments were prepaid insurance and other related expense.

(vi) Leases

The Group rented office space from other related parties. For the three months and six months ended June 30, 2024 and 2023, the Group recognized \$12 thousand, \$1 thousand, \$27 thousand, and \$2 thousand as interest expenses, respectively. As of June 30, 2024, December 31 and June 30, 2023, the balance of lease liabilities amounted to \$2,586 thousand, \$3,246 thousand, and \$191 thousand, respectively.

(vii) Guarantee deposits paid

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Other related parties	<u>\$ 292</u>	<u>292</u>	<u>292</u>

The above transactions were guarantee deposits of office leases.

(viii) Other operating expenses

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Other related parties	<u>\$ 1,970</u>	<u>2,261</u>	<u>4,023</u>	<u>4,232</u>

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

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

(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 June 30, 2024, December 31 and June 30, 2023. As of June 30, 2024, December 31 and June 30, 2023, utilized amounts have been repaid.

(c) Key management personnel compensation

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Short-term employee benefits	\$ 5,139	5,452	10,307	10,619
Post-employment benefits	207	205	414	410
	\$ 5,346	5,657	10,721	11,029

(8) Pledged assets:

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

Pledged Assets	Pledged to secure	June 30, 2024	December 31, 2023	June 30, 2023
Time deposits (Recorded as current and non-current other financial assets)	Performance guarantee for purchasing and collection business	\$ 128,950	143,950	173,750
Bank deposits (Recorded as non-current other financial assets.)	Charitable trust of gift voucher	16,517	15,095	21,435
		\$ 145,467	159,045	195,185

(9) Commitments and contingencies:

- (a) The Group has signed the warehouse expansion contracts and the purchase contract for automated robotic arm with the unpaid contract amount of \$96,428 thousand as of June 30, 2024.
- (b) The Group issued guarantee notes to obtain short-term loan facility. As of June 30, 2024, December 31 and June 30, 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

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SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARIES
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(11) Subsequent events:

- (a) To improve operational efficiency and reduce the labor burden of retail stores, a resolution was approved by the Board of Directors on August 2, 2024, to purchase electronic shelf labels within a total budget of no more than \$450,000 thousand.
- (b) To diversify the operations and reduce business risks, a resolution was approved by the Board of Directors on August 2, 2024 to increase the capital investment in Simple Mart Investment Co., Ltd., a subsidiary of the Company, by \$300,000 thousand and to acquire a total of 30,000 thousand shares. This capital increase will be used to invest in the retail channel of pet food and supplies.

(12) Others:

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

By item	By function	For the three months ended June 30, 2024			For the three months ended June 30, 2023		
		Operating cost	Operating expense	Total	Operating cost	Operating Expense	Total
Employee benefits							
Salary		-	382,991	382,991	-	366,098	366,098
Labor and health insurance		-	45,465	45,465	-	41,490	41,490
Pension		-	21,266	21,266	-	20,265	20,265
Remuneration of directors		-	1,275	1,275	-	1,075	1,075
Others		-	25,991	25,991	-	22,538	22,538
Depreciation		-	170,214	170,214	-	181,680	181,680
Amortization		-	2,700	2,700	-	3,204	3,204

By item	By function	For the six months ended June 30, 2024			For the six months ended June 30, 2023		
		Operating cost	Operating expense	Total	Operating cost	Operating Expense	Total
Employee benefits							
Salary		-	771,839	771,839	-	725,304	725,304
Labor and health insurance		-	89,569	89,569	-	84,999	84,999
Pension		-	41,822	41,822	-	40,417	40,417
Remuneration to directors		-	2,550	2,550	-	1,850	1,850
Others		-	52,174	52,174	-	46,576	46,576
Depreciation		-	343,133	343,133	-	362,887	362,887
Amortization		-	5,298	5,298	-	6,855	6,855

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

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on the Group's significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the six months ended June 30, 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	-		-	182,049	728,198

Note: The numbers denote the following:

1. "0" represents the Company
2. Subsidiaries are numbered starting from "1".

Note1: Purpose of fund financing for the borrower:

1. For those companies with business transaction with the Company, please fill in 1.
2. For those companies with short-term financing needs, please fill in 2.

- (ii) Guarantees and endorsements for other parties: None
- (iii) Securities held as of June 30, 2024 (excluding investment in subsidiaries, associates and joint ventures): None
- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vii) Related-party transactions for purchases or sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None
- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None
- (ix) Trading in derivative instruments: None
- (x) Business relationships and significant intercompany transactions:

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

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

The following is the information on investees for the six months ended June 30, 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 June 30, 2024			Net income (losses) of investee	Share of profits/losses of investee	Note
				June 30, 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 %	82,097	(21,671)	(14,554)	(Note)
The Company	Simple Mart Plus Co., Ltd.	Taiwan	Retail sales of food and beverage	60,000	60,000	6,000	100 %	43,477	1,278	1,278	(Note)
The Company	Simple Mart Investment Co., Ltd.	Taiwan	Investment	1,000	-	100	100 %	1,000	-	-	(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.

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

	For the three months ended June 30, 2024				
	Segment A	Other segments	Headquarters	Reconciliation and elimination	Total
Revenue:					
Revenue from external customers	\$ 3,362,489	117,382	1,480	-	3,481,351
Intersegment revenues	-	21,461	-	(21,461)	-
Total revenue	<u>\$ 3,362,489</u>	<u>138,843</u>	<u>1,480</u>	<u>(21,461)</u>	<u>3,481,351</u>
Reportable segment profit or loss from continuing operations before tax	<u>\$ 52,586</u>	<u>(18,346)</u>	<u>(17,966)</u>	<u>11,432</u>	<u>27,706</u>
	For the three months ended June 30, 2023				
	Segment A	Other segments	Headquarters	Reconciliation and elimination	Total
Revenue:					
Revenue from external customers	\$ 3,311,967	134,951	2,037	-	3,448,955
Intersegment revenues	-	6,560	-	(6,560)	-
Total revenue	<u>\$ 3,311,967</u>	<u>141,511</u>	<u>2,037</u>	<u>(6,560)</u>	<u>3,448,955</u>
Reportable segment profit or loss from continuing operations before tax	<u>\$ 48,469</u>	<u>(18,430)</u>	<u>(23,578)</u>	<u>7,398</u>	<u>13,859</u>
	For the six months ended June 30, 2024				
	Segment A	Other segments	Headquarters	Reconciliation and elimination	Total
Revenue:					
Revenue from external customers	\$ 6,593,676	252,353	2,616	-	6,848,645
Intersegment revenues	-	29,352	-	(29,352)	-
Total revenue	<u>\$ 6,593,676</u>	<u>281,705</u>	<u>2,616</u>	<u>(29,352)</u>	<u>6,848,645</u>
Reportable segment profit or loss from continuing operations before tax	<u>\$ 101,657</u>	<u>(23,091)</u>	<u>(29,364)</u>	<u>13,307</u>	<u>62,509</u>

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SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARIES
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	For the six months ended June 30, 2023				
	Segment A	Other segments	Headquarters	Reconciliation and elimination	Total
Revenue:					
Revenue from external customers	\$ 6,487,247	261,991	4,666	-	6,753,904
Intersegment revenues	-	39,742	-	(39,742)	-
Total revenue	\$ 6,487,247	301,733	4,666	(39,742)	6,753,904
Reportable segment profit or loss from continuing operations before tax	\$ 82,441	(30,203)	(39,675)	10,609	23,172