

SIMPLE MART RETAIL CO., LTD.**Parent Company Only Financial Statements****With Independent Auditors' Report
For the Years Ended December 31, 2024 and 2023**

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

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Independent Auditors' Report

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

Opinion

We have audited the financial statements of Simple Mart Retail Co., Ltd. ("the Company"), which comprise the balance sheet as of December 31, 2024 and 2023, the statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

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

1. Recognition of retail sales revenue:

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

Description of the key audit matter:

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

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

How the matter was addressed in our audit:

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)

February 21, 2025

Notes to Readers

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

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

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

SIMPLE MART RETAIL CO., LTD.**Balance Sheets****December 31, 2024 and 2023****(Expressed in Thousands of New Taiwan Dollars)**

Assets		December 31, 2024		December 31, 2023		Liabilities and Equity		December 31, 2024		December 31, 2023			
		Amount	%	Amount	%			Amount	%	Amount	%		
Current assets:						Current liabilities:							
1100	Cash and cash equivalents (note 6(a))	\$	373,458	6	824,233	15	2130	Contract liabilities - current (note 6(p))	\$	49,154	1	49,663	1
1110	Financial assets at fair value through profit or loss - current (notes 6(b)(r) and 13)		-	-	5,345	-	2150	Notes payable (note 6(r))		80	-	153	-
1151	Notes receivable (note 6(c))		46	-	-	-	2170	Accounts payable (note 6(r))		1,191,538	21	1,318,685	23
1170	Accounts receivable, net (note 6(c))		46,929	1	61,211	1	2180	Accounts payable - related parties (notes 6(r) and 7)		14,932	-	6,302	-
1180	Accounts receivable - related parties, net (notes 6(c) and 7)		4,771	-	4,321	-	2200	Other payables (notes 6(j)(r) and 7)		640,797	11	483,785	9
1197	Finance lease receivable-current (notes 6(d) and 7)		827	-	675	-	2280	Lease liabilities - current (notes 6(k)(r)(u) and 7)		438,784	8	437,860	8
1200	Other receivables (notes 7 and 13)		30,597	1	11,736	-	2300	Other current liabilities		82,994	2	112,527	2
1300	Inventories (note 6(e))		1,613,358	28	1,484,724	26				2,418,279	43	2,408,975	43
1410	Prepayments (note 7)		22,104	-	31,176	1	Non-Current liabilities:						
1476	Other current financial assets (notes 6(a) and 8)		120,200	2	120,200	2	2527	Contract liabilities - non-current (note 6(p))		4,653	-	6,674	-
			2,212,290	38	2,543,621	45	2550	Non-current provisions		10,042	-	6,734	-
Non-current assets:							2570	Deferred tax liabilities (note 6(m))		1,094	-	556	-
1510	Financial assets at fair value through profit or loss - non current (notes 6(b)(r) and 13)		10,000	-	-	-	2580	Lease liabilities - non-current (notes 6(k)(r)(u) and 7)		1,410,672	24	1,310,836	23
1551	Investments accounted for using the equity method (notes 6(f), 7 and 13)		354,760	6	138,850	3	2645	Guarantee deposits received (notes 6(r) and 7)		79,071	1	86,114	1
1600	Property, plant and equipment (notes 6(h) and 7)		1,286,509	22	1,126,053	20				1,505,532	25	1,410,914	24
1755	Right-of-use assets (note 6(i))		1,795,822	31	1,699,052	30	Total liabilities			3,923,811	68	3,819,889	67
1780	Intangible assets		9,394	-	15,731	-	Equity: (notes 6(g)(n))						
1840	Deferred tax assets (note 6(m))		33,558	1	25,583	-	3110	Ordinary share		675,000	12	675,000	12
1920	Guarantee deposits paid (note 7)		99,877	2	89,318	2	3200	Capital surplus		1,001,310	17	1,001,310	18
194D	Finance lease receivable - non-current (notes 6(d) and 7)		2,284	-	3,246	-		Retained earnings:					
1980	Other non-current financial assets (notes 6(a) and 8)		20,126	-	23,845	-	3310	Legal reserve		79,000	1	69,044	1
			3,612,330	62	3,121,678	55	3350	Unappropriated retained earnings		145,499	2	100,056	2
Total assets		\$	5,824,620	100	5,665,299	100				224,499	3	169,100	3
							Total equity			1,900,809	32	1,845,410	33
							Total liabilities and equity		\$	5,824,620	100	5,665,299	100

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

SIMPLE MART RETAIL CO., LTD.

Statements of Comprehensive Income

For the years ended December 31, 2024 and 2023

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

		2024		2023	
		Amount	%	Amount	%
4000	Operating revenue (notes 6(p) and 7)	\$ 13,734,660	100	13,565,837	100
5000	Operating costs (notes 6(e) and 7)	<u>10,043,020</u>	<u>73</u>	<u>10,095,129</u>	<u>74</u>
	Gross margin from operations	<u>3,691,640</u>	<u>27</u>	<u>3,470,708</u>	<u>26</u>
	Operating expenses: (notes 6(c)(h)(i)(k)(l)(q), 7 and 12)				
6100	Selling expenses	3,105,512	22	2,966,119	22
6200	Administrative expenses	366,709	3	354,757	3
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS9	<u>264</u>	<u>-</u>	<u>(3,434)</u>	<u>-</u>
	Total operating expenses	<u>3,472,485</u>	<u>25</u>	<u>3,317,442</u>	<u>25</u>
	Net operating income	<u>219,155</u>	<u>2</u>	<u>153,266</u>	<u>1</u>
	Non-operating income and expenses:				
7100	Interest income (notes 6(k) and 7)	8,708	-	4,910	-
7190	Other income (note 7)	18,484	-	18,645	-
7230	Foreign exchange gains	1,498	-	1,821	-
7235	Gains (losses) on financial assets at fair value through profit or loss	1,165	-	(462)	-
7070	Share of gain or loss of subsidiaries, associates and joint ventures accounted for using equity method, net (note 6(f))	(30,090)	(1)	(16,654)	-
7510	Interest expenses (notes 6(k) and 7)	(29,842)	-	(24,185)	-
7590	Miscellaneous disbursements	(10,741)	-	(8,741)	-
7610	Losses on disposals of property, plant and equipment (notes 6(h) and 7)	(4,699)	-	(2,248)	-
7670	Impairment losses (note 6(h))	<u>(3,358)</u>	<u>-</u>	<u>(847)</u>	<u>-</u>
		<u>(48,875)</u>	<u>(1)</u>	<u>(27,761)</u>	<u>-</u>
	Profit from continuing operations before tax	170,280	1	125,505	1
7950	Less: Income tax expenses (note 6(m))	<u>33,881</u>	<u>-</u>	<u>24,359</u>	<u>-</u>
	Profit	<u>136,399</u>	<u>1</u>	<u>101,146</u>	<u>1</u>
8300	Other comprehensive income, net of tax	-	-	-	-
8500	Total comprehensive income	<u>\$ 136,399</u>	<u>1</u>	<u>101,146</u>	<u>1</u>
9750	Basic earnings per share (note 6(o))	<u>\$ 2.02</u>		<u>1.50</u>	
9850	Diluted earnings per share (note 6(o))	<u>\$ 2.02</u>		<u>1.50</u>	

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

SIMPLE MART RETAIL CO., LTD.

Statements of Changes in Equity

For the years ended December 31, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollars)

			Retained earnings		
	Ordinary shares	Capital surplus	Legal reserve	Unappropriated retained earnings	Total equity
Balance at January 1, 2023	\$ 675,000	1,001,300	63,514	55,294	1,795,108
Distribution of retained earnings:					
Legal reserve appropriated	-	-	5,530	(5,530)	-
Cash dividends of ordinary share	-	-	-	(49,275)	(49,275)
	-	-	5,530	(54,805)	(49,275)
Other changes in capital surplus:					
Other changes in capital surplus	-	10	-	-	10
Net income	-	-	-	101,146	101,146
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	101,146	101,146
Changes in ownership interests in subsidiaries	-	-	-	(1,579)	(1,579)
Balance at December 31, 2023	675,000	1,001,310	69,044	100,056	1,845,410
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	-	-	-	136,399	136,399
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	136,399	136,399
Balance at December 31, 2024	\$ 675,000	1,001,310	79,000	145,499	1,900,809

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

SIMPLE MART RETAIL CO., LTD.**Statements of Cash Flows****For the years ended December 31, 2024 and 2023****(Expressed in Thousands of New Taiwan Dollars)**

	2024	2023
Cash flows from (used in) operating activities:		
Profit before tax	\$ 170,280	125,505
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expenses	635,044	677,812
Amortization expenses	8,084	10,212
Expected credit loss (reversal of expected credit loss)	264	(3,434)
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	(1,165)	462
Interest expenses	29,842	24,185
Interest income	(8,708)	(4,910)
Shares of loss of subsidiaries, associates and joint ventures accounted for using the equity method	30,090	16,654
Losses on disposal of property, plant and equipment	4,699	2,248
Profit from lease modification	(23)	(742)
Losses on disposal of intangible assets	191	-
Impairment losses on non-financial assets	3,358	847
Total adjustments to reconcile profit	701,676	723,334
Changes in operating assets and liabilities:		
Increase in notes receivable	(46)	-
Decrease in accounts receivable	14,018	11,277
Increase in accounts receivable - related parties	(450)	(1,474)
Increase in other receivables	(23,152)	(445)
(Increase) decrease in inventories	(128,634)	164,655
Decrease in prepayments	9,072	3,868
Decrease in other financial assets	-	31,300
Decrease in contract liabilities	(2,530)	(7,252)
Decrease in notes payable	(73)	(99)
Decrease in accounts payable	(127,147)	(83,839)
Increase in accounts payable - related parties	8,630	1,966
Increase in other payables	63,604	27,650
(Decrease) increase in other current liabilities	(42,690)	47,274
Total adjustments	472,278	918,215
Cash inflow generated from operations	642,558	1,043,720
Interest received	8,547	4,435
Interest paid	(29,754)	(24,153)
Income taxes paid	(23,776)	(10,850)
Net cash flows generated from operating activities	597,575	1,013,152
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through profit or loss	(10,000)	-
Proceeds from disposal of financial assets at fair value through profit or loss	6,510	-
Acquisition of investments accounted for using the equity method	(246,000)	(50,000)
Acquisition of property, plant and equipment	(251,471)	(118,048)
Proceeds from disposal of property, plant and equipment	1,342	859
Increase in guarantee deposits paid	(10,559)	-
Decrease in guarantee deposits paid	-	5,266
Acquisition of intangible assets	(1,938)	(7,234)
Decrease in finance lease receivable	877	3,216
Decrease in other financial assets	3,719	3,219
Net cash flows used in investing activities	(507,520)	(162,722)
Cash flows from (used in) financing activities:		
Decrease in guarantee deposits received	(7,043)	(15,425)
Payment of lease liabilities	(452,787)	(455,530)
Cash dividends paid	(81,000)	(49,275)
Other changes in capital surplus	-	10
Net cash flows used in financing activities	(540,830)	(520,220)
Net (decrease) increase in cash and cash equivalents	(450,775)	330,210
Cash and cash equivalents at beginning of period	824,233	494,023
Cash and cash equivalents at end of period	\$ 373,458	824,233

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

SIMPLE MART RETAIL CO., LTD.

Notes to the Financial Statements

For the years ended December 31, 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 main engagement is in supermarket operation, and retail sales in kinds of foods, beverage and daily commodities, etc.

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

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

The Board of Directors authorized the accompanying financial statements on February 21, 2025.

(3) New standards, amendments and interpretations adopted:

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

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

- Amendments to IAS21 “Lack of Exchangeability”

(Continued)

SIMPLE MART RETAIL CO., LTD.

Notes to the Financial Statements

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

The following new and amended standards, which may be relevant to the Company, have been issued by the International Accounting Standards Board (IASB), but have not yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.	Effective date to be determined by IASB
IFRS 18 “Presentation and Disclosure in Financial Statements”	<p>The new standard introduces three categories of income and expenses, two income statement subtotals and one single note on management performance measures. The three amendments, combined with enhanced guidance on how to disaggregate information, set the stage for better and more consistent information for users, and will affect all the entities.</p> <ul style="list-style-type: none"> • A more structured income statement: under current standards, companies use different formats to present their results, making it difficult for investors to compare financial performance across companies. The new standard promotes a more structured income statement, introducing a newly defined ‘operating profit’ subtotal and a requirement for all income and expenses to be allocated between three new distinct categories based on a company’s main business activities. 	January 1, 2027

(Continued)

SIMPLE MART RETAIL CO., LTD.

Notes to the Financial Statements

Standards or Interpretations	Content of amendment	Effective date per IASB
IFRS 18 “Presentation and Disclosure in Financial Statements”	<ul style="list-style-type: none"> • Management performance measures (MPMs): the new standard introduces a definition for management performance measures, and requires companies to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS Accounting Standards. • Greater disaggregation of information: the new standard includes enhanced guidance on how companies group information in the financial statements. This includes guidance on whether information is included in the primary financial statements or is further disaggregated in the notes. 	January 1, 2027
Annual Improvements to IFRS Accounting Standards	<p>The amendments set out:</p> <ol style="list-style-type: none"> 1. IFRS 7 “Financial Instruments: Disclosures”: The amendments address a potential confusion in IFRS 7 arising from an obsolete reference to a paragraph. 2. IFRS 9 “Financial Instruments”: <ul style="list-style-type: none"> • Derecognition of a lease liability The IASB’s amendment states that if a lease liability is derecognized, then the derecognition will be accounted for under IFRS 9, (i.e. the difference between the carrying amount and the consideration paid is recognized in profit or loss). However, when a lease liability is modified, the modification will be accounted for under IFRS 16 Leases. 	January 1, 2026

(Continued)

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

Standards or Interpretations	Content of amendment	Effective date per IASB
Annual Improvements to IFRS Accounting Standards	<ul style="list-style-type: none"> ● Transaction price The amendments require companies to initially measure a trade receivable without a significant financing component at the amount determined by applying IFRS 15 Revenue from Contracts with Customers. The amendments remove the conflict between IFRS 9 and IFRS 15 over the amount at which a trade receivable is initially measured. 3. IFRS 10 “Consolidated Financial Statements”: The amendments clarify the determination of a ‘de facto agent’. 4. IAS 7 “Statement of Cash Flows”: The amendments address a potential confusion in applying paragraph 37 of IAS 7 that arises from the use of the term ‘cost method’. 	January 1, 2026

The Company is evaluating the impact on its financial position and financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Company completes its evaluation.

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

- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- IFRS 19 “Subsidiaries without Public Accountability: Disclosures”
- Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”
- Amendments to IFRS 9 and IFRS 7 “Contracts Referencing Nature-dependent Electricity”

(4) Summary of material accounting policies:

The material accounting policies presented in the financial statements are summarized below. Except for accounting change specifically indicated in Note 3, the following accounting policies were applied consistently throughout the periods presented in the financial statements.

(a) Statement of compliance

These financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”).

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

(b) Basis of preparation

(i) Basis of measurement

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

(ii) Functional and presentation currency

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

(c) Foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of Company entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date, exchange differences are generally recognized in profit or loss.

(d) Classification of current and non-current assets and liabilities

The Company classifies the asset as current under one of the following criteria, and all other assets are classified as non current.

- (i) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- (ii) It holds the asset primarily for the purpose of trading;
- (iii) It expects to realize the asset within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Company classifies the liability as current under one of the following criteria, and all other liabilities are classified as non current.

- (i) It expects to settle the liability in its normal operating cycle;
- (ii) It holds the liability primarily for the purpose of trading
- (iii) The liability is due to be settled within twelve months after the reporting period; or
- (iv) It does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period.

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SIMPLE MART RETAIL CO., LTD.

Notes to the Financial Statements

(e) Cash and cash equivalents

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

(f) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at amortized cost or financial asset at fair value through profit or loss. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

(Continued)

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

3) Impairment of financial assets

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

The Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

As the Company's bank deposits, time deposits and reverse repurchase agreement are dealt with financial institutions with good credit rating and graded above investment level, hence, there is no significant credit risk arising.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset; is credit-impaired includes the following observable data:

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization;
or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

4) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

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

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SIMPLE MART RETAIL CO., LTD.

Notes to the Financial Statements

3) Financial liabilities

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

4) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(g) Inventories

Inventories are measured at actual cost. The cost of inventories is calculated using the weighted average method. Thereafter, allowance for inventory obsolescence losses is recognized for obsolescent and overdue goods, the obsolescence losses are recognized as cost in the current period.

(h) Investment in subsidiaries

When preparing the financial statements, investment in subsidiaries which are controlled by the Company is accounted for using the equity method. Under the equity method, profit or loss and other comprehensive income recognized in parent company only financial statement is in line with total comprehensive income attributable to shareholders of the Company in the consolidated financial statements.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control of a subsidiary are equity transactions with owners.

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost (inclusive of capitalized borrowing costs) less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful life, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

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SIMPLE MART RETAIL CO., LTD.

Notes to the Financial Statements

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful life of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful life of property, plant and equipment for current and comparative periods are as follows:

1) Buildings	50 years
2) Plant and equipment	3~10 years
3) Leasehold improvements	1~11 years

Depreciation methods, useful life and residual values are reviewed at least at each annual reporting date and adjusted if appropriate, the change is processed in accordance with the accounting estimate change policy.

(j) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

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

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

- 1) fixed payments, including in-substance fixed payments;
- 2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- 3) amounts expected to be payable under a residual value guarantee; and
- 4) payments for purchase or termination options that are reasonably certain to be exercised.

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

- 1) there is a change in future lease payments arising from the change in an index or rate; or
- 2) there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- 3) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- 4) there is a change of its assessment on whether it will exercise a extension or termination option; or
- 5) there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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SIMPLE MART RETAIL CO., LTD.

Notes to the Financial Statements

(ii) As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

The lessor recognizes a finance lease receivable at an amount equal to its net investment in the lease. Initial direct costs, such as lessors to negotiate and arrange a lease, are included in the measurement of the net investment. The lessor recognizes the interest income over the lease term based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease. The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of "rental income".

(k) Intangible assets

Intangible assets are acquired by the Company are measured at cost less accumulated amortization and any accumulated impairment losses.

(i) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(ii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful life of intangible assets, from the date that they are available for use.

The estimated useful life for current and comparative periods are as follows:

Computer software and others	2~8 years
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Amortization methods, useful life and residual values are reviewed at each reporting date and adjusted if appropriate.

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SIMPLE MART RETAIL CO., LTD.

Notes to the Financial Statements

(l) Impairment of non-financial assets

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

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

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

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

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

(m) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

(i) Sale of goods

The Company manufactures and sells consumer foods, beverage and daily commodities in the retail market. The Company recognizes revenue when a customer takes possession of the product. Payment of the transaction price is due immediately when the customer purchases the product.

(ii) Customer loyalty program

The Company operates a customer loyalty program to its retail customers. Retail customers obtain points for purchases made, which entitle them to discount on future purchases. The Company considers that the points provide a material right to customers. The stand-alone selling price of the product sold is estimated on the basis of the retail price. The Company has recognized contract liability at the time of sale on the basis of the principle mentioned above. Revenue from the award points is recognized when the points are redeemed or when they expire.

(iii) Other operating income

The Company provides kinds of service, including advertisement, product launch, franchisee, etc.. The Company recognizes revenue when the service is provided to customers during the reporting period.

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SIMPLE MART RETAIL CO., LTD.

Notes to the Financial Statements

(iv) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(n) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

Contributions to defined benefit retirement plans are expensed as the related service is provided.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(o) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for those recognized directly in equity, all current and deferred taxes are recognized in profit or loss.

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

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

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

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SIMPLE MART RETAIL CO., LTD.

Notes to the Financial Statements

- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(p) Earnings per share

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

(q) Operating segments

The Company discloses the operating segment information in the consolidated financial statements. Therefore, the Company does not disclose the operating segment information in the parent company only financial statements.

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SIMPLE MART RETAIL CO., LTD.

Notes to the Financial Statements

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

In preparing these financial statements, management has made judgments and estimates about the future, including climate-related risks and opportunities, 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.

Estimates and underlying assumptions are reviewed on an ongoing basis and are consistent with the Company's risk management and climate-related commitments where appropriate. Revisions to estimates are recognized prospectively in the period of the change and future periods.

Upon evaluation, the accounting judgments involved in the Company's accounting policies have not had a significant impact on the amounts recognized in this financial report. Additionally, the uncertainties in the assumptions and estimates used are not expected to result in significant adjustments to the carrying amounts of assets and liabilities in the next financial year.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2024	December 31, 2023
Cash on hand	\$ 63,208	61,957
Bank deposits	310,250	262,234
Reverse repurchase agreement	-	500,042
	<u>\$ 373,458</u>	<u>824,233</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:

	December 31, 2024	December 31, 2023
Restricted time deposits	<u>\$ 140,326</u>	<u>144,045</u>

The Company's restricted bank deposits are mainly for the purpose of guaranteeing the performance of procurement and collection services, as well as the performance trust guarantee for gift vouchers. For related disclosures, please refer to Note 8.

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

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

(b) Fair value through profit or loss (FVTPL)

	December 31, 2024	December 31, 2023
Financial asset at FVTPL:		
Stocks listed on domestic markets	\$ -	5,345
Stocks non-listed on domestic markets	10,000	-
	<u>\$ 10,000</u>	<u>5,345</u>

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

	December 31, 2024	December 31, 2023
Notes receivable - measured at amortized cost	\$ 46	-
Accounts receivable - measured at amortized cost	47,821	63,451
Accounts receivable (related parties) - measured at amortized cost	4,771	4,321
Less: loss allowance	<u>(892)</u>	<u>(2,240)</u>
	<u>\$ 51,746</u>	<u>65,532</u>

Most of the Company's receivable are generated from the customer who paid by credit cards and e-payment, as well as service fee income from collection agency operations.

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, receivables have been Company based on shared credit risk characteristics, as well as incorporated forward looking information.

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

	December 31, 2024	December 31, 2023
	Gross carrying amount	Gross carrying amount
Current	\$ 51,592	65,155
1-60 days past due	348	540
61-120 days past due	24	203
121-180 days past due	369	34
More than 181 days past due	305	1,840
	<u>\$ 52,638</u>	<u>67,772</u>

(Continued)

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

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

	For the years ended	
	2024	2023
Beginning balance of the period	\$ 2,240	8,857
Add: Impairment losses recognized	264	-
Less: Impairment losses reversed	-	(3,434)
Less: Amounts written off	(1,612)	(3,183)
Ending balance of the period	<u>\$ 892</u>	<u>2,240</u>

(d) Finance leases receivable

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

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

	December 31, 2024	December 31, 2023
Less than one year	\$ 878	878
One to five years	2,341	3,218
Total lease payments receivable	3,219	4,096
Unearned finance income	(108)	(175)
Present value of lease payments receivable	<u>\$ 3,111</u>	<u>3,921</u>

(e) Inventories

	December 31, 2024	December 31, 2023
Merchandise inventories	\$ 1,605,708	1,459,163
Inventory in transit	7,650	25,561
	<u>\$ 1,613,358</u>	<u>1,484,724</u>
	2024	2023
Cost of goods sold	\$ 9,986,410	10,054,863
Inventory losses from obsolescence and others	56,610	40,266
Cost of sales	<u>\$ 10,043,020</u>	<u>10,095,129</u>

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

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

(f) Investments accounted for using the equity method

The components of investments accounted for using the equity method at the reporting date is as follows:

	December 31, 2024	December 31, 2023
Subsidiary	\$ 354,760	138,850

(i) Subsidiary

Please refer to the consolidated financial statement for the year ended December 31, 2024 for further details.

(ii) Collateral

The Company did not provide any investments accounted for using the equity method as collateral for its loans.

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

(i) Acquisitions of NCI

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

The effects of the changes in shareholdings were as follows:

	2024
Carrying amount of non-controlling interest on acquisition	\$ 48,421
Less: Consideration	(50,000)
Unappropriated retained earnings deduction arising from differences between the actual acquisition price and the carrying amount of the subsidiaries' shares acquired	\$ (1,579)

(h) Property, plant and equipment

The movement of the cost, accumulated depreciation and impairment losses of the property, plant and equipment of the Company for the years ended December 31, 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	1,105,200	845,066	13,911	2,722,663
Additions	-	-	88,569	47,754	208,556	344,879
Scraps	-	-	(38,477)	(48,550)	-	(87,027)
Disposal	-	-	(917)	(2,500)	-	(3,417)
Balance at December 31, 2024	\$ 537,599	220,887	1,154,375	841,770	222,467	2,977,098

(Continued)

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

	Land	Buildings	Machinery and equipment	Leasehold improvements	Prepayment for business facilities and construction in progress	Total
Balance at January 1, 2023	\$ 537,599	220,887	1,072,294	823,795	3,326	2,657,901
Additions	-	-	57,099	51,285	12,381	120,765
Transfer from (to)	-	-	796	1,000	(1,796)	-
Scraps	-	-	(22,303)	(29,903)	-	(52,206)
Disposal	-	-	(2,686)	(1,111)	-	(3,797)
Balance at December 31, 2023	<u>\$ 537,599</u>	<u>220,887</u>	<u>1,105,200</u>	<u>845,066</u>	<u>13,911</u>	<u>2,722,663</u>
Accumulated depreciation and impairment losses:						
Balance at January 1, 2024	\$ -	32,286	886,424	677,900	-	1,596,610
Depreciation	-	4,335	99,871	70,818	-	175,024
Scraps	-	-	(35,054)	(46,636)	-	(81,690)
Disposal	-	-	(630)	(2,083)	-	(2,713)
Impairment	-	-	-	3,358	-	3,358
Balance at December 31, 2024	<u>\$ -</u>	<u>36,621</u>	<u>950,611</u>	<u>703,357</u>	<u>-</u>	<u>1,690,589</u>
Balance at January 1, 2023	\$ -	27,950	772,683	628,427	-	1,429,060
Depreciation	-	4,336	138,171	77,092	-	219,599
Scraps	-	-	(21,890)	(27,606)	-	(49,496)
Disposal	-	-	(2,540)	(860)	-	(3,400)
Impairment	-	-	-	847	-	847
Balance at December 31, 2023	<u>\$ -</u>	<u>32,286</u>	<u>886,424</u>	<u>677,900</u>	<u>-</u>	<u>1,596,610</u>
Carrying amounts:						
Balance at December 31, 2024	<u>\$ 537,599</u>	<u>184,266</u>	<u>203,764</u>	<u>138,413</u>	<u>222,467</u>	<u>1,286,509</u>
Balance at January 1, 2023	<u>\$ 537,599</u>	<u>192,937</u>	<u>299,611</u>	<u>195,368</u>	<u>3,326</u>	<u>1,228,841</u>
Balance at December 31, 2023	<u>\$ 537,599</u>	<u>188,601</u>	<u>218,776</u>	<u>167,166</u>	<u>13,911</u>	<u>1,126,053</u>

Investing activities that are partially paid in cash:

	2024	2023
Acquisition of property, plant and equipment	\$ 344,879	120,765
Add: Payables on equipment, beginning of period	28,749	26,032
Less: Payables on equipment, end of period	(122,157)	(28,749)
Cash paid	<u>\$ 251,471</u>	<u>118,048</u>

(Continued)

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

(i) Right-of-use assets

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

	Buildings	Machinery and equipment	Total
Cost:			
Balance at January 1, 2024	\$ 3,398,589	2,086	3,400,675
Additions	559,652	-	559,652
Derecognized	(125,591)	-	(125,591)
Balance at December 31, 2024	<u><u>\$ 3,832,650</u></u>	<u><u>2,086</u></u>	<u><u>3,834,736</u></u>
Balance at January 1, 2023	\$ 2,977,517	2,086	2,979,603
Additions	599,473	-	599,473
Derecognized	(178,401)	-	(178,401)
Balance at December 31, 2023	<u><u>\$ 3,398,589</u></u>	<u><u>2,086</u></u>	<u><u>3,400,675</u></u>
Accumulated depreciation and impairment losses:			
Balance at January 1, 2024	\$ 1,700,278	1,345	1,701,623
Depreciation	459,751	269	460,020
Derecognized	(122,729)	-	(122,729)
Balance at December 31, 2024	<u><u>\$ 2,037,300</u></u>	<u><u>1,614</u></u>	<u><u>2,038,914</u></u>
Balance at January 1, 2023	\$ 1,405,738	1,076	1,406,814
Depreciation	457,944	269	458,213
Derecognized	(163,404)	-	(163,404)
Balance at December 31, 2023	<u><u>\$ 1,700,278</u></u>	<u><u>1,345</u></u>	<u><u>1,701,623</u></u>
Carrying amounts:			
Balance at December 31, 2024	<u><u>\$ 1,795,350</u></u>	<u><u>472</u></u>	<u><u>1,795,822</u></u>
Balance at January 1, 2023	<u><u>\$ 1,571,779</u></u>	<u><u>1,010</u></u>	<u><u>1,572,789</u></u>
Balance at December 31, 2023	<u><u>\$ 1,698,311</u></u>	<u><u>741</u></u>	<u><u>1,699,052</u></u>

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

(j) Other payables

	December 31, 2024	December 31, 2023
Salaries and bonuses payable	\$ 184,279	183,913
Payable on construction and equipment	122,157	28,749
Accrued freight expenses	62,984	35,491
Payable on labor insurance, health insurance and pension expense	53,146	50,483
Payable on unused annual leave	38,391	32,954
Payable to service rendered by franchisees	34,473	31,361
Others	<u>145,367</u>	<u>120,834</u>
	<u>\$ 640,797</u>	<u>483,785</u>

(k) Lease liabilities

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

	December 31, 2024	December 31, 2023
Current	<u>\$ 438,784</u>	<u>437,860</u>
Non-current	<u>\$ 1,410,672</u>	<u>1,310,836</u>

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

The amounts recognized in profit or loss were as follows:

	2024	2023
Interests on lease liabilities	<u>\$ 28,289</u>	<u>22,487</u>
Income from sub-leasing right-of-use assets (recognized as interest income)	<u>\$ (67)</u>	<u>(37)</u>
Expenses relating to short-term leases	<u>\$ 10,648</u>	<u>11,743</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 1,240</u>	<u>1,974</u>

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

	2024	2023
Total cash outflow for leases	<u>\$ 492,897</u>	<u>491,697</u>

(i) Real estate leases

The Company leases land and buildings for its retail stores, warehouse and office space. The leases of office space typically run for a period of 3 to 5 years, of retail stores for 3 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.

(Continued)

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

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

(ii) Other leases

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

(l) Employee benefit

(i) Defines benefit plan

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

	<u>2024</u>	<u>2023</u>
Selling expense	\$ 6	1
Administration expense	<u>26</u>	<u>68</u>
	<u><u>\$ 32</u></u>	<u><u>69</u></u>

(ii) Defined contribution plans

The Company makes defined contribution plan and contributed based on 6% of monthly salary to the employee's individual pension fund account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company has no legal or constructive obligation to pay additional amounts once the Company has contributed a fixed amount to the Bureau of Labor Insurance.

The pension expenses were as follows

	<u>2024</u>	<u>2023</u>
Selling expense	\$ 67,638	64,402
Administration expense	<u>12,862</u>	<u>12,463</u>
	<u><u>\$ 80,500</u></u>	<u><u>76,865</u></u>

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

(m) Income taxes

(i) Income tax expenses

The components of income tax were as follows:

	<u>2024</u>	<u>2023</u>
Current tax expenses		
Current period	\$ 41,947	25,858
Adjustments for prior years	<u>(629)</u>	<u>318</u>
	<u>41,318</u>	<u>26,176</u>
Deferred tax expenses		
Current period	(7,174)	(745)
Adjustments for prior years	<u>(263)</u>	<u>(1,072)</u>
	<u>(7,437)</u>	<u>(1,817)</u>
Income tax expenses	<u><u>\$ 33,881</u></u>	<u><u>24,359</u></u>

There is no income tax directly recognized under equity for 2024 and 2023.

Reconciliation of income tax and profit before tax for 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
Income before income tax	\$ 170,280	125,505
Income tax using the Company's domestic tax rate	34,056	25,101
Prior year's income tax adjustment	(892)	(754)
Others	<u>717</u>	<u>12</u>
Income tax expenses	<u><u>\$ 33,881</u></u>	<u><u>24,359</u></u>

(ii) Deferred income tax assets and liabilities

1) Recognized deferred tax assets

Changes in the amounts of deferred tax assets for 2024 and 2023 were as follows:

	<u>Loss on investment</u>	<u>Unrealized loss on inventories</u>	<u>Deferred income</u>	<u>Compensation for unused annual leave</u>	<u>Impairment loss</u>	<u>Others</u>	<u>Total</u>
Deferred income tax assets:							
Balance at January 1, 2024	\$ 7,938	2,054	6,501	6,591	1,638	861	25,583
Recognized in profit or loss	<u>5,857</u>	<u>(704)</u>	<u>118</u>	<u>1,087</u>	<u>1,014</u>	<u>603</u>	<u>7,975</u>
Balance at December 31, 2024	<u><u>\$ 13,795</u></u>	<u><u>1,350</u></u>	<u><u>6,619</u></u>	<u><u>7,678</u></u>	<u><u>2,652</u></u>	<u><u>1,464</u></u>	<u><u>33,558</u></u>
Balance at January 1, 2023	\$ 5,580	2,240	7,136	6,444	1,781	29	23,210
Recognized in profit or loss	<u>2,358</u>	<u>(186)</u>	<u>(635)</u>	<u>147</u>	<u>(143)</u>	<u>832</u>	<u>2,373</u>
Balance at December 31, 2023	<u><u>\$ 7,938</u></u>	<u><u>2,054</u></u>	<u><u>6,501</u></u>	<u><u>6,591</u></u>	<u><u>1,638</u></u>	<u><u>861</u></u>	<u><u>25,583</u></u>

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SIMPLE MART RETAIL CO., LTD.

Notes to the Financial Statements

2) Recognized deferred tax liabilities

	<u>Restoration cost</u>
Deferred tax liabilities:	
Balance at January 1, 2024	\$ 556
Recognized in profit or loss	<u>538</u>
Balance at December 31, 2024	<u><u>\$ 1,094</u></u>
Balance at January 1, 2023	\$ -
Recognized in profit or loss	<u>556</u>
Balance at December 31, 2023	<u><u>\$ 556</u></u>

(iii) The tax authorities have examined the Company's income tax for the year 2022.

(n) Capital and other equity

(i) Ordinary shares

As of December 31, 2024 and 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 December 31, 2024 and 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>December 31, 2024</u>	<u>December 31, 2023</u>
Premium on issuance of common stock	\$ 959,010	959,010
Others	<u>42,300</u>	<u>42,300</u>
	<u><u>\$ 1,001,310</u></u>	<u><u>1,001,310</u></u>

According to the Company Act, capital surplus shall be used to offset a deficit first, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received.

(iii) Retained earnings

The Company's Articles of Incorporation stipulate that if there is a surplus at year-end, after the payment of income tax and offsetting accumulated deficits, 10% of the remaining balance should be set aside as legal reserve until such retention equals to the total paid-in capital, and then any remaining profit together with any undistributed retained earnings of previous years and the adjustment of the undistributed earnings of the current year shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the shareholders' meeting for approval.

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SIMPLE MART RETAIL CO., LTD.

Notes to the Financial Statements

1) Legal reserve

When the Company incurs no loss, it may pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Earnings distribution

The appropriations of earnings for 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:

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

On February 21, 2025, the Company's Board of Directors resolved to appropriate the earnings for 2024 as follows:

	<u>2024</u>
Dividends distributed to ordinary shareholders:	
Cash	\$ <u>101,250</u>

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

(o) Earnings per share

Earnings per share and diluted earnings per share for 2024 and 2023 were computed as follows:

	<u>2024</u>	<u>2023</u>
Earnings per share:		
Profit or loss attributable to ordinary shareholders of the Company	\$ <u>136,399</u>	<u>101,146</u>
Weighted-average number of ordinary shares outstanding	<u>67,500</u>	<u>67,500</u>
Basic earnings per share	\$ <u>2.02</u>	<u>1.50</u>
Diluted earnings per share:		
Profit or loss attributable to ordinary shareholders of the Company	\$ <u>136,399</u>	<u>101,146</u>
Weighted-average number of ordinary shares outstanding	67,500	67,500
Effect of dilutive potential ordinary shares - employee share bonus	85	67
Weighted-average number of ordinary shares outstanding (diluted)	<u>67,585</u>	<u>67,567</u>
Diluted earnings per share	\$ <u>2.02</u>	<u>1.50</u>

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SIMPLE MART RETAIL CO., LTD.

Notes to the Financial Statements

(p) Revenue from contracts with customers

(i) Details of revenue

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

	2024	2023
Sale of goods	\$ 13,044,618	12,890,457
Others operating income	690,042	675,380
	<u>\$ 13,734,660</u>	<u>13,565,837</u>

(ii) Contract balances

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

	December 31, 2024	December 31, 2023
Contract liabilities - current - gift voucher revenue	\$ 13,136	12,658
Contract liabilities - current - customer loyalty program	33,093	32,506
Contract liabilities - current -franchise royalty fee	2,925	4,499
Total	<u>\$ 49,154</u>	<u>49,663</u>
Contract liabilities - non-current -franchise royalty fee	<u>\$ 4,653</u>	<u>6,674</u>

- 2) The amount of revenue recognized for the years ended December 31, 2024 and 2023, was included in the contract liabilities balance at the beginning of the period, were \$43,261 thousand and \$50,966 thousand, respectively.

(q) Remunerations to employees and directors

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

For the years ended December 31, 2024 and 2023, the Company estimated its employee remuneration amounted to \$3,000 thousand and \$2,700 thousand, and directors' remuneration amounted to \$2,000 thousand and \$1,800 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration of employees and directors of each period, multiplied by the percentage of remuneration to employees and directors as specified in the Company's articles. These remunerations were expensed under operating expenses for the years ended December 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. The amounts, as stated in the financial statements, are identical to those of the actual distributions for 2024.

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SIMPLE MART RETAIL CO., LTD.

Notes to the Financial Statements

The 2023 employee remuneration and directors' remunerations were identical to the amounts approved by the Board of Directors on February 23, 2024. However, the former director transferred its shares prior to the payment date, thus, two representatives of the directors were terminated and the directors' remuneration of \$500 thousand was not paid, which 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.

(r) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

The Company has a large and unrelated customer base, therefore, 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>
December 31, 2024				
Non derivative financial liabilities				
Notes payable	\$ 80	80	80	-
Accounts payable	1,191,538	1,191,538	1,191,538	-
Accounts payable - related parties	14,932	14,932	14,932	-
Other payables	640,797	640,797	640,797	-
Lease liabilities (include current and non-current)	1,849,456	1,903,301	461,863	1,441,438
Guarantee deposits received	79,071	79,071	-	79,071
	<u>\$ 3,775,874</u>	<u>3,829,719</u>	<u>2,309,210</u>	<u>1,520,509</u>
December 31, 2023				
Non derivative financial liabilities				
Notes payable	\$ 153	153	153	-
Accounts payable	1,318,685	1,318,685	1,318,685	-
Accounts payable - related parties	6,302	6,302	6,302	-
Other payables	483,785	483,785	483,785	-
Lease liabilities (include current and non-current)	1,748,696	1,819,342	459,813	1,359,529
Guarantee deposits received	86,114	86,114	-	86,114
	<u>\$ 3,643,735</u>	<u>3,714,381</u>	<u>2,268,738</u>	<u>1,445,643</u>

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

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

	December 31, 2024			December 31, 2023			
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	
Financial assets							
Monetary items							
USD	\$	26	32.735	838	11	30.655	326
EUR		12	33.940	419	98	33.780	3,312
JPY		615	0.208	128	27,387	0.215	5,894
Financial liabilities							
Monetary items							
EUR		18	33.940	627	141	33.780	4,770

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on financial assets and liabilities that are denominated in foreign currency. A depreciation or appreciation of 1% of the NTD against the USD, EUR, and JPY as of December 31, 2024 and 2023 would have increased or decreased the net profit after tax by \$6 thousand and \$38 thousand, respectively, assuming all other factors remain constant. The analysis is performed on the same basis for both periods.

(iv) Interest rate analysis

Please refer to the notes 6(s) on interest rate exposure of the Company's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of non-derivative financial instruments on the reporting date. Regarding assets and liabilities with variable interest rates, the analysis is based on the assumption that the amount of assets and liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.5% when reporting to management internally, which also represents the Company management's assessment of the reasonably possible interest rate change. The Company's assets and liabilities with variable interest rates have no significant impact on net profit after tax for the years ended December 31, 2024 and 2023.

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SIMPLE MART RETAIL CO., LTD.
Notes to the 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:

Prices of securities at the reporting date	December 31, 2024		December 31, 2023	
	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
Increasing 5%	<u>\$ -</u>	<u>400</u>	<u>-</u>	<u>214</u>
Decreasing 5%	<u>\$ -</u>	<u>(400)</u>	<u>-</u>	<u>(214)</u>

(vi) Fair value of financial instruments

1) Fair value hierarchy

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

	December 31, 2024				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss	<u>\$ 10,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>10,000</u>

	December 31, 2023				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss	<u>\$ 5,345</u>	<u>5,345</u>	<u>-</u>	<u>-</u>	<u>5,345</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.

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SIMPLE MART RETAIL CO., LTD.

Notes to the Financial Statements

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

Measurements of fair value of financial instruments without an active market are based on recent transaction prices.

(vii) Offsetting financial assets and financial liabilities

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

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

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

	December 31, 2023				
	Financial assets that are offset and have an exercisable master netting arrangement or a similar agreement				
	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)	
				Financial instruments	Cash collateral received
	(a)	(b)	sheet(c)=(a)-(b)	(Note)	Net amount (e)=(c)-(d)
Offsetting agreement	\$ 500,042	-	500,042	500,042	-

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

As of December 31, 2024, there were no offsetting of financial assets and financial liabilities.

(s) Financial risk management

(i) Overview

The Company have exposures to the following risks from its financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

The following likewise discusses the Company's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the financial statements.

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SIMPLE MART RETAIL CO., LTD.

Notes to the Financial Statements

(ii) Structure of risk management

The Board of Directors supervises the management team in monitoring the compliance and review of the financial risk management policies and procedures of the Company, as well as the adequacy of the related financial risk management framework. The internal auditors assist the Board of Directors in its supervisory role over the Company.

(iii) Credit risk

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

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's capital and working capital are sufficient to meet all contractual obligations, and has sufficient bank facilities to cover its daily operating turnover. Therefore, there is no liquidity risk due to the inability to raise funds to meet contractual obligations.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Company's functional currency is TWD, some of its purchase transactions are denominated in EUR, USD and JPY. The Company always buys foreign currency at spot rate, and these transactions do not expose any significant exchange rate risk.

2) Interest rate risk

Interest risk is the risk that changes in market interest rates will affect the fair value of the Company's financial instrument or cash flow. The Company's bank deposits are subject to floating interest rates. Therefore, there is a risk that changes in market interest rates will cause the effective interest rates to change accordingly, resulting in fluctuations in its future cash flows. However, the Company has no significant interest rate risk arising from these transactions.

3) Market price risk

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

(Continued)

SIMPLE MART RETAIL CO., LTD.

Notes to the Financial Statements

(t) Capital management

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

As of December 31, 2024, the Company's capital management was remaining constant.

(u) 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	December 31, 2024
Lease liabilities	\$ 1,748,696	(452,787)	553,547	1,849,456

	January 1, 2023	Cash flows	Non-cash changes Changes in lease	December 31, 2023
Lease liabilities	\$ 1,619,260	(455,530)	584,966	1,748,696

(7) Related-party transactions:

(a) Parent company and ultimate controller

Mercuries & Associates, Holding Ltd is the parent company and ultimate controlling party of the Group, owned the Company 60.76% of common shares. Mercuries & Associates, Holding Ltd has prepared a consolidated financial report for public use.

(b) Names and relationship with related-parties

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

Name of related-party	Relationship with the Company
Mercuries & Associates Holding Ltd.	Parent Company
Simple Mart Plus Co., Ltd.	Subsidiary
Sanyou Drugstores Co., Ltd.	Subsidiary
Pet Wonderland Co., Ltd.	Subsidiary(Note 2)
Sumitomo Corporation	An entity with significant influence over the Company(Note 1)
Mercuries Data Systems Ltd.	Other related party
Mercuries Liquor & Food Co., Ltd.	Other related party

(Continued)

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

<u>Name of related-party</u>	<u>Relationship with the Company</u>
Mercuries Fu Bao Ltd.	Other related party(Note 3)
Mercuries F&B Co., Ltd.	Other related party
Mercuries Life Insurance Co., Ltd.	Other related party
Horizon Securities Co., Ltd.	Other related party
Mercuries Social Welfare and Charity Foundation, Taoyuan County	Other related party
Criminal Investigation and Prevention Association, R.O.C.	Other related party
Simple Mart Retail Co., Ltd. Employee Welfare Committee	Other related party
Sanyou Drugstores Co., Ltd. Employee Welfare Committee	Other related party
Taiwan Chain Stores and Franchise Association	Other related party
INSIGHT EDGE, INC	Other related party(Note 1)
Health International Marketing Group Co., Ltd.	Other related party(Note 2)
The Company's directors, general manager and vice general managers	

Note 1: 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.

Note 2: Pet Wonderland Co., Ltd. and Health International Marketing Group Co., Ltd. have become related parties on September 9, 2024.

Note 3: Mercuries Fu Bao Ltd. was dissolved after merging with Mercuries Liquor & Food Co., Ltd. on October 29, 2024.

(c) Significant transactions with related parties

(i) Sales

The amounts of sales to related parties is less than 1% of the total annual revenue.

The sales prices and trade terms to its related parties were mutually agreed between the two parties.

(ii) Purchases

The amounts of purchases from related parties were as follows:

	<u>2024</u>	<u>2023</u>
Subsidiary	\$ 87,441	78,840
Other related parties	18,662	18,761
	<u><u>\$ 106,103</u></u>	<u><u>97,601</u></u>

(Continued)

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

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

(iii) Receivable from related parties

The receivables from related parties were as follows:

Accounts	Type of related parties	December 31, 2024	December 31, 2023
Accounts receivable	Subsidiary	\$ 3,893	2,988
Accounts receivable	Other related parties	878	1,333
Other receivables	Subsidiary(excluding property and lease transaction)	592	238
		<u>\$ 5,363</u>	<u>4,559</u>

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

(iv) Payables to related parties

The payables to related parties were as follows:

Accounts	Type of related parties	December 31, 2024	December 31, 2023
Accounts payable	Subsidiary	\$ 13,231	4,329
Accounts payable	Other related parties	1,701	1,973
Other payables	Other related parties	2,409	2,493
		<u>\$ 17,341</u>	<u>8,795</u>

The payables from related parties are generated by purchased of goods and other disbursement.

(v) Prepayments

The prepayments to related parties were as follows:

	December 31, 2024	December 31, 2023
Mercuries Life Insurance Co., Ltd.	\$ 2,897	2,794
Other related parties	-	390
	<u>\$ 2,897</u>	<u>3,184</u>

The prepayments were prepaid insurance and other related expense.

(Continued)

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

(vi) Leases

The Company rented office space from other related parties. For the years ended December 31, 2024 and 2023, the Company recognized \$49 thousand and \$24 thousand as interest expenses, respectively. As of December 31, 2024 and 2023, the balance of lease liabilities amounted to \$2,034 thousand and \$3,246 thousand, respectively.

The Company subleases the leased office space to its subsidiary, and classified it as finance leases. As of December 31, 2024 and 2023, the balance of finance leases receivable amounting to \$3,110 thousand and \$3,921 thousand, respectively.

(vii) Guarantee deposits paid

	December 31, 2024	December 31, 2023
Other related parties	\$ 292	292

The above transactions were guarantee deposits of office leases.

(viii) Guarantee deposits received

	December 31, 2024	December 31, 2023
Subsidiary	\$ 200	200

The above transactions were guarantee deposits of office leases.

(ix) Loans to related parties

The loans to related parties(Recorded as other receivables) were as follows:

	December 31, 2024	December 31, 2023
Subsidiary - Sanyou Drugstores Co., Ltd.	\$ 15,000	-

The Company's unsecured loans to related parties were calculated at an interest rate of 2%. The interest income for the year 2024 was \$1 thousand, which was recovered in January 2025.

(x) Property transactions

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

	2024	2023
Subsidiary	\$ -	752

As of December 31, 2024 and 2023, the remaining unpaid balances were \$0 thousand and \$635 thousand, respectively, and were recorded as other payables.

(Continued)

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

- 2) The disposals of machinery and equipment to related parties were summarized as follows:

Type of related parties	2024		2023	
	Proceeds	Gain (loss) on disposal	Proceeds	Gain (loss) on disposal
Subsidiary	\$ <u>210</u>	<u>8</u>	<u>3</u>	<u>3</u>

As of December 31, 2024 and 2023, all amounts have been received.

- (xi) Other operating expenses

	2024	2023
Subsidiary	\$ <u>4</u>	<u>4</u>
Other related parties:		
Criminal Investigation and Prevention Association, R.O.C.	-	300
Mercuries Social Welfare and Charity Foundation, Taoyuan County	300	300
Other related parties	<u>6,317</u>	<u>6,496</u>
	\$ <u><u>6,621</u></u>	<u><u>7,100</u></u>

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

- (xii) Other incomes

	2024	2023
Subsidiary	\$ <u><u>1,024</u></u>	<u><u>1,024</u></u>

The above transactions were the payment for services provided.

- (xiii) Equity investment

Type of related parties	Account	2024	
		Number of shares	Acquisition price
Subsidiary - Simple Mart Investment Co., Ltd.	Investments accounted for using equity method	<u><u>24,600,000</u></u>	\$ <u><u>246,000</u></u>
		Purpose	
		Capital increase by cash	

(Continued)

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

(xiv) Guarantee

The company provides guarantees for related parties as follows:

	December 31, 2024		December 31, 2023	
	Borrowing limit	Guaranteed liabilities	Borrowing limit	Guaranteed liabilities
Subsidiary - Simple Mart Plus Co., Ltd.	\$ 20,000	20,000	-	-
Subsidiary - Pet Wonderland Co., Ltd.	50,000	50,000	-	-
	<u>\$ 70,000</u>	<u>70,000</u>	<u>-</u>	<u>-</u>

(d) Key management personnel compensation

	2024	2023
Short-term employee benefits	\$ 30,383	31,172
Post-employment benefits	873	821
	<u>\$ 31,256</u>	<u>31,993</u>

(8) Pledged assets:

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

Pledged Assets	Pledged to secure	December 31, 2024	December 31, 2023
Time deposits (Recorded as current and non-current other financial assets)	Performance guarantee for purchasing and collection business	\$ 128,950	128,950
Bank deposits (Recorded as non-current other financial assets)	Charitable trust of gift voucher	11,376	15,095
		<u>\$ 140,326</u>	<u>144,045</u>

(9) Commitments and contingencies:

- (a) As of December 31, 2024, the Group has entered into below agreements, namely: (i) solar photovoltaic power generation system construction contract, and (ii) electronic shelf label procurement contract, both totaling \$428,107 thousand, which has not yet to be purchased.
- (b) The Company issued guarantee notes to obtain short-term loan facility, amounting to \$900,000 thousand and \$1,000,000 thousand, respectively, as of December 31, 2024 and 2023.

(10) Losses due to major disasters:None

(11) Subsequent events:None

(Continued)

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

(12) Others:

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

By item	By function	2024			2023		
		Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits							
Salary		-	1,466,549	1,466,549	-	1,415,122	1,415,122
Labor and health insurance		-	173,645	173,645	-	165,896	165,896
Pension		-	80,532	80,532	-	76,934	76,934
Remuneration to directors		-	3,500	3,500	-	3,300	3,300
Others		-	101,764	101,764	-	89,116	89,116
Depreciation		-	635,044	635,044	-	677,812	677,812
Amortization		-	8,084	8,084	-	10,212	10,212

For the years ended December 31, 2024 and 2023, the total numbers of employees and employee benefits were as follows:

	2024	2023
Number of employees	<u>3,740</u>	<u>3,832</u>
Number of directors who were not employees	<u>6</u>	<u>8</u>
The average employee benefit	<u>\$ 488</u>	<u>457</u>
The average salaries and wages	<u>\$ 393</u>	<u>370</u>
The adjustment rate of average employee salaries	<u>6.22 %</u>	<u>4.23 %</u>
Compensation to supervisors	<u>\$ -</u>	<u>-</u>

The Company's policy (for directors, executive officers and employees) is as follows:

The remuneration to the Company's directors and managers is determined in accordance with the Company's "The Regulations of Performance Evaluations and Compensations for Directors, Functional Committees and Managers". The Compensation Committee determined the compensation to directors and managers with reference to the general pay level in the industry, individual performance appraisal, the Company's overall operating performance, and other related risks. The remuneration to independent directors and functional committee members should consider the business size and overall operating performance of the Company, the time devoted by the independent directors or the members of functional committees, responsibility and risks that are taken by. Besides, the above compensation shall be reviewed and evaluated by the Compensation Committee and approved by the Board of Directors. To maintain the independence of the independent directors, the compensation to the independent directors is not linked to the profit or loss of the Company.

To attract and retain talented employees, the Company not only complies with the labor regulations on wages payment, but also considers the correlation between the Company's operating performance and the compensation of its employees. In addition to the monthly salary and the various bonuses or allowances for other duties, the Company also includes performance bonuses for its employees. The bonuses of employees are determined based on the achievement of sales performance, and the targeted sales are reviewed on a quarterly or semi-annually basis for all employees at the store and head office. Salaries are not differentiated by gender, religion, party, or marital status, and are adjusted annually in accordance with the Company's operating performance. The overall adjustment will not only ensure salaries are consistent with the market price index but also will encourage talented employees to focus on following the Company's policies.

(Continued)

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

(13) Other disclosures:

(a) Information on significant transactions:

The followings were the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company for the years ended December 31, 2024:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number (Note)	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note1)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note2)	Maximum limit of fund financing (Note2)
													Item	Value		
0	The Company	Sanyou Drudstores Co., Ltd.	Other receivables-related parties	Yes	50,000	50,000	15,000	2%	2	-	Working capital	-		-	190,080	760,323
0	The Company	Simple Mart Plus Co., Ltd.	Other receivables-related parties	Yes	30,000	30,000	-		2	-	Working capital	-		-	190,080	760,323
0	The Company	Pet Wonderland Co., Ltd.	Other receivables-related parties	Yes	30,000	30,000	-		2	-	Working capital	-		-	190,080	760,323

Note: The numbers denote the following:

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

Note 1: 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.

Note 2: The maximum amount of loans to other parties provided by the Company is 40% of the net equity as audited or reviewed by a CPA in the most recent period. The limit for loans to individual parties is capped at 10% of the aforementioned net equity.

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

Number (Note)	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (Note2)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note2)	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (Note1)										
0	The Company	Simple Mart Plus Co., Ltd.	2	285,121	20,000	20,000	-	-	1.06 %	570,242	Y	N	N
0	The Company	Pet Wonderland Co., Ltd.	2	285,121	50,000	50,000	-	-	2.64 %	570,242	Y	N	N

Note :(i) “0” represents the Company; (ii) Subsidiaries are numbered starting from “1”, wherein the same company code should be identical.

Note 1:The relationship between the endorser and the endorsed guarantee recipient is as follows:

Companies in which the Company directly or indirectly holds more than 50% of their voting shares.

Note 2:The maximum amount of endorsements and guarantees provided by the Company is 30% of the net equity as audited or reviewed by a CPA in the most recent period. The limit for endorsements and guarantees to a single enterprise is capped at 15% of the aforementioned net equity.

(iii) Securities held as of December 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			
				Shares	Carrying value	Percentage of ownership (%)	Fair value
The Company	M2 Communication Inc.	None	FVTPL - non current	666,667	10,000	4.41 %	10,000
Simple Mart Investment Co., Ltd.	Flow-Tide Enterprises Co., Ltd.	None	FVTPL - non current	3,000,000	45,000	8.00 %	45,000

(Continued)

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

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance (Note1)	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
The Company	Investments in the stock of non-public entities Companies-Simple Mart Investment Co., Ltd.	Investments accounted for using equity method	Simple Mart Investment Co., Ltd.	Subsidiary	-	-	24,600	246,000	-	-	-	-	24,600	244,985
Simple Mart Investment Co., Ltd.	Investments in the stock of non-public entities Companies-Pet Wonderland Co., Ltd.	Investments accounted for using equity method	Pet Wonderland Co., Ltd. and its shareholders (Health International Marketing Group Co., Ltd. and natural person)	Note	-	-	990 (Note 2)	300,000 (Note 2)	-	-	-	-	990 (Note 2)	294,835

Note: Prior to the acquisition of Pet Wonderland Co., Ltd. on September 9, 2024 (acquisition date), it was not an affiliate to the company.

Note 1: The ending balance includes investment gains and losses recognized using the equity method.

Note 2: On September 9, 2024, Simple Mart Investment Co., Ltd. acquired 765 thousand shares of Pet Wonderland Co., Ltd. for NT\$200,000 thousand. The above table includes 225 thousand shares expected to be acquired under the anticipated acquisition method, with an estimated investment amount of NT\$100,000 thousand, totaling 66% of the entire shares. For related details, please refer to the consolidated financial statements notes 4(p) and 6(e).

- (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: Please refer to the consolidated financial statements notes 6(e)
- (b) Information on investees:

The following is the information on investees for the years ended December 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 December 31, 2024			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 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 %	62,939	(49,982)	(33,713)	Subsidiary
The Company	Simple Mart Plus Co., Ltd	Taiwan	Retail sales of food and beverage	60,000	60,000	6,000	100 %	46,836	4,638	4,638	Subsidiary
The Company	Simple Mart Investment Co., Ltd.	Taiwan	Investment	246,000	-	24,600	100 %	244,985	(1,015)	(1,015)	Subsidiary
Simple Mart Investment Co., Ltd.	Pet Wonderland Co., Ltd.	Taiwan	Retail Sale of Pet Food and Supplies	300,000 (Note)	-	990 (Note)	66 % (Note)	294,835	3,783	(964)	Subsidiary

Note: On September 9, 2024, Simple Mart Investment Co., Ltd. acquired 765 thousand shares of Pet Wonderland Co., Ltd. for NT\$200,000 thousand. The above table include 225 thousand shares expected to be acquired under the anticipated acquisition method, with an estimated investment amount of NT\$100,000 thousand, totaling 66% of the entire shares. For related details, please refer to the consolidated financial statements notes 4(p) and 6(e).

(Continued)

SIMPLE MART RETAIL CO., LTD.
Notes to the 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:

Please refer to the consolidated financial statements for the year ended December 31, 2024.

SIMPLE MART RETAIL CO., LTD.
Statement of Cash and Cash Equivalents
December 31, 2024
(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Cash on hand (including working capital)		\$ <u>63,208</u>
Bank deposits		
Check deposits		1,941
Demand deposits		306,924
Foreign currency deposits	U.S dollars is \$26 thousands with exchange rate at 32.735 ; Euro dollars are \$12 thousand with the exchange rate at 33.940 ; Japanese yen is \$615 thousand with the exchange rate at 0.208.	1,385
		<u>310,250</u>
		<u>\$ 373,458</u>

Statement of Inventories

Item	Amount		Remark
	Cost	Market price	
Merchandise inventories	\$ 1,612,456	<u>2,329,851</u>	The market price is according to the net realizable value.
Inventory in transit	<u>7,650</u>		
	1,620,106		
Less: allowance for inventory valuation and obsolescence losses	<u>(6,748)</u>		
Total	<u>\$ 1,613,358</u>		

SIMPLE MART RETAIL CO., LTD.

Statement of changes in Investments under Equity Method

December 31, 2024

(Expressed in thousands of New Taiwan Dollars)

Name of investee	Beginning balance		Addition (Note1)		Decrease (Note2)		Ending balance			Market value or net assets value		
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Percentage of ownership	Amount	Unit price	Total amount	Collateral
Sanyou Drugstores Co., Ltd.	10,100,000	\$ 96,652	-	-	-	(33,713)	10,100,000	67.33 %	62,939	7.81	63,269	None
Simple Mart Plus Co., Ltd.	6,000,000	42,198	-	4,638	-	-	6,000,000	100 %	46,836	6.26	46,836	None
Simple Mart Investment Co., Ltd.	-	-	24,600,000	246,000	-	(1,015)	24,600,000	100 %	244,985	9.96	244,985	None
		<u>\$ 138,850</u>		<u>250,638</u>		<u>(34,728)</u>			<u>354,760</u>		<u>355,090</u>	

Note1: The Company recognizes gains on investment amounted to \$4,638 thousand and participated in capital increase in cash amounted to \$246,000 thousand.

Note2: The decrease this period is due to the recognition of an investment loss of \$34,728 thousand.

SIMPLE MART RETAIL CO., LTD.

Statement of Accounts Payable

December 31, 2024

(Expressed in thousands of New Taiwan Dollars)

Vendor name	Description	Amount
Vendor C	Unrelated party	\$ 60,306
Taiwan Tobacco & Liquor Corporation	Unrelated party	30,568
Others (Note)		<u>1,100,664</u>
		<u>\$ 1,191,538</u>

Note: The amount of individual vendor in others does not exceed 5% of the account balance.

SIMPLE MART RETAIL CO., LTD.

Statement of Lease Liabilities

December 31, 2024

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Lease term</u>	<u>Discount rate</u>	<u>Ending balance</u>
Buildings	2012.1~2035.12	0.90%~2.13%	\$ 1,848,966
Machinery and equipment	2018.10~2026.10	1.04 %	<u>490</u>
			1,849,456
Less: lease liabilities - current			<u>(438,784)</u>
Lease liabilities - non-current			<u><u>\$ 1,410,672</u></u>

Statement of Operating Revenue

For the years ended December 31, 2024

<u>Item</u>	<u>Amount</u>	<u>Remark</u>
Sales revenue	\$ 13,045,264	
Less: sales return and discount	<u>(646)</u>	
Net sales	13,044,618	Retail sales in daily commodities
Other operating income	<u>690,042</u>	Advertisement, product launch, franchisee, etc.
Total	<u><u>\$ 13,734,660</u></u>	

SIMPLE MART RETAIL CO., LTD.

Statement of Operating Costs

For the years ended December 31, 2024

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Inventories, beginning of period	\$ 1,494,993
Purchases	11,097,472
Less: purchase bonuses for vendors	(985,949)
Less: inventories, end of period	(1,620,106)
Losses from inventory valuation	(3,521)
Other costs	60,131
Total	<u><u>\$ 10,043,020</u></u>

Statement of Selling Expenses

Item	Amount
Salaries expense (Salaries, meal, and pension expense)	\$ 1,361,770
Depreciation	628,100
Expense on bonuses for franchisee	362,105
Insurance expense	152,996
Utilities expense	319,867
Others (Note)	280,674
Total	<u><u>\$ 3,105,512</u></u>

Note: The amount of each item in others does not exceed 5% of the account balance.

SIMPLE MART RETAIL CO., LTD.
Statement of Administrative Expenses
For the year ended December 31, 2024
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Salaries expense (Salaries, meal, and pension expense)	\$ 262,574
Insurance expense	26,930
Others (Note)	<u>77,205</u>
Total	<u>\$ 366,709</u>

Note: The amount of each item in others does not exceed 5% of the account balance.

Please refer to note 6(j) for the movement of other payable.

Please refer to note 6(h) for the movement of cost of the property, plants and equipment.

Please refer to note 6(h) for the movement of accumulated depreciation of the property, plants and equipment.

Please refer to note 6(h) for the movement of accumulated impairment of the property, plant and equipment.

Please refer to note 6(i) for the movement of cost of the right-of-use assts.

Please refer to note 6(i) for the movement of accumulated depreciation of the right-of-use assts.

Please refer to note 6(i) for the movement of accumulated impairment of the right-of-use assts.