Stock Code: 5907

# GRAND OCEAN RETAIL GROUP LTD.
# AND RELATIONAL SUBSIDIARIES

## Consolidated Financial Statements

## With Independent Auditors' Report

### For the Six Months Ended June 30, 2023 and 2022

**Company Address: P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman KY1-1205, Cayman Islands.**

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

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# Independent Auditors' Report

To the Board of Directors of Grand Ocean Retail Group Ltd.:

## Opinion

We have audited the consolidated financial statements of the Grand Ocean Retail Group Ltd. and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of June 30, 2023 and 2022, the consolidated statements of comprehensive income for the three months and six months ended June 30, 2023 and 2022, as well as the changes in equity and cash flows for the six months ended June 30, 2023 and 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2023 and 2022, and its consolidated financial performance for the three months and six months ended June 30, 2023 and 2022, and its consolidated cash flows for the six months ended June 30, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards ("IASs") 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

## Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group 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.

## Emphasis of matters

As stated in Note 3(1) of the consolidated financial report, the Group applied the amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" for the first time on January 1, 2023, and applied it retrospectively Consolidated financial report for the second quarter of 2022 and the consolidated balance sheet on January 1, 2022. The accountant did not revise the audit results accordingly.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the six months ended June 30, 2023. These matters were addressed in the context of our audit of the consolidated financial statements taken as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Impairment of Goodwill and Trademark Rights

   Please refer to notes 4(m), 5(c), and 6(h) to the consolidated financial statements for the year ended December 31, 2022, for the accounting principles on the recognition of impairment of non-financial assets, the accounting estimates and uncertainty of assumptions in assessment of impairment of goodwill and trademark privileges, as well as details of impairment of goodwill and intangible assets, respectively.

   Description of key audit matter:

   As of June 30, 2023, the carrying amounts of intangible assets 8% of the total assets of the Group. The major part of goodwill and trademark originated from the acquisition of GORG in 2006. Since retailing business was influenced by COVID-19 pandemic, maintaining revenue and profitability had become a challenge. Therefore, the goodwill and trademark from acquisition were affected, and the Group concerned if the carrying amounts exceeded recoverable amounts of retailing department. The Group's management should follow IAS 36 to determine the value in use using a discounted cash flow forecast of retailing department. Due to the fact that the estimated recoverable amounts involved management's judgment, and it had great uncertainty, there was an overestimated risk on value in use of goodwill, trademark, and assets of retailing business department. Therefore, we considered the assessment of assets impairment as one of the key audit matters to the consolidated financial statements in the audit process.

   How the matter was addressed in our audit

   We casted professional doubt on the model that the Group's management used to assess the impairment of goodwill and trademark, including to evaluate whether management had identified cash generating units ("CGU") which might have impairments, and to consider all the assets that had to be tested had been included in the assessment. We also reviewed separate financial assumptions that the management used to assess impairments and related verification of recoverable amounts. We verified the reasonability of the assumptions and accuracy of management's calculation based on available data. We also examined the appropriateness of disclosure for the aforesaid assets.

2. Impairment of Assets

Please refer to notes 4(m) and 5(b) to the consolidated financial statements for the year ended December 31, 2022, for the accounting principles on the recognition of impairment of non-financial assets, the accounting estimates and assumptions uncertainty in assessment of impairment of property, plant and equipment, and right of use assets, respectively. Please refer to notes 6(e) and 6(f) to the consolidated financial statements for details of impairment of property, plant and equipment, as well as right -of- use assets, respectively.

Description of key audit matter:

As of June 30, 2023, the carrying amounts of property, plant, and equipment, as well as right-of-use assets, accounted for approximately 67% of the Group's total assets. The retailing business has experienced a decline in profitability due to the impact of the COVID-19 pandemic, and it has not yet fully recovered to pre-pandemic levels, posing a significant challenge in maintaining revenue and profitability. This, in turn, has raised concerns about whether the carrying amounts of operating assets exceed their recoverable amounts. The Group's management should follow IAS 36 to determine the recoverable amounts by the higher of using discounted cash flow forecast or fair value less disposal costs. Due to the fact that the estimated recoverable amounts involved management’s judgment, and it had great uncertainty, there was an overestimated risk on value in use of operating assets. Therefore, we considered the assessment of assets impairment as one of the key audit matters to the consolidated financial statements in the audit process.

How the matter was addressed in our audit

We obtained the group management's asset impairment assessment module and related assumptions, assess whether the management has fully identified individual cash-generating units that may be impaired, and consider whether all assets subject to impairment testing have been fully included in the assessment process. We also the individual financial assumptions used by the management and relevant supporting documents for the recoverable amount, and verify the reasonableness of the management's assumptions and the correctness of the calculations based on the relevant information available. We also review whether the group's disclosure of the aforementioned asset impairment is appropriate.

3. Recoverability of Other Receivables

Please refer to notes 4(g), and 5(a) to the consolidated financial statements for the year ended December 31, 2022, for the accounting principles on the recognition of financial instruments, respectively. Please refer to notes 6(c) to the consolidated financial statements for the disclosures of other receivables and other financial assets.

<u>Description of key audit matter:</u>

The retailing department of the Group recently ended part of their investment due to the rigorous competition in mainland China. As of June 30, 2023, the carrying amounts of other receivables, originated from uncollected prepaid investments, amounted to $262,799 thousand. The Group measured loss allowance for expected credit losses of other receivables in accordance with IFRS 9 “Financial Instruments”. Therefore, we considered the assessment as one of the key audit matters to the consolidated financial statements in the audit process.

<u>How the matter was addressed in our audit</u>

We obtained the management’s assessment for the expected credit losses of other receivables to examine the related supporting documents of default risk. We evaluated the reasonability of expected credit losses of other receivables in duration according to IFRS 9 “Financial Instruments”.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IAS 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) are responsible for overseeing the Group’s financial reporting process.

**Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 auditing standards generally accepted in 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 consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group'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 consolidated 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit.

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 consolidated 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 Shu-Ying Chang and Jun-Ming Pan.

KPMG
Taipei, Taiwan (Republic of China)
August 30, 2023

**GRAND OCEAN RETAIL GROUP LTD. and Relational Subsidiaries**

**Consolidated Balance Sheet**

**June 30, 2023, December 31, 2022, June 30, 2022, and January 1, 2022**

**(Expressed in Thousands of New Taiwan Dollars)**

| | | June 30, 2023 | | December 31, 2022 (revised) | | June 30, 2022 (revised) | | January 1, 2022 (revised) | |
|---|---|---|---|---|---|---|---|---|---|
| | **Assets** | **Amount** | **%** | **Amount** | **%** | **Amount** | **%** | **Amount** | **%** |
| | **Current Assets:** | | | | | | | | |
| 1100 | Cash and Cash Equivalents (Note 6(1) ) | $ 1,102,530 | 5 | 1,639,484 | 6 | 2,983,998 | 10 | 3,525,958 | 12 |
| 1110 | Financial Assets Measured at Fair Value through Profit or Loss – Current (Note 6(2) ) | 11,601 | - | 68,033 | - | 67,185 | - | 69,476 | - |
| 1170 | Accounts Receivable of Net Amount (Note 6(3) ) | 189,177 | 1 | 254,557 | 1 | 251,707 | 1 | 189,072 | 1 |
| 1200 | Other Receivables (Note 6(3) and 7) | 64,263 | - | 165,656 | 1 | 335,716 | 1 | 568,734 | 2 |
| 1300 | Inventories – Merchandising Business | 181,264 | 1 | 218,305 | 1 | 210,981 | 1 | 233,185 | 1 |
| 1410 | Pre-payments (Note 7) | 436,399 | 2 | 420,055 | 2 | 331,025 | 1 | 365,430 | 1 |
| 1476 | Other Financial Assets – Current (Note 6(8) and 8) | 125,753 | 1 | 64,212 | - | 46,992 | - | 47,250 | - |
| | | 2,110,987 | 10 | 2,830,302 | 11 | 4,227,604 | 14 | 4,999,105 | 17 |
| | **Non-current Assets:** | | | | | | | | |
| 1550 | Investments using the equity method (Note 6(4) ) | 25,177 | - | 27,636 | - | 35,894 | - | 36,634 | - |
| 1600 | Property, Plants and Equipment (Note 6(5) and 8) | 6,042,333 | 25 | 6,324,548 | 25 | 6,643,300 | 23 | 6,733,070 | 23 |
| 1755 | Right of use asset (Note 6(6) and 8) | 10,681,998 | 42 | 11,079,963 | 43 | 12,162,076 | 44 | 12,440,063 | 42 |
| 1780 | Intangible Assets (Note 6(7) ) | 1,890,520 | 8 | 1,918,886 | 8 | 1,905,157 | 7 | 1,849,497 | 6 |
| 1840 | Deferred Tax Assets (Note 6(14) ) | 2,540,492 | 11 | 2,785,521 | 11 | 3,152,188 | 11 | 3,225,179 | 11 |
| 1980 | Other Financial Assets – Non-current (Note 6(8), 7 and 8) | 699,507 | 3 | 206,909 | 1 | 234,581 | 1 | 216,039 | 1 |
| 1990 | Other Non-current Assets (Note 6(4), (15) and 7) | 199,349 | 1 | 207,382 | 1 | 140,124 | - | 141,093 | - |
| | | 22,079,376 | 90 | 22,550,845 | 89 | 24,273,320 | 86 | 24,641,575 | 83 |
| | **Total Assets** | **$ 24,190,363** | **100** | **25,381,147** | **100** | **28,500,924** | **100** | **29,640,680** | **100** |

**GRAND OCEAN RETAIL GROUP LTD. and Relational Subsidiaries**

**Consolidated Balance Sheet**

**June 30, 2023, December 31, 2022, June 30, 2022, and January 1, 2022**

**(Expressed in Thousands of New Taiwan Dollars)**

| | | June 30, 2023 | | December 31, 2022 (revised) | | June 30, 2022 (revised) | | January 1, 2022 (revised) | |
|---|---|---|---|---|---|---|---|---|---|
| | **Liabilities and Equity** | **Amount** | **%** | **Amount** | **%** | **Amount** | **%** | **Amount** | **%** |
| | **Current Liabilities:** | | | | | | | | |
| 2100 | Short-term Loans (Note 6(9) ) | $ 2,136,851 | 9 | 1,816,945 | 7 | 2,341,046 | 8 | 2,540,031 | 9 |
| 2171 | Accounts Payable (Note 6(11) ) | 994,415 | 4 | 961,085 | 4 | 1,419,652 | 5 | 2,005,631 | 7 |
| 2219 | Other Payables (Note 6(5), (11), (19), 7 and 9) | 1,209,035 | 5 | 1,019,481 | 4 | 1,065,160 | 4 | 875,611 | 3 |
| 2230 | Current Tax Liabilities | 39,948 | - | 38,410 | - | 37,829 | - | 54,514 | - |
| 2280 | Current lease liabilities(Note 6(l2), 7 and 9) | 701,438 | 3 | 943,549 | 4 | 1,182,223 | 4 | 832,236 | 3 |
| 2322 | Current portion of long-term borrowings (Note 6(10) ) | 368,696 | 2 | 413,260 | 2 | 544,436 | 2 | 907,627 | 3 |
| 2399 | Other current liabilities | 10,009 | - | 10,247 | - | 10,304 | - | 10,081 | - |
| | | 5,460,392 | 23 | 5,202,977 | 21 | 6,600,650 | 23 | 7,225,731 | 25 |
| | **Non-current Liabilities:** | | | | | | | | |
| 2541 | Long-term Loans of Bank (Note 6(10) ) | 1,136,106 | 5 | 1,212,240 | 5 | 519,628 | 2 | 523,548 | 2 |
| 2570 | Deferred Tax Liabilities (Note 6(14) ) | 1,975,880 | 8 | 2,092,260 | 8 | 2,330,383 | 8 | 2,414,006 | 8 |
| 2580 | Non-Current lease liabilities(Note 6(l2), 7 and 9) | 8,419,723 | 35 | 9,039,555 | 36 | 10,459,651 | 37 | 10,767,895 | 35 |
| 2645 | Deposit Received | 553,014 | 2 | 578,868 | 2 | 666,818 | 2 | 670,699 | 2 |
| | | 12,084,723 | 50 | 12,922,923 | 51 | 13,976,480 | 49 | 14,376,148 | 47 |
| | **Total Liabilities:** | 17,545,115 | 73 | 18,125,900 | 72 | 20,577,130 | 72 | 21,601,879 | 72 |
| | **Equity of Owner of Parent Company (Note 6(15) ):** | | | | | | | | |
| 3100 | Share Capital | 1,955,310 | 8 | 1,955,310 | 8 | 1,955,310 | 7 | 1,955,310 | 7 |
| 3200 | Additional Paid-in Capital | 5,075,485 | 21 | 5,075,485 | 20 | 5,075,173 | 18 | 5,066,363 | 17 |
| 3310 | Legal Reserve | 580,244 | 2 | 580,244 | 2 | 580,244 | 2 | 580,244 | 2 |
| 3320 | Appropriated Retained Earnings | 596,629 | 3 | 992,592 | 4 | 992,592 | 3 | 956,578 | 3 |
| 3350 | Retained Earnings | (411,596) | (2) | (395,963) | (2) | 202,369 | 1 | 472,898 | 2 |
| 3400 | Other Equity | (1,150,824) | (5) | (952,421) | (4) | (881,894) | (3) | (992,592) | (3) |
| | **Total Equity** | 6,645,248 | 27 | 7,255,247 | 28 | 7,923,794 | 28 | 8,038,801 | 28 |
| | **Total Liabilities and Equity** | **$ 24,190,363** | **100** | **25,381,147** | **100** | **28,500,924** | **100** | **29,640,680** | **100** |

**See accompanying notes to consolidated financial statements.**

**GRAND OCEAN RETAIL GROUP LTD. and Relational Subsidiaries**

**Consolidated Balance Sheet**

**June 30, 2023, December 31, 2022, June 30, 2022, and January 1, 2022**

**(Expressed in Thousands of Chinese Yuan Renminbi)**

| | | June 30, 2023 | | December 31, 2022 (revised) | | June 30, 2022 (revised) | | January 1, 2022 (revised) | |
|---|---|---|---|---|---|---|---|---|---|
| | **Assets** | **Amount** | **%** | **Amount** | **%** | **Amount** | **%** | **Amount** | **%** |
| | **Current Assets:** | | | | | | | | |
| 1100 | Cash and Cash Equivalents | $ 255,916 | 5 | 371,933 | 6 | 674,076 | 10 | 812,449 | 12 |
| 1110 | Financial Assets Measured at Fair Value through Profit or Loss – Current | 2,693 | - | 15,434 | - | 15,177 | - | 16,009 | - |
| 1170 | Accounts Receivable of Net Amount | 43,911 | 1 | 57,749 | 1 | 56,860 | 1 | 43,566 | 1 |
| 1200 | Other Receivables | 14,917 | - | 37,581 | 1 | 75,837 | 1 | 131,047 | 2 |
| 1300 | Inventories – Merchandising Business | 42,075 | 1 | 49,525 | 1 | 47,660 | 1 | 53,730 | 1 |
| 1410 | Pre-payments | 101,296 | 2 | 95,294 | 2 | 74,778 | 1 | 84,202 | 1 |
| 1476 | Other Financial Assets – Current | 29,189 | 1 | 14,567 | - | 10,615 | - | 10,887 | - |
| | | 489,997 | 10 | 642,083 | 11 | 955,003 | 14 | 1,151,890 | 17 |
| | **Non-current Assets:** | | | | | | | | |
| 1550 | Investments using the equity method | 5,844 | - | 6,270 | - | 8,108 | - | 8,441 | - |
| 1600 | Property, Plants and Equipment | 1,402,528 | 23 | 1,434,786 | 25 | 1,500,702 | 23 | 1,551,429 | 23 |
| 1755 | Right of use asset | 2,479,473 | 44 | 2,513,600 | 43 | 2,747,376 | 44 | 2,866,430 | 42 |
| 1780 | Intangible Assets | 438,822 | 8 | 435,318 | 8 | 430,369 | 7 | 426,159 | 6 |
| 1840 | Deferred Tax Assets | 589,691 | 11 | 631,923 | 11 | 712,070 | 11 | 743,143 | 11 |
| 1980 | Other Financial Assets – Non-current | 162,367 | 3 | 46,939 | 1 | 52,991 | 1 | 49,780 | 1 |
| 1990 | Other Non-current Assets | 46,272 | 1 | 47,047 | 1 | 31,654 | - | 32,511 | - |
| | | 5,124,997 | 90 | 5,115,883 | 89 | 5,483,270 | 86 | 5,677,893 | 83 |
| | **Total Assets** | **$ 5,614,994** | **100** | **5,757,966** | **100** | **6,438,273** | **100** | **6,829,783** | **100** |

**GRAND OCEAN RETAIL GROUP LTD. and Relational Subsidiaries**

**Consolidated Balance Sheet**

**June 30, 2023, December 31, 2022, June 30, 2022, and January 1, 2022**

**(Expressed in Thousands of Chinese Yuan Renminbi)**

| | | June 30, 2023 | | December 31, 2022 (revised) | | June 30, 2022 (revised) | | January 1, 2022 (revised) | |
|---|---|---|---|---|---|---|---|---|---|
| | **Liabilities and Equity** | **Amount** | **%** | **Amount** | **%** | **Amount** | **%** | **Amount** | **%** |
| | **Current Liabilities:** | | | | | | | | |
| 2100 | Short-term Loans | $ 495,999 | 9 | 412,192 | 7 | 528,835 | 8 | 585,272 | 9 |
| 2171 | Accounts Payable | 230,821 | 4 | 218,032 | 4 | 320,695 | 5 | 462,136 | 7 |
| 2219 | Other Payables | 280,638 | 5 | 231,279 | 4 | 240,617 | 4 | 201,758 | 3 |
| 2230 | Current Tax Liabilities | 9,273 | - | 8,714 | - | 8,545 | - | 12,561 | - |
| 2280 | Current lease liabilities | 162,816 | 3 | 214,053 | 4 | 267,061 | 4 | 191,763 | 3 |
| 2322 | Current portion of long-term borrowings | 85,581 | 2 | 93,752 | 2 | 122,987 | 2 | 209,135 | 3 |
| 2399 | Other current liabilities | 2,323 | - | 2,325 | - | 2,328 | - | 2,323 | - |
| | | 1,267,451 | 23 | 1,180,347 | 21 | 1,491,068 | 23 | 1,664,948 | 25 |
| | **Non-current Liabilities:** | | | | | | | | |
| 2541 | Long-term Loans of Bank | 263,710 | 5 | 275,009 | 5 | 117,382 | 2 | 120,636 | 2 |
| 2570 | Deferred Tax Liabilities | 458,635 | 8 | 474,650 | 8 | 526,427 | 8 | 556,233 | 8 |
| 2580 | Non-Current lease liabilities | 1,954,360 | 35 | 2,050,713 | 36 | 2,362,804 | 37 | 2,481,130 | 36 |
| 2645 | Deposit Received | 128,364 | 2 | 131,322 | 2 | 150,632 | 2 | 154,542 | 2 |
| | | 2,805,069 | 50 | 2,931,694 | 50 | 3,157,245 | 49 | 3,312,541 | 48 |
| | **Total Liabilities:** | 4,072,520 | 73 | 4,112,041 | 71 | 4,648,313 | 72 | 4,977,489 | 73 |
| | **Equity of Owner of Parent Company:** | | | | | | | | |
| 3100 | Share Capital | 492,105 | 9 | 492,05 | 9 | 492,105 | 8 | 492,05 | 7 |
| 3200 | Capital surplus | 1,020,044 | 18 | 1,020,044 | 18 | 1,019,973 | 16 | 1,017,940 | 15 |
| 3310 | Legal Reserve | 121,053 | 2 | 121,053 | 2 | 121,053 | 2 | 121,053 | 2 |
| 3320 | Special Reserve | 129,560 | 2 | 221,735 | 4 | 221,735 | 3 | 213,635 | 3 |
| 3350 | Unappropriated earnings | (164,340) | (3) | (163,157) | (3) | (28,327) | - | 32,665 | - |
| 3400 | Other Equity | (55,948) | (1) | (45,855) | (1) | (36,579) | (1) | (25,104) | - |
| | **Total Equity** | 1,542,474 | 27 | 1,645,925 | 29 | 1,789,960 | 28 | 1,852,294 | 27 |
| | **Total Liabilities and Equity** | **$ 5,614,994** | **100** | **5,757,966** | **100** | **6,438,273** | **100** | **6,829,783** | **100** |

**See accompanying notes to consolidated financial statements.**

**GRAND OCEAN RETAIL GROUP LTd. and Relatinal Subsidiaries**

**Consolidated Income Statement**

**For the three months and six months ended June 30, 2023 and 2022**

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

| | | For the three months ended June 30 | | | | For the six months ended June 30 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | 2023 | | 2022 | | 2023 | | 2022 | |
| | | Amount | % | Amount | % | Amount | % | Amount | % |
| 4000 | **Operating Revenues (Note 6(17) and 7)** | $ 911,872 | 100 | 1,010,023 | 100 | 1,968,454 | 100 | 2,260,822 | 100 |
| 5000 | **Operating Costs** | 162,879 | 18 | 192,720 | 19 | 362,511 | 19 | 440,262 | 19 |
| | **Gross Profit** | 748,993 | 82 | 817,303 | 81 | 1,605,943 | 81 | 1,820,560 | 81 |
| 6000 | **Operating Expenses (Note 6(5), (6), (7), (12), (13), (18), 7 and 9)** | 807,661 | 90 | 802,339 | 79 | 1,543,108 | 80 | 1,712,639 | 76 |
| 6450 | **Expected credit loss (Reversal of impairment loss) (Note 6(3))** | 8,084 | 1 | (4,068) | (1) | 7,877 | - | (440) | - |
| | | 815,745 | 91 | 798,271 | 78 | 1,550,985 | 80 | 1,712,199 | 76 |
| | **Operating Income** | (66,752) | (9) | 19,032 | 3 | 54,958 | 1 | 108,361 | 5 |
| | **Non-operating Income and Expenses:** | | | | | | | | |
| 7100 | Total interest income (Note 6(19)) | 5,343 | 1 | 4,891 | - | 11,398 | 1 | 13,392 | 1 |
| 7010 | Other Revenues (Note 6(19)) | 310 | - | 4,885 | - | 13,042 | 1 | 5,785 | - |
| 7020 | Other Gains and Losses (Note 6(19)) | 86,938 | 10 | 35,878 | 4 | 120,368 | 6 | 61,914 | 3 |
| 7050 | Financial Costs (Note 6(l2), (19) and 7) | (177,626) | (19) | (181,937) | (18) | (344,183) | (17) | (354,934) | (16) |
| 7055 | Expected credit loss (Note 6(3) and (20)) | (99,772) | (11) | (7,543) | (1) | (99,772) | (5) | (7,543) | - |
| 7060 | Share of profit (loss) of associates and joint ventures accounted for using equity method, net (Note 6(4)) | (1,199) | - | (726) | - | (1,876) | - | (1,827) | - |
| | | (186,006) | (19) | (144,552) | (15) | (301,023) | (14) | (283,213) | (12) |
| 7900 | **Earnings before Tax** | (252,758) | (28) | (125,520) | (12) | (246,065) | (13) | (174,852) | (7) |
| 7950 | **Deduction: Income Tax Expenses (Note 6(14))** | 162,918 | 18 | 21,411 | 2 | 165,531 | 8 | 59,663 | 3 |
| | **Current Net Loss** | (415,676) | (46) | (146,931) | (7) | (411,596) | (21) | (234,515) | (10) |
| 8300 | **Other Comprehensive Income:** | | | | | | | | |
| 8360 | **Items that may be Re-classified Subsequently to Profit or Loss** (Note 6(4) and (15)) | | | | | | | | |
| 8361 | Exchange Difference on Translation of Foreign Operations | (248,818) | (27) | (203,262) | 25 | (197,820) | (10) | 109,611 | 5 |
| 8370 | Share of other comprehensive income of associates accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss | (721) | - | (1,219) | - | (583) | - | 1,087 | - |
| 8399 | Income tax related to components of other comprehensive income that will be reclassified to profit or loss | - | - | - | - | - | - | - | - |
| | **Sum of Items that may be Re-classified Subsequently to Profit or Loss** | (249,539) | (27) | (204,481) | 25 | (198,403) | (10) | 110,698 | 5 |
| 8300 | **Other comprehensive income (loss)** | (249,539) | (27) | (204,481) | 25 | (198,403) | (10) | 110,698 | 5 |
| | **Comprehensive income** | $ (665,215) | (73) | (351,412) | 18 | (609,999) | (31) | (123,817) | (5) |
| | **Net loss, attributable to:** | | | | | | | | |
| 8610 | Owners of parent | $ (415,676) | (46) | (146,931) | (7) | (411,596) | (21) | (234,515) | (10) |
| | **Comprehensive income (loss) attributable to:** | | | | | | | | |
| 8710 | Owners of parent | $ (665,215) | (73) | (351,412) | 18 | (609,999) | (31) | (123,817) | (5) |
| | **Earnings (loss) per Share (Note 6(16))** | | | | | | | | |
| 9750 | Basic earnings (loss) per share (NT dollars) | $ (2.13) | | (0.75) | | (2.11) | | (1.20) | |

**See accompanying notes to consolidated financial statements.**

**GRAND OCEAN RETAIL GROUP LTD. and Relational Subsidiaries**

**Consolidated Income Statement**

**For the three months and six months ended June 30, 2023 and 2022**

**(Expressed in Thousands of Chinese Yuan Renminbi, Except for Earnings Per Share)**

| | | For the three months ended June 30 | | | | For the six months ended June 30 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | 2023 | | 2022 | | 2023 | | 2022 | |
| | | Amount | % | Amount | % | Amount | % | Amount | % |
| 4000 | **Operating Revenues** | $ 208,425 | 100 | 226,359 | 100 | 446,483 | 100 | 509,898 | 100 |
| 5000 | **Operating Costs** | 37,245 | 18 | 43,181 | 19 | 82,224 | 19 | 99,295 | 19 |
| | **Gross Profit** | 171,180 | 82 | 183,178 | 81 | 364,259 | 81 | 410,603 | 81 |
| 6000 | **Operating Expenses** | 184,303 | 88 | 179,910 | 79 | 350,006 | 80 | 386,263 | 76 |
| 6450 | **Expected credit loss (Reversal of impairment loss)** | 1,834 | 1 | (921) | (1) | 1,787 | - | (99) | - |
| | | 186,137 | 89 | 178,989 | 78 | 351,793 | 80 | 386,164 | 76 |
| | **Operating Income** | (14,957) | (7) | 4,189 | 3 | 12,466 | 1 | 24,439 | 5 |
| | **Non-operating Income and Expenses:** | | | | | | | | |
| 7100 | Total interest income | 1,221 | 1 | 1,093 | - | 2,585 | 1 | 3,020 | 1 |
| 7010 | Other Revenues | 89 | - | 1,101 | - | 2,958 | 1 | 1,305 | - |
| 7020 | Other Gains and Losses | 19,771 | 9 | 8,062 | 4 | 27,302 | 6 | 13,964 | 3 |
| 7050 | Financial Costs | (40,540) | (19) | (40,835) | (18) | (78,067) | (17) | (80,051) | (16) |
| 7055 | Expected credit loss | (22,630) | (11) | (1,701) | (1) | (22,630) | (5) | (1,701) | - |
| 7060 | Share of profit (loss) of associates and joint ventures accounted for using equity method, net | (274) | - | (162) | - | (426) | - | (412) | - |
| | | (42,363) | (20) | (32,442) | (15) | (68,278) | (14) | (63,875) | (12) |
| 7900 | **Earnings before Tax** | (57,320) | (27) | (28,253) | (12) | (55,812) | (13) | (39,436) | (7) |
| 7950 | **Deduction: Income Tax Expenses** | 36,957 | 18 | 4,785 | 2 | 37,546 | 8 | 13,456 | 3 |
| | **Current Net Loss** | (94,277) | (45) | (33,038) | (14) | (93,358) | (21) | (52,892) | (10) |
| 8300 | **Other Comprehensive Income:** | | | | | | | | |
| 8360 | **Items that may be Re-classified Subsequently to Profit or Loss** | | | | | | | | |
| 8361 | Exchange Difference on Translation of Foreign Operations | (13,555) | (7) | (12,482) | (6) | (10,093) | (2) | (11,554) | (2) |
| 8370 | Share of other comprehensive income of associates accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss | - | - | (123) | - | - | - | 79 | - |
| 8399 | Income tax related to components of other comprehensive income that will be reclassified to profit or loss | - | - | - | - | - | - | - | - |
| | **Sum of Items that may be Re-classified Subsequently to Profit or Loss** | (13,555) | (7) | (12,605) | (6) | (10,093) | (2) | (11,475) | (2) |
| 8300 | **Other comprehensive income (loss)** | (13,555) | (7) | (12,605) | (6) | (10,093) | (2) | (11,475) | (2) |
| | **Comprehensive income** | $ (107,832) | (52) | (45,643) | (20) | (103,451) | (23) | (64,367) | (12) |
| | **Net loss, attributable to:** | | | | | | | | |
| 8610 | Owners of parent | $ (94,277) | (45) | (33,038) | (14) | (93,358) | (21) | (52,892) | (10) |
| | **Comprehensive income (loss) attributable to:** | | | | | | | | |
| 8710 | Owners of parent | $ (107,832) | (52) | (45,643) | (20) | (103,451) | (23) | (64,367) | (12) |
| | **Earnings (loss) per Share** | | | | | | | | |
| 9750 | Basic earnings (loss) per share (RMB) | $ (0.48) | | (0.17) | | (0.48) | | (0.27) | |

**See accompanying notes to consolidated financial statements.**

**GRAND OCEAN RETAIL GROUP LTD. and Relational Subsidiaries**
**Consolidated Statement of Changes in Shareholders' Equity**
**For the six months ended June 30, 2023 and 2022**
**(Expressed in Thousands of New Taiwan Dollars)**

| | Owner's Equity | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | Retained Earnings | | | | Other Equity | | |
| | Share Capital | Capital surplus | Legal Reserve | Special Reserve | Unappropriated Earnings | Sum | Exchange Differences on Translation of Foreign Operations | Attributed to Attributed to Parent Company Total Equity | Total Equity |
| **Balance at January 1, 2022** | $ 1,955,310 | 5,066,363 | 580,244 | 956,578 | 472,898 | 2,009,720 | (992,592) | 8,038,801 | 8,038,801 |
| Current Net Loss | - | - | - | - | (234,515) | (234,515) | - | (234,515) | (234,515) |
| Current Other Comprehensive Income | - | - | - | - | - | - | 110,698 | 110,698 | 110,698 |
| Current Total Comprehensive Income | - | - | - | - | (234,515) | (234,515) | 110,698 | (123,817) | (123,817) |
| Exercising the right of imputation | - | 8,810 | - | - | - | - | - | 8,810 | 8,810 |
| Appropriation and Distribution of Retained Earnings: | | | | | | | | | |
| Special reserve appropriated | - | - | - | 36,014 | (36,014) | - | - | - | - |
| **Balance at June 30, 2022** | **$ 1,955,310** | **5,075,173** | **580,244** | **992,592** | **202,369** | **1,775,205** | **(881,894)** | **7,923,794** | **7,923,794** |
| **Balance at January 1, 2023** | $ 1,955,310 | 5,075,485 | 580,244 | 992,592 | (395,963) | 1,176,873 | (952,421) | 7,255,247 | 7,255,247 |
| Current Net loss | - | - | - | - | (411,596) | (411,596) | - | (411,596) | (411,596) |
| Current Other Comprehensive Income | - | - | - | - | - | - | (198,403) | (198,403) | (198,403) |
| Current Total Comprehensive Income | - | - | - | - | (411,596) | (411,596) | (198,403) | (609,999) | (609,999) |
| Appropriation and Distribution of Retained Earnings: | | | | | | | | | |
| Reversal of special reserve | - | - | - | (40,171) | 40,171 | - | - | - | - |
| Special reserve used to cover accumulated deficits | - | - | - | (355,792) | 355,792 | - | - | - | - |
| **Balance at June 30, 2023** | **$ 1,955,310** | **5,075,485** | **580,244** | **596,629** | **(411,596)** | **765,277** | **(1,150,824)** | **6,645,248** | **6,645,248** |

**See accompanying notes to consolidated financial statements.**

**GRAND OCEAN RETAIL GROUP LTD. and Relational Subsidiaries**
**Consolidated Statement of Changes in Shareholders' Equity**
**For the six months ended June 30, 2023 and 2022**
**(Expressed in Thousands of Chinese Yuan Renminbi)**

| | Owner's Equity | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | Retained Earnings | | | | Other Equity | | |
| | Share Capital | Capital surplus | Legal Reserve | Special Reserve | Unappropriated Earnings | Sum | Exchange Differences on Translation of Foreign Operations | Attributed to Attributed to Parent Company Total Equity | Total Equity |
| **Balance at January 1, 2022** | $ 492,105 | 1,017,940 | 121,053 | 213,635 | 32,665 | 367,353 | (25,104) | 1,852,294 | 1,852,294 |
| Current Net Loss | - | - | - | - | (52,892) | (52,892) | - | (52,892) | (52,892) |
| Current Other Comprehensive Income | - | - | - | - | - | - | (11,475) | (11,475) | (11,475) |
| Current Total Comprehensive Income | - | - | - | - | (52,892) | (52,892) | (11,475) | (64,367) | (64,367) |
| Exercising the right of imputation | - | 2,033 | - | - | - | - | - | 2,033 | 2,033 |
| Appropriation and Distribution of Retained Earnings: | | | | | | | | | |
| Special reserve appropriated | - | - | - | 8,100 | (8,100) | - | - | - | - |
| **Balance at June 30, 2022** | **$ 492,105** | **1,019,973** | **121,053** | **221,735** | **(28,327)** | **314,461** | **(36,579)** | **1,789,960** | **1,789,960** |
| **Balance at January 1, 2023** | $ 492,105 | 1,020,044 | 121,053 | 221,735 | (163,157) | 179,631 | (45,855) | 1,645,925 | 1,645,925 |
| Current Net loss | - | - | - | - | (93,358) | (93,358) | - | (93,358) | (93,358) |
| Current Other Comprehensive Income | - | - | - | - | - | - | (10,093) | (10,093) | (10,093) |
| Current Total Comprehensive Income | - | - | - | - | (93,358) | (93,358) | (10,093) | (103,451) | (103,451) |
| Appropriation and Distribution of Retained Earnings: | | | | | | | | | |
| Reversal of special reserve | - | - | - | (9,351) | 9,351 | - | - | - | - |
| Special reserve used to cover accumulated deficits | - | - | - | (82,824) | 82,824 | - | - | - | - |
| **Balance at June 30, 2023** | **$ 492,105** | **1,020,044** | **121,053** | **129,560** | **(164,340)** | **86,273** | **(55,948)** | **1,542,474** | **1,542,474** |

**See accompanying notes to consolidated financial statements.**

## GRAND OCEAN RETAIL GROUP LTD. and Relational Subsidiaries
## Consolidated Statement of Cash Flows
## For the six months ended June 30, 2023 and 2022
## (Expressed in Thousands of New Taiwan Dollars)

| | For the six months ended June 30 | |
|---|---|---|
| | **2023** | **2022** |
| **Cash Flows from Operating Activities** | | |
| **(Loss) profit before tax** | $ (246,065) | (174,852) |
| **Adjusting Events:** | | |
| Income and Expenses | | |
| Depreciation expense | 764,476 | 823,793 |
| Amortization expense | 1,608 | 2,292 |
| Expected credit loss | 107,649 | 7,103 |
| Net gain on financial assets or liabilities at fair value through profit or loss | (4,313) | (6,528) |
| Interest expense | 344,183 | 354,934 |
| Interest income | (11,398) | (13,392) |
| Dividend income | - | (2,686) |
| Share of profit (loss) of associates accounted for using equity method | 1,876 | 1,827 |
| Loss on disposal of property, plant and equipment | 215 | 135 |
| Impairment loss on non-financial assets | 59,030 | - |
| Lease modification benefits | (493,615) | - |
| Total adjustments to reconcile profit (loss) | 769,711 | 1,167,478 |
| Changes in operating assets and liabilities: | | |
| Changes in operating assets: | | |
| Financial assets and liabilities at fair value through profit | 60,626 | 13,701 |
| Accounts receivable | 53,131 | (58,503) |
| Other receivables | 7,219 | 37,099 |
| Inventories | 32,846 | 26,915 |
| Prepayments | (26,448) | 49,083 |
| Sum of Net Variance of Assets Concern Operating Activities | 127,374 | 68,295 |
| Changes in operating liabilities: | | |
| Accounts Payable | 56,383 | (627,130) |
| Other Payables | 294,758 | (54,517) |
| Other current liabilities | (9) | - |
| Sum of Net Variance of Liabilities Concern Operating Activities | 351,132 | (681,647) |
| Sum of Net Variance of Assets and Liabilities Concern Operating Activities | 478,506 | (613,352) |
| **Total adjustments** | 1,248,217 | 554,126 |
| Cash inflow generated from operations | 1,002,152 | 379,274 |
| Interest received | 4,189 | 11,618 |
| Dividend received | - | 2,686 |
| Interest paid | (343,700) | (354,125) |
| Income taxes paid | (47,892) | (81,337) |
| **Cash Inflow from Operating Activities** | 614,749 | (41,884) |

## GRAND OCEAN RETAIL GROUP LTD. and Relational Subsidiaries

## Consolidated Statement of Cash Flows

## For the six months ended June 30, 2023 and 2022

## (Expressed in Thousands of New Taiwan Dollars)

| | For the six months ended June 30 | |
|---|---|---|
| | **2023** | **2022** |
| **Cash flows from (used in) investing activities:** | | |
| Acquisition of investments using the equity method | (12,658) | - |
| Acquisition of property, plant and equipment | (220,721) | (66,590) |
| Proceeds from disposal of property, plant and equipment | 76 | 1,891 |
| Increase in refundable deposits | (56,046) | (8,205) |
| Decrease in other receivables | - | 201,742 |
| Acquisition of Intangible Assets | (1,163) | (95) |
| Increase in other financial assets | (516,989) | (4,616) |
| Decrease in other non-current assets | 16,663 | 3,878 |
| **Net cash flows used in investing activities** | (790,838) | 128,005 |
| **Cash flows from (used in) financing activities:** | | |
| (Decrease) Increase in Short-term Loans | 345,150 | (293,303) |
| Lease from Long-term Loans | 351,314 | 172,482 |
| Payments for Long-term Loans | (476,808) | (600,106) |
| Decrease in Deposit Received | (13,041) | (17,336) |
| Increase in Other payables | - | 235,438 |
| Payment of lease liabilities | (543,558) | (208,731) |
| Attribution right income | - | 8,810 |
| **Net cash flows used in financing activities** | (336,943) | (702,746) |
| **Effect of exchange rate changes on cash and cash equivalents** | (23,922) | 74,665 |
| **Net decrease in cash and cash equivalents** | (536,954) | (541,960) |
| **Cash and cash equivalents at beginning of period** | 1,639,484 | 3,525,958 |
| **Cash and cash equivalents at end of period** | $ 1,102,530 | 2,983,998 |

**See accompanying notes to consolidated financial statements.**

## GRAND OCEAN RETAIL GROUP LTD. and Relational Subsidiaries

### Consolidated Statement of Cash Flows

### For the six months ended June 30, 2023 and 2022

### (Expressed in Thousands of Chinese Yuan Renminbi)

| | For the six months ended June 30 | |
|---|---|---|
| | **2023** | **2022** |
| **Cash Flows from Operating Activities** | | |
| **(Loss) profit before tax** | $ (55,812) | (39,436) |
| **Adjusting Events:** | | |
| Income and Expenses | | |
| Depreciation expense | 173,398 | 185,795 |
| Amortization expense | 365 | 517 |
| Expected credit loss | 24,417 | 1,602 |
| Net gain on financial assets or liabilities at fair value through profit or loss | (979) | (1,472) |
| Interest expense | 78,067 | 80,051 |
| Interest income | (2,585) | (3,020) |
| Dividend income | - | (606) |
| Share of profit (loss) of associates accounted for using equity method | 426 | 412 |
| Loss on disposal of property, plant and equipment | 49 | 30 |
| Impairment loss on non-financial assets | 13,389 | - |
| Lease modification benefits | (111,961) | - |
| Total adjustments to reconcile profit (loss) | 174,586 | 263,309 |
| Changes in operating assets and liabilities: | | |
| Changes in operating assets: | | |
| Financial assets and liabilities at fair value through profit | 13,751 | 3,090 |
| Accounts receivable | 12,051 | (13,195) |
| Other receivables | 1,637 | 8,367 |
| Inventories | 7,450 | 6,070 |
| Prepayments | (5,999) | 11,070 |
| Sum of Net Variance of Assets Concern Operating Activities | 28,890 | 15,402 |
| Changes in operating liabilities: | | |
| Accounts Payable | 12,789 | (141,441) |
| Other Payables | 66,857 | (12,296) |
| Other current liabilities | (2) | - |
| Sum of Net Variance of Liabilities Concern Operating Activities | 79,644 | (153,737) |
| Sum of Net Variance of Assets and Liabilities Concern Operating Activities | 108,534 | (138,335) |
| **Total adjustments** | 283,120 | 124,974 |
| Cash inflow generated from operations | 227,308 | 85,538 |
| Interest received | 950 | 2,620 |
| Dividend received | - | 606 |
| Interest paid | (77,958) | (79,868) |
| Income taxes paid | (10,863) | (18,344) |
| **Cash Inflow from Operating Activities** | 139,437 | (9,448) |
| **Cash flows from (used in) investing activities:** | | |

## GRAND OCEAN RETAIL GROUP LTD. and Relational Subsidiaries

## Consolidated Statement of Cash Flows

## For the six months ended June 30, 2023 and 2022

## (Expressed in Thousands of Chinese Yuan Renminbi)

| | For the six months ended June 30 | |
|---|---|---|
| | **2023** | **2022** |
| Acquisition of investments using the equity method | (2,871) | - |
| Acquisition of property, plant and equipment | (50,064) | (15,018) |
| Proceeds from disposal of property, plant and equipment | 17 | 426 |
| Increase in refundable deposits | (12,712) | (1,851) |
| Decrease in other receivables | - | 45,500 |
| Acquisition of Intangible Assets | (264) | (21) |
| Increase in other financial assets | (117,263) | (1,041) |
| Decrease in other non-current assets | 3,779 | 875 |
| **Net cash flows used in investing activities** | (179,378) | 28,870 |
| **Cash flows from (used in) financing activities:** | | |
| (Decrease) Increase in Short-term Loans | 78,286 | (66,150) |
| Lease from Long-term Loans | 79,685 | 40,204 |
| Payments for Long-term Loans | (108,149) | (136,649) |
| Decrease in Deposit Received | (2,958) | (3,910) |
| Increase in Other payables | - | 53,100 |
| Payment of lease liabilities | (123,289) | (47,076) |
| Attribution right income | - | 2,033 |
| **Net cash flows used in financing activities** | (76,425) | (158,448) |
| **Effect of exchange rate changes on cash and cash equivalents** | 349 | 653 |
| **Net decrease in cash and cash equivalents** | (116,017) | (138,373) |
| **Cash and cash equivalents at beginning of period** | 371,933 | 812,449 |
| **Cash and cash equivalents at end of period** | **$ 255,916** | **674,076** |

**See accompanying notes to consolidated financial statements.**

## GRAND OCEAN RETAIL GROUP LTD. and Relational Subsidiaries

### Notes to the Consolidated Financial Statements

### For the six months ended June 30, 2023 and 2022

### (Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

1. **Company History**

   GRAND OCEAN RETAIL GROUP LTD. (the "Company") was founded in the Cayman Islands on Aug 23, 2006, and the organizational structure re-engineering of the company was executed in Oct 2007. Afterwards there were 160,000 thousand newly-issued shares from the company in exchange for 100% equity of REGAL OCEAN INTERNATIONAL LTD., making the company also acquire 100% equity of the Grand Ocean Department Store indirectly. After re-engineering, the company has become the parent company of the Grand Ocean Department Store Group. Shares of the company had been listed in Taiwan Stock Exchange since June 6, 2012. The consolidated financial statements of the company include equity of the associates by the company and its subsidiaries (the "Group"), as well as the consolidated company. Main business contents of the consolidated company are business management consulting and retail sales.

2. **Approval date and procedures of the consolidated financial statements:**

   These consolidated financial statements were approved and authorized for issuance by the Board of Directors on August 30, 2023.

3. **New standards, amendments and interpretations adopted:**

   (1) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

   The details of impact on the Group's adoption of the new amendments beginning January 1, 2023 are as follows:

   A. Amendment to International Accounting Standard No. 12 "Deferred Tax Related to Assets and Liabilities Arising from a Single Exchange"

   The amendment narrows the scope of recognition exemption such that when the initial recognition of a transaction generates taxable income equal to the temporary difference, the recognition exemption no longer applies. Instead, an equal amount of deferred tax assets and deferred tax liabilities should be recognized. The consolidated company estimates that the aforementioned amendment may result in an increase of deferred tax assets and deferred tax liabilities arising from differences in lease fiscal and tax treatment of NT$2,363,273 thousand, NT$2,291,099 thousand, and NT$2,035,972 thousand as of January 1, June 30, and December 31, 2022, respectively.

If the consolidated company follows the previous accounting policy for the second quarter of 2023, it would result in a decrease of NT$1,959,272 thousand in deferred tax assets and deferred tax liabilities as of June 30, 2023

B. Others

The following new amended standards also became effective on January 1, 2023, but did not have a significant impact on the consolidated financial statements.

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

The consolidated company has initially adopted the following new amendments, which do not have a significant impact on the consolidated financial statements, from May 23, 2023.

- Amendment to International Accounting Standard No. 12 "International Tax Reform - Pillar Two Model Rules".

(2) The impact of IFRS issued by the FSC but not yet effective

The consolidated company evaluates that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on the consolidated financial statements.

- Amendment to International Accounting Standard No. 1 "Classification of Liabilities as Current or Non-current".
- Amendment to International Accounting Standard No. 1 "Non-current Liabilities with Covenants".
- Amendment to International Accounting Standard No.7 and International Financial Reporting Standard No. 7 "Supplier Finance Arrangements".
- Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback".

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

The consolidated company expect that the following new and amended standards, which have not yet been endorsed, will not have a significant impact on the consolidated financial statements.

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”.
- IFRS 17 “Insurance Contracts” and Amendments to IFRS 17.
- Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 - Comparative Information".

4. **Summary of significant accounting policies:**

(1) Statement of compliance

This consolidated financial report has been prepared in accordance with the Securities Issuance Company Financial Reporting Standards (referred to as the "Reporting Standards") and International Accounting Standard No. 34 "Interim Financial Reporting" as approved and issued by the Financial Supervisory Commission (FSC). This consolidated financial report does not include the complete necessary information required to be disclosed in the annual consolidated financial report prepared in accordance with the International Financial Reporting Standards, Accounting Standards, Interpretations, and Interpretive Bulletins (referred to as "FSC-approved International Financial Reporting Standards") approved and issued by the FSC.

Apart from the following, the significant accounting policies adopted in this consolidated financial report are consistent with the 2022 annual consolidated financial report. For related information, please refer to Note 4 of the 2022 annual consolidated financial report.

(2) Basis of consolidation

A. Subsidiary Listed in Consolidated Financial Statements

All the shareholding ratios of other subsidiaries listed in the consolidated financial statements are 100%, which are listed as follows:

| | | | **Percentage of holding shares (%)** | | | |
|---|---|---|---|---|---|---|
| **Name of Investor** | **Name of Subsidiary** | **Principal activity** | **June 30, 2023** | **December 31, 2022** | **June 30, 2022** | **Note** |
| GRAND OCEAN RETAIL GROUP LTD. | GRAND CITI LTD. | Investment holding company | 100.00% | 100.00% | 100.00% | The company directly (indirectly) holds more than 50% of its subsidiaries |
| GRAND CITI LTD. | Grand Ocean Classic Commercial Group Co., Ltd | Trading of cosmetics, furnishings, etc. | 100.00% | 100.00% | 100.00% | The company directly (indirectly) holds more than 50% of its subsidiaries |
| Grand Ocean Classic Commercial Group Co., Ltd | Nanjing Grand Ocean Classic Commercial Limited | Trading of cosmetics, furnishings, etc. | 100.00% | 100.00% | 100.00% | The company directly (indirectly) holds more than 50% of its subsidiaries |
| Grand Ocean Classic Commercial Group Co., Ltd | Fuzhou Grand Ocean Commercial Limited | Trading of cosmetics, furnishings, etc. | 100.00% | 100.00% | 100.00% | The company directly (indirectly) holds more than 50% of its subsidiaries |
| Grand Ocean Classic Commercial Group Co., Ltd | Quanzhou Grand Ocean Commercial Limited | Trading of cosmetics, furnishings, etc. | 100.00% | 100.00% | 100.00% | The company directly (indirectly) holds more than 50% of its subsidiaries |
| Grand Ocean Classic | Shanghai Jingxuan | Management consulting | 100.00% | 100.00% | 100.00% | The company directly (indirectly) holds more |

| Name of Investor | Name of Subsidiary | Principal activity | Percentage of holding shares (%) June 30, 2023 | December 31, 2022 | June 30, 2022 | Note |
|---|---|---|---|---|---|---|
| Commercial Group Co., Ltd | Business Administration Limited | business, and trading of cosmetics, furnishings, etc. | | | | than 50% of its subsidiaries |
| Grand Ocean Classic Commercial Group Co., Ltd | Shanghai Grand Ocean Qianshu Commercial Management Co., Ltd | Management consulting business, and trading of cosmetics, furnishings, etc. | 100.00% | 100.00% | 100.00% | The company directly (indirectly) holds more than 50% of its subsidiaries |
| Quanzhou Grand Ocean Commerce Limited | Wuhan Grand Ocean Classic Commercial Development Limited | Trading of cosmetics, furnishings, etc. | 30.00% | 30.00% | 30.00% | The company directly (indirectly) holds more than 50% of its subsidiaries |
| Nanjing Grand Ocean Classic Commerce Limited | Hefei Grand Ocean Classic Commercial Development Limited | Trading of cosmetics, furnishings, etc. | 100.00% | 100.00% | 100.00% | The company directly (indirectly) holds more than 50% of its subsidiaries |
| Fuzhou Grand Ocean Commerce Limited | Fuzhou Grand Ocean Classic Commerce Limited | Trading of cosmetics, furnishings, etc. | 100.00% | 100.00% | 100.00% | The company directly (indirectly) holds more than 50% of its subsidiaries |
| Fuzhou Grand Ocean Commerce Limited | Wuhan Grand Ocean Classic Commercial Development Limited | Trading of cosmetics, furnishings, etc. | 70.00% | 70.00% | 70.00% | The company directly (indirectly) holds more than 50% of its subsidiaries |
| Fuzhou Grand Ocean Commerce Limited | Fuzhou Jiaruixing Business Administration Limited | Management consulting business, and trading of cosmetics, furnishings, etc. | 100.00% | 100.00% | 100.00% | The company directly (indirectly) holds more than 50% of its subsidiaries |
| Wuhan Grand Ocean Classic Commercial Development Limited | Wuhan Optics Valley Grand Ocean Commercial Development Limited | Trading of cosmetics, furnishings, etc. | 100.00% | 100.00% | 100.00% | The company directly (indirectly) holds more than 50% of its subsidiaries |
| Wuhan Grand Ocean Classic Commercial Development Limited | Chongqing Optics Valley Grand Ocean Commercial Development Limited | Trading of cosmetics, furnishings, etc. | 35.30% | 35.30% | 35.30% | The company directly (indirectly) holds more than 50% of its subsidiaries and it also closed of business in October 31 2022, and in process of liquidation. |
| Wuhan Grand Ocean Classic Commercial Development | Wuhan Hanyang Grand Ocean Classic Commercial | Trading of cosmetics, furnishings, etc. | 50% | 50% | 50.00% | The company directly (indirectly) holds more than 50% of its subsidiaries and it also closed of business in |

| Name of Investor | Name of Subsidiary | Principal activity | Percentage of holding shares (%) June 30, 2023 | December 31, 2022 | June 30, 2022 | Note |
|---|---|---|---|---|---|---|
| Limited | Limited | | | | | August 31 2023, and in process of liquidation. |
| Wuhan Grand Ocean Classic Commercial Development Limited | Hengyang Grand Ocean Commercial Development Limited | Trading of cosmetics, furnishings, etc. | 100.00% | 100.00% | 100.00% | The company directly (indirectly) holds more than 50% of its subsidiaries |
| Wuhan Grand Ocean Classic Commercial Development Limited | Shiyan Grand Ocean Commerce Limited | Trading of cosmetics, furnishings, etc. | 100.00% | 100.00% | 100.00% | The company directly (indirectly) holds more than 50% of its subsidiaries |
| Wuhan Grand Ocean Classic Commercial Development Limited | Chongqing Optics Valley Grand Ocean Commercial Development Limited | Trading of cosmetics, furnishings, etc. | 64.70% | 64.70% | 64.70% | The company directly (indirectly) holds more than 50% of its subsidiaries and it also closed of business in Octorber 31 2022, and in process of liquidation. |
| Wuhan Optics Valley Grand Ocean Commercial Development Limited | Wuhan Hanyang Grand Ocean Classic Commercial Limited | Trading of cosmetics, furnishings, etc. | 50% | 50% | 50.00% | The company directly (indirectly) holds more than 50% of its subsidiaries and it also closed of business in August 31 2023, and in process of liquidation. |
| Wuhan Optics Valley Grand Ocean Commercial Development Limited | Yichang Grand Ocean Commerce Limited | Trading of cosmetics, furnishings, etc. | 99% | 99% | 99.00% | The company directly (indirectly) holds more than 50% of its subsidiaries |
| Wuhan Hanyang Grand Ocean Classic Commercial Ltd | Yichang Grand Ocean Commerce Limited | Trading of cosmetics, furnishings, etc. | 1.00% | 1.00% | 1.00% | The company directly (indirectly) holds more than 50% of its subsidiaries |

B. Subsidiaries excluded from the consolidated financial statements: None.

(3) Government subsidies

When the consolidated company is eligible to receive relevant government subsidies, it recognizes such subsidies, which are not subject to conditions, as other income. For other subsidies related to assets, the consolidated company recognizes them at fair value as deferred income when it can reasonably assure compliance with the conditions attached to the government subsidies and expects to receive the subsidies. The deferred income is then recognized as other income over the useful life of the asset on a systematic basis. Government subsidies compensating the consolidated company for expenses or losses incurred are recognized in the income statement on a systematic basis consistent with the related expenses.

(4) Income taxes

The consolidated company measures and discloses income tax expense for the interim period in accordance with Paragraph B12 of International Accounting Standard No. 34 "Interim Financial Reporting."

Income tax expense is measured by multiplying the pre-tax income for the interim reporting period by the management's best estimate of the effective tax rate for the full year. The current income tax expense and deferred income tax expense are then allocated based on the ratio of the estimated current and deferred income tax expenses for the full year.

Income tax expense that is directly recognized in equity items or in comprehensive income is measured based on the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, using the applicable tax rate expected to be realized or settled upon realization or settlement.

5. **Significant accounting assumptions and judgments, and major sources of estimation uncertainty:**

In the preparation of this consolidated financial report, management has exercised judgment, made estimates, and adopted assumptions in accordance with the applicable accounting standards and International Accounting Standard No. 34 "Interim Financial Reporting" recognized by the Financial Supervisory Commission. These judgments, estimates, and assumptions may have an impact on the adoption of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

In the preparation of the consolidated financial report, management's significant judgments and key sources of estimation uncertainty in adopting the accounting policies of the consolidated company are consistent with Note 5 of the 2022 consolidated financial report.

6. **Explanation of significant accounts:**

Apart from the following, the explanations of significant accounting items in this consolidated financial report are not materially different from the 2022 consolidated financial report. Please refer to Note 6 of the 2022 consolidated financial report for relevant information.

(1) Cash and cash equivalents

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|---|---|---|---|
| Vault Cash and Petty Cash | $ 7,116 | $ 9,144 | 9,540 |
| Demand Deposit | 1,095,414 | 1,308,556 | 2,850,508 |
| Time deposits | - | 321,784 | 123,950 |
| Total | $ 1,102,530 | 1,639,484 | 2,983,998 |

Please refer to note 6(20) for the sensitivity analysis and interest rate risk.

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

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|---|---|---|---|
| Mandatorily measured at fair value through profit or loss: – Current: | | | |
| Open-end Funds | $ 11,601 | 10,852 | 10,820 |
| Shares of stock of listed companies | - | 57,181 | 56,365 |
| Total | **$ 11,601** | **68,033** | **67,185** |

A. Please refer to note 6(20) for disclosure of credit risk and market risk of all financial instruments mentioned above.

B. The financial assets mentioned above had not been pledged as collateral.

C. For gain or loss on financial assets or liabilities at fair value through profit or loss, please refer to note 6(19).

(3) Account receivables and other receivables

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|---|---|---|---|
| Accounts Receivable | $ 226,804 | 285,226 | 264,486 |
| Allowance for impairment | (37,627) | (30,669) | (12,779) |
| | 189,177 | 254,557 | 251,707 |
| Other Receivables - Current： | | | |
| Other Receivables - Investment Funds | 262,799 | 268,888 | 270,035 |
| Other Receivables – Lease deposit | 61,398 | 62,820 | 63,531 |
| Other Receivables – Others | 33,564 | 34,492 | 61,463 |
| Deduction: Impairment Loss Allowance | (293,498) | (200,544) | (59,313) |
| Subtotal | 64,263 | 165,656 | 335,716 |
| **Total** | **$ 253,440** | **420,213** | **587,423** |

A. The Group’s main trade receivables from retail department in China are credit card payments collected from banks, with an average credit period of 2 to 3 days, wherein there is no concern about the collectability. In addition, the retail business department in China which is classified as leasing was effected by COVID-19 pandemic. Therefore, partial receivables was deferred, so the simplified method is used to estimate the expected credit loss for the leased accounts receivable, the expected credit loss during the lifetime is used to measure. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information.

The details of the accounts receivable of the merged company entering the mediation process or the amount involved in the lawsuit are as follows, and the losses are listed based on the court's first-instance judgment.

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|---|---|---|---|
| Amount involved in mediation or litigation | $ 19,287 | 18,589 | 22,961 |
| Deduction: Expected loss | (19,287) | (18,589) | (1,460) |
| Subtotal | $ - | - | 21,501 |

The expected credit loss analysis of the remaining accounts receivable of the consolidated company is as follows：

| | June 30, 2023 | | |
|---|---|---|---|
| | Gross carrying amount | Weighted-average loss rate | Loss allowance provision |
| Not overdue | $ 164,515 | 0% | - |
| 1 to 90 days past due | 17,183 | 0% | - |
| 91 to 180 days past due | 4,764 | 0%~12% | 584 |
| 181 to 270 days past due | 6,942 | 52% | 3,643 |
| 271 to 365 days past due | 5,015 | 100% | 5,015 |
| More than 365 days past due | 9,098 | 100% | 9,098 |
| | $ 207,517 | | 18,340 |

| | December 31, 2022 | | |
|---|---|---|---|
| | Gross carrying amount | Weighted-average loss rate | Loss allowance provision |
| Not overdue | $ 215,910 | 0% | - |
| 1 to 90 days past due | 33,486 | 0% | - |
| 91 to 180 days past due | 6,165 | 0%~25% | 1,549 |
| 181 to 270 days past due | 1,002 | 45% | 457 |
| 271 to 365 days past due | 2,671 | 100% | 2,671 |
| More than 365 days past due | 7,403 | 100% | 7,403 |
| | $ 266,637 | | 12,080 |

| | June 30, 2022 | | | |
|---|---|---|---|---|
| | Gross carrying amount | | Weighted-average loss rate | Loss allowance provision |
| Not overdue | $ | 215,797 | 0% | - |
| 1 to 90 days past due | | 10,191 | 0% | - |
| 91 to 180 days past due | | 4,494 | 8% | 485 |
| 181 to 270 days past due | | 259 | 59% | 152 |
| 271 to 365 days past due | | 1,080 | 91% | 978 |
| More than 365 days past due | | 9,704 | 100% | 9,704 |
| | $ | 241,525 | | 11,319 |

B. Changes in the provision for losses on accounts receivable of the consolidated company are as follows:

| | For the six months ended June 30 | | |
|---|---|---|---|
| | 2023 | | 2022 |
| Opening Balance | $ | 30,669 | 13,266 |
| Impairment loss recognized | | 7,877 | (440) |
| Amount written off | | (46) | (314) |
| Exchange rate impact number | | (873) | 267 |
| Ending balance | $ | 37,627 | 12,779 |

C. Other receivables–others are the advance payment in accordance with the promotions held by retail business department and venders. Since the Group and the vendors are in a long-term business relationship, the Group has considered historical experience and believed that they were less doubtful of the recoverability of these receivables. The Group assessed the aforesaid other receivables as the financial assets with low credit risk and measured loss allowances at an amount as 12-month expected credit loss. Please refer to Note 6(20) for the remaining credit risk information.

D. Since the rental agreement of, Xiangtan Grand Ocean Department Store Co., Ltd. (Xiangtan) one of the Group's subsidiaries, have reached its maturity in December 2018, the Group ceased Xiangtan's business operation, wherein a security deposit amounting to CNY 15,000 thousand is expected to be received. Xiangtan had already returned the property to its owner, Xiangyuan Industrial Development Co., Ltd. (Xiangyuan), but failed to receive the security deposit. In order to receive the payment and begin the liquidation process, Xiangtan filed a lawsuit against Xiangyuan. On July 1, 2019, the people's court ordered Xiangyuan to pay the amount of CNY 14,700 thousand to Xiangtan. However, Xiangyuan disagreed with the court's decision, therefore, filed an appeal on November 13, 2019, wherein it was denied on January 16, 2020. Furthermore, Xiangtan filed an appeal to the court to freeze the property of Xiangyuan, in which the court granted the approval do to so. After a thorough investigation by the court, it was found that Xiangyuan has enough property to pay for the security deposit, and the Group has collected the mandatory payment of NT$1,952 thousand (CNY 448 thousand). The consolidated company considered the impact of the recent economic situation on the department store business, and the uncertainty of the future development of the region was high. Based on conservative and sound principles, on June 30, 2023, December 31, 2022, and June 30, the respective lease security deposits of NT$61,398 thousand (CNY 14,252 thousand), NT$62,820 thousand (CNY 14,252 thousand), and NT$63,531 thousand (CNY 14,352 thousand) were recorded as provision for impairment losses of NT$30,699 thousand (CNY 7,126 thousand), NT$31,410 thousand ( CNY 7,126 thousand), and zero.

E. In 2012, the Group paid a guarantee deposit of CNY 124,000 thousand to Quanzhou Fengsheng Group to purchase the commercial real estate of the Fengsheng Junyuan Development Project developed by Fengsheng Group in Fengze District, Quanzhou. After assessing the investment value of the project, the Board of Directors of the Group resolved during the meeting in July 2015 to invest Quanzhou Fengan Real Estate Development Co., Ltd. (Fengan), and expected to obtain 100% equity of the company with a contractual amount of CNY 325,000 thousand. As of December 31, 2015, the Group had paid CNY 200,000 thousand, which was reported under the prepayment for investments. The management of the Group evaluated the uncertainty of the investment and thus terminated the investment. Therefore, the original prepayment for investments of CNY 200,000 thousand and other financial assets – current of CNY 124,000 thousand, were reclassified as other receivables as of June 30, 2016.

In addition, the Group reviewed the nature of other receivables and analyzed the current financial position of the counterparty. In order to secure the aforementioned debt, the Group had acquired pledge of stock rights of Fengan, and at the same time had obtained the debtor’s promise that other investment profits to be priority to repay the debt. The Group evaluated that the aforementioned debt should have no impairment concern. Because the debtor takes time to complete the relevant legal procedures of the disposition of investment, the Group and the debtor renegotiate the repayment period, which should be before April 30, 2017, before September 30, 2017, and before December 31, 2017. The total amount of repayment should be 10%, 40% and 50%, respectively. In case of violation of the agreement, the aforementioned collateral would be transferred to the Group for debt repayment. As of December 31, 2017, the Group had recovered CNY 162,000 thousand according to aforesaid agreement. On December 19, 2017, the Board of Directors of the Group resolved during the meeting on the Fengsheng Group’s extension of the repayment agreement, which extended remaining proceeds to June 30, 2018. Due to the delay of procedures of the disposition of investment, Fengsheng Group could not make the payments by the aforementioned date.

To ensure the recovery of the aforementioned creditor's rights and the development of Fengan’s property, on August 12, 2019, the Board of Directors resolved to sign a “Debt

Confirmation and Repayment Plan" with Damahua Investment Co., Ltd. (Damahua), Fengsheng and Fengan, stating that Damahua will provide financial support to Fengan for the development and construction of a real estate property to be sold to the market to ensure that the future sales proceeds will be used to repay for the aforementioned claims. Considering the development progress of Fengan's property, the credit recovery period will exceed one year; therefore, the related receivables reclassified to other non current receivables were recognized as other non- current financial assets. The Group evaluated that the aforementioned debt should have no impairment concern under the cash flow of pledge asset.

The Board of Directors resolved to sign a "Debt Preservation and Conditional Credit Transfer Agreement" and agree that the Group and Damahua to oversee the development and construction of Fengan's property to ensure that the future sales proceeds will be used to repay for the aforementioned claims. Damahua agreed that the credit transfer condition would be met under certain circumstances mentioned in transfer agreement, such as the construction couldn't resume as scheduled, the court auction is designated or the compulsory execution is enforced by judicial authority. The aforementioned "Debt Preservation and Conditional Credit Transfer Agreement" stated that the development project of the Fengan property must be restarted before June 30, 2020. The progress of approval was delayed because of COVID-19 pandemic. The Group has agreed to extend the start date to December 31, 2020.

On December 31, 2020, the aforementioned "Debt Preservation and Conditional Credit Transfer Agreement" has been reached, Damahua carried the aforementioned creditor's right. On February 9, 2021, the Group agreed to modify the original payment terms and timeline because of the impact of COVID-19 pandemic and the property policy in Quanzhou, which are force majeure. The details of payments are as follows:

(A) Damahua agrees to pay CNY 30,000 thousand before February 9, 2021.

(B) Damahua agrees to pay CNY 51,000 thousand before December 31, 2021.

(C) Damahua agrees to pay CNY 81,000 thousand before June 30, 2022.

(D) Under the premise of obtaining written consent of the Group, Damahua can transfer the title of properties located in Citong road to the Group, as the payment of debt.

Due to the force majeure factor of the COVID-19 epidemic, the society, various industries and the business of Damahua have been seriously affected. Damahua needs to retain part of the operating capital, and proposes to the Group to postpone the payment of the remaining receivables until June 30, 2023 and reaches an agreement in August 2022.The Group's original receivables from Damahua amounted to CNY 162,000 thousand, as of September 30, 2022, the accumulative amount of CNY 101,000 thousand has been paid, and the remaining CNY 61,000 thousand unpaid. The payment schedule is described as follows:

(A) Damahua agrees to pay CNY 16,000 thousand before December 31, 2022..

(B) Damahua agrees to pay CNY 16,000 thousand before March 31, 2023.

(C) Damahua agrees to pay CNY 29,000 thousand before June 30, 2023.

(D) If the above amount is not repaid by Damahua before the expiry of the deferred of the deferred repayment period, Damahua will unconditionally cooperate with the liquidation of the Quanzhou Citong Road Project, and the land disposal price of the Quanzhou Citong Road Project will be repaid to the Group in priority.

The Group has collected the payment of CNY 55,500 thousand in 2021. The Group has collected the payment of CNY 25,500 thousand and CNY 20,000 thousand in March and June, 2022. Damahua failed to pay CNY 29,000 thousand, CNY 16,000 thousand and CNY 16,000 thousand to the Group on June 30, 2023, March 31, 2023 and December 31, 2022, and the uncollected accounts receivable on June 30, 2023, December 31, 2022, and June 30, 2022 were respectively NT$262,799 thousand (CNY 61,000 thousand), NT$268,888 thousand (CNY 61,000 thousand) and NT$270,035 thousand (CNY 61,000 thousand). The Group considers that the aforementioned creditor's rights are caused by undertaking the Fengan land, and the Quanzhou Municipal Government has recently agreed that existing developers will adopt a cooperative approach to undertake the development and construction of the Fengan land plot, which will be implemented by the Fengze District Government, and is coordinating to promote Fengan land is under construction, so the Group intends to negotiate with Damahua for proceeds from subsequent project development in order to repay all creditor's rights of the Group.

Although the Group assessed that after the allocation of the disposal value of the Fengan land, Damahua should be able to repay the debts, based on the principle of conservativeness and prudence, the Group raised expectations for the overdue and soon due receivables of CNY 61,000 thousand Credit losses; as of June 30, 2023, December 31, 2022 and June 30, 2022, the amount of provision for losses was NT$262,799 thousand, NT$169,134 thousand and NT$59,313 thousand.

(4) Investments accounted for using equity method

For affiliated companies that adopt the equity method of the Group that are individually insignificant, their consolidated financial information is as follows, and such financial information is the amount included in the consolidated financial statements of the Group:

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|---|---|---|---|
| **End-of-period consolidated book value of interests in individual insignificant related companies** | **$ 25,177** | **27,636** | **35,894** |

| | | For the three months ended June 30 | | For the six months ended June 30 | |
|---|---|---|---|---|---|
| | | 2023 | 2022 | 2023 | 2022 |
| **Shares attributable to the merged company:** | | | | | |
| **Continuing business unit net loss for the period** | $ | (1,199) | (726) | (1,876) | (1,827) |
| **Other comprehensive income** | | (721) | (1,219) | (583) | 1,087 |
| **Total comprehensive profit and loss** | **$** | **(1,920)** | **(1,945)** | **(2,459)** | **(740)** |

A. Nanjing Grand Ocean Dongfadao Catering Co., Ltd.

(A) On May 6, 2021, the Group signed 5 year investment agreement with Shanghai Dongfadao Catering Management Co., Ltd. (hereinafter referred to as "Shanghai Dongfadao") at the amount of CNY 7,000 thousand, and jointly established Nanjing Grand Ocean Dongfadao Catering Co., Ltd. (hereinafter referred as Nanjing Dongfadao), wherein the Group will acquire 49% of the entire equity. As of June 30, 2023, the Group has invested the amount of NT$30,157 thousand (CNY 7,000 thousand).

(B) The share repurchase agreement of the investment agreement

a. If Shanghai Dongfadao requires to be listed, the share repurchase can be negotiated with the Group and the equity of Nanjing Dongfadao can be repurchased via written consent.

b. If the deficit of Nanjing Dongfadao continues to accumulate for six months or has reached the amount of CNY 5,000 thousand, the Group has the right to notify Shanghai Dongfadao to repurchase its shares unconditionally, at a price deemed as the difference between the total investment amount of the Group and the profit distribution obtained in previous period.

(C) Because Nanjing Dongfadao has been losing money for six consecutive months and has not distributed profits, the Group signed an equity repurchase and urban investment termination agreement with Shanghai Dongfadao on June 28, 2023. The total price of equity repurchase is NT$30,157 thousand (CNY 7,000 thousand). In July 2023, according to the agreement, part of the payment amounting to NT$9,489 thousand (CNY 2,160 thousand) will be collected successively, and the process of equity change is in progress.

B. The Group, on May 30, 2023, approved through a board meeting to participate in the cash capital increase of Sandmartin International Holdings Ltd., totaling 26,518 thousand shares. As of June 30, 2023, the prepaid investment amount is NT$12,658 thousand, which is listed as other non-current assets, and is currently undergoing the cash capital increase procedure.

(5) Property, Plant and Equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group were as follows:

| | Building | Transportation Device | Office Equipment | Lease Improvement | Construction in progress | Total |
|---|---|---|---|---|---|---|
| Cost or deemed cost: | | | | | | |
| Balance at January 1, 2023 | $ 4,659,195 | 17,782 | 245,395 | 6,988,913 | 65,802 | 11,977,087 |
| Additions | - | - | 8,016 | 8,806 | 127,561 | 144,383 |
| Current Re-classification | - | - | 958 | 142,938 | (143,896) | - |
| Disposal and Abandonment | - | (1,143) | (27,936) | (432,529) | - | (461,608) |
| Influenced by Fluctuation of Exchange Rates | (105,522) | (346) | (4,962) | (150,122) | (1,065) | (262,017) |
| Balance at June 30, 2023 | **$ 4,553,673** | **16,293** | **221,471** | **6,558,006** | **48,402** | **11,397,845** |
| Balance at January 1, 2022 | $ 4,587,224 | 22,862 | 227,844 | 6,741,692 | 31,595 | 11,611,217 |
| Additions | - | - | 1,951 | 22,512 | 30,613 | 55,076 |
| Current Re-classification | - | - | 3,127 | 15,141 | (18,268) | - |
| Disposal and Abandonment | - | (10,000) | (1,230) | (1,597) | - | (12,827) |
| Influenced by Fluctuation of Exchange Rates | 91,832 | 474 | 4,562 | 134,915 | 614 | 232,397 |
| Balance at June 30, 2022 | **$ 4,679,056** | **13,336** | **236,254** | **6,912,663** | **44,554** | **11,885,863** |
| Depreciation and Impairment Losses: | | | | | | |
| Balance at January 1, 2023 | $ 781,566 | 9,499 | 191,267 | 4,667,890 | 2,317 | 5,652,539 |
| Depreciation | 54,486 | 691 | 6,069 | 166,293 | - | 227,539 |
| Disposal and Abandonment | - | (1,143) | (27,645) | (432,529) | - | (461,317) |
| Impairment loss | - | 164 | 3,002 | 55,613 | - | 58,779 |
| Influenced by Fluctuation of Exchange Rates | (18,944) | (179) | (3,747) | (99,158) | - | (122,028) |
| Balance at June 30, 2023 | **$ 817,108** | **9,032** | **168,946** | **4,358,109** | **2,317** | **5,355,512** |
| Balance at January 1, 2022 | $ 662,225 | 17,495 | 174,350 | 4,023,563 | 514 | 4,878,147 |
| Depreciation | 54,796 | 256 | 6,735 | 216,191 | - | 277,978 |
| Disposal and Abandonment | - | (9,000) | (1,106) | (695) | - | (10,801) |
| Influenced by Fluctuation of Exchange Rates | 13,169 | 365 | 3,484 | 80,210 | 11 | 97,239 |
| Balance at June 30, 2022 | **$ 730,190** | **9,116** | **183,463** | **4,319,269** | **525** | **5,242,563** |
| Carrying amounts: | | | | | | |
| Balance at January 1, 2023 | **$ 3,877,629** | **8,283** | **54,128** | **2,321,023** | **63,485** | **6,324,548** |
| Balance at June 30, 2023 | **$ 3,736,565** | **7,261** | **52,525** | **2,199,897** | **46,085** | **6,042,333** |
| Balance at January 1, 2022 | **$ 3,924,999** | **5,367** | **53,494** | **2,718,129** | **31,081** | **6,733,070** |
| Balance at June 30, 2022 | **$ 3,948,866** | **4,220** | **52,791** | **2,593,394** | **44,029** | **6,643,300** |

A. As of June 30, 2023, December 31, 2022 and June 30, 2022, due to payments to stores maintenance and to acquire the property for department stores, the Group recognized other payables amounting to NT$92,994 thousand, NT$171,473 thousand and NT$157,841 thousand, respectively.

B. The significant components of the buildings include the main building, machinery and air conditioner with their own estimated useful lives as 5 to 50 years, 5 to 20 years and 5 to 20 years.

C. Wuhan Hanyang Grand Ocean Classic Commercial Ltd., a subsidiary of the Group, has suffered continuous operating losses. According to the resolution of the board of directors, it is expected to close its business on August 31, 2023, so it recognizes $58,779 thousand for impairment losses on property, plant and equipment.

D. Chongqing Optics Valley Grand Ocean Commercial Development Limited, a subsidiary of the Group, the board of directors approve to close the business on October 31, 2022, due to continuous operating losses. And the impairment loss was recognized in January 2023. Hand over the scrapped related equipment with the owner to clear the site and delist the book cost and accumulated depreciation and depreciation of NT$457,148 thousand.

E. Please refer to Note 6(19) for details on disposal gains and losses.

F. Guarantee

Please refer to Note 8 for the details of long-term loans and financing line guarantees in June 30, 2023, December 31, 2022, and June 30, 2022.

(6) Right of use assets

The movements in the cost and depreciation of the leased land, buildings, machine and transportation equipment were as follows:

| | Land | Buildings | Machine equipment | Total |
|---|---|---|---|---|
| **Cost:** | | | | |
| Balance at January 1, 2023 | $ 3,327,110 | 10,984,683 | 59,332 | 14,371,125 |
| Additions (Note 7) | - | 1,014,837 | - | 1,014,837 |
| Lease modifications | - | (1,049,272) | - | (1,049,272) |
| Effect of changes in foreign exchange rates | (75,353) | (247,994) | (1,344) | (324,691) |
| Balance at June 30, 2023 | **$ 3,251,757** | **10,702,254** | **57,988** | **14,011,999** |
| Balance at January 1, 2022 | $ 3,275,716 | 11,635,157 | 58,416 | 14,969,289 |
| Additions | - | 17,948 | - | 17,948 |
| Derecognition | - | (30,793) | - | (30,793) |
| Effect of changes in foreign exchange rates | 65,576 | 232,944 | 1,169 | 299,689 |
| Balance at June 30, 2022 | **$ 3,341,292** | **11,855,256** | **59,585** | **15,256,133** |

| | | Land | Buildings | Machine equipment | Total |
|---|---|---|---|---|---|
| **Accumulated depreciation:** | | | | | |
| Balance at January 1, 2023 | $ | 391,033 | 2,870,955 | 29,174 | 3,291,162 |
| Depreciation | | 48,888 | 484,369 | 3,680 | 536,937 |
| Lease modifications | | - | (420,912) | - | (420,912) |
| Effect of movement in exchange rate | | (9,971) | (66,470) | (745) | (77,186) |
| Balance at June 30, 2023 | $ | 429,950 | 2,867,942 | 32,109 | 3,330,001 |
| Balance at January 1, 2022 | $ | 288,745 | 2,219,002 | 21,479 | 2,529,226 |
| Depreciation | | 49,166 | 492,948 | 3,701 | 545,815 |
| Derecognition | | - | (30,793) | - | (30,793) |
| Effect of movement in exchange rate | | 5,701 | 43,684 | 424 | 49,809 |
| Balance at June 30, 2022 | $ | 343,612 | 2,724,841 | 25,604 | 3,094,057 |
| **Carrying amounts:** | | | | | |
| Balance at January 1, 2023 | $ | 2,936,077 | 8,113,728 | 30,158 | 11,079,963 |
| Balance at June 30, 2023 | $ | 2,821,807 | 7,834,312 | 25,879 | 10,681,998 |
| Balance at January 1, 2022 | $ | 2,986,971 | 9,416,155 | 36,937 | 12,440,063 |
| Balance at June 30, 2022 | $ | 2,997,680 | 9,130,415 | 33,981 | 12,162,076 |

Wuhan Hanyang Grand Ocean Classic Commercial Ltd., a subsidiary of the Group company, is expected to close operations on August 31, 2023, due to continuous losses in operations. Please refer to Note 6(19) for the lease modification benefits arising from the shortening of the lease term due to the closure of operations.

(7) Intangible Assets

The costs, amortization, and impairment loss of intangible assets were as follows:

| | | Goodwill | Trademark Rights | Computer Software | Total |
|---|---|---|---|---|---|
| Costs: | | | | | |
| Balance at January 1, 2023 | $ | 1,473,567 | 430,294 | 33,717 | 1,937,578 |
| Additions | | - | - | 1,163 | 1,163 |
| Influenced by Fluctuation of Exchange Rates | | (33,374) | 6,027 | (789) | (28,136) |
| Balance at June 30, 2023 | $ | 1,440,193 | 436,321 | 34,091 | 1,910,605 |
| Balance at January 1, 2022 | $ | 1,450,805 | 387,825 | 25,215 | 1,863,845 |
| Additions | | - | - | 95 | 95 |
| Influenced by Fluctuation of Exchange Rates | | 29,043 | 28,593 | 505 | 58,141 |
| Balance at June 30, 2022 | $ | 1,479,848 | 416,418 | 25,815 | 1,922,081 |
| Amortization and Impairment Losses: | | | | | |
| Balance at January 1, 2023 | $ | - | - | 18,692 | 18,692 |
| Amortization | | - | - | 1,608 | 1,608 |

| | Goodwill | Trademark Rights | Computer Software | Total |
|---|---|---|---|---|
| Impairment loss | - | - | 251 | 251 |
| Influenced by Fluctuation of Exchange Rates | - | - | (466) | (466) |
| Balance at June 30, 2023 | $ - | - | 20,085 | 20,085 |
| Balance at January 1, 2022 | $ - | - | 14,348 | 14,348 |
| Amortization | - | - | 2,292 | 2,292 |
| Influenced by Fluctuation of Exchange Rates | - | - | 284 | 284 |
| Balance at June 30, 2022 | $ - | - | 16,924 | 16,924 |
| Carrying amounts: | | | | |
| Balance at January 1, 2023 | $ 1,473,567 | 430,294 | 15,025 | 1,918,886 |
| Balance at June 30, 2023 | $ 1,440,193 | 436,321 | 14,006 | 1,890,520 |
| Balance at January 1, 2022 | $ 1,450,805 | 387,825 | 10,867 | 1,849,497 |
| Balance at June 30, 2022 | $ 1,479,848 | 416,418 | 8,891 | 1,905,157 |

A. Recognition of amortization

The amortization of intangible assets are included in the consolidated statements of comprehensive income for the three months and six months ended June 30, 2023 and 2022:

| | For the three months ended June 30 | | For the six months ended June 30 | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Operating Expenses | $ 757 | 959 | 1,608 | 2,292 |

B. Impairment testing

For impairment testing, the Group had allocated goodwill to the individual CGUs. The carrying amount of goodwill was allocated to each CGU as follows:

| | June 30, 2023 | | December 31, 2022 | | June 30, 2022 | |
|---|---|---|---|---|---|---|
| | Carrying amount | Recoverable amount | Carrying amount | Recoverable amount | Carrying amount | Recoverable amount |
| **Goodwill** | | | | | | |
| Shanghai Grand Ocean Qianshu Commercial Management Co., Ltd. | $ 102,010 | 731,620 | 104,374 | 749,774 | 104,819 | 336,138 |
| Wuhan Grand Ocean Classic Commercial Development Ltd. | 188,417 | 284,300 | 192,783 | 380,564 | 193,604 | 243,577 |
| Fuzhou Grand Ocean Commerce Ltd. | 1,149,766 | 1,425,942 | 1,176,410 | 1,388,105 | 1,181,425 | 1,498,061 |
| | $ 1,440,193 | 2,441,862 | 1,473,567 | 2,518,443 | 1,479,848 | 2,077,776 |

| | June 30, 2023 | | December 31, 2022 | | June 30, 2022 | |
|---|---|---|---|---|---|---|
| | **Carrying amount** | **Recoverable amount** | **Carrying amount** | **Recoverable amount** | **Carrying amount** | **Recoverable amount** |
| **Trademark** | | | | | | |
| Grand Ocean Classic Commercial Group Co., Ltd. | $ 436,321 | 513,127 | 430,294 | 570,868 | 416,418 | 473,947 |

The recoverable amount of CGU is the higher of fair value less costs of disposal or value in use. If an asset's recoverable amount is higher than its carrying amount, the Group assumes that there is no doubt about impairment loss. The recoverable amount of CGUs as of June 30, 2023, December 31, 2022, and June 30, 2022, was estimated on its value in use, except Fuzhou Grand Ocean Commerce Ltd., its recoverable amount was fair value less costs of disposal.

The fair value of Fuzhou Grand Ocean Commerce Limited, as of June 30, 2023, December 31, 2022, and June 30, 2022, was estimated by market approach, which was based on the identical industries in recent market or similar deal prices in the neighborhood, and the fair value measurement was categorized as a Level 2 fair value based on the inputs in the valuation technique used.

The recoverable amount of the CGUs, Shanghai Grand Ocean Qianshu Commercial Management Co., Ltd., Wuhan Grand Ocean Classic Commercial Department Limited and Grand Ocean Classic Commercial Group Co., Ltd., as of June 30, 2023, December 31, 2022, and June 30, 2022, were estimated on the value in use. The key assumptions used in estimating the value in use were as follows:

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|---|---|---|---|
| Discount Rate | 10% | 10% | 10% |
| Growth Rate | -2%~8% | 5%~11% | 2%~6% |

(A) The discount rate was a pre-tax measure based on the rate of 20-year government bonds of China issued by the government and adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systemic risk of the specific CGU.

(B) Estimates of future cash flows are based on past experience, actual operating results and future lease agreement due date.

(C) The operating income forecast measures the average growth over the past five years. And based on comparable company data, sales price is projected to grow at a fixed rate slightly higher than the expected inflation rate for the next five years.

(D) In operational plan, costs and expenses were estimated based on past experiences and other variable factors.

The aforementioned key assumptions were taking into account the external and internal historical information, and represented management's evaluation and estimates of future economic trend of retail business.

C. The Boards of Directors decide to discontinue the business of its subsidiary, Wuhan Hanyang Grand Ocean Classic Commercial Limited on August 31, 2023 due to continuous operating losses, leading to the recognition of impairment loss of NT$251 thousand.

(8) Other financial assets－current and non-current

The details of Other financial assets－current and non-current are as below:

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|---|---|---|---|
| Other financial assets－current | | | |
| Deposits－out for lease (Note) | $ 28,325 | 28,999 | 579 |
| Restricted deposits | 30,205 | 32,552 | 43,206 |
| Deposit for rent expansion (Note) | 64,623 | - | - |
| Others | 2,600 | 2,661 | 3,207 |
| | **$ 125,753** | **64,212** | **46,992** |

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|---|---|---|---|
| Other financial assets－non-current | | | |
| Deposits－out for lease (Note) | $ 173,478 | 187,228 | 215,560 |
| Deposits－out for cooperation | 7,722 | 8,178 | - |
| Restricted deposits | 515,118 | 8,186 | 5,942 |
| Others | 3,189 | 3,317 | 13,079 |
| | **$ 699,507** | **206,909** | **234,581** |

Note: The lease deposit is mainly the deposit deposited by the lessee; the deposit for rent expansion is the deposit paid by the subsidiary, Yichang Grand Ocean Commerce Limited, for expanding the leased area, and it will be used to offset the rental expenses after the contract is signed.

(9) Short-term Loans

The details of short-term loans are as below:

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|---|---|---|---|
| Unsecured Bank Loans | $ 653,730 | 614,000 | 831,066 |
| Secured Bank Loans | 1,483,121 | 1,202,945 | 1,509,980 |
| Total | **$ 2,136,851** | **1,816,945** | **2,341,046** |
| Unused Credit Lines | **$ 886,375** | **811,358** | **260,738** |
| Range of interest rates | **3.65%~7.34%** | **4.20%~6.96%** | **2.29%~4.35%** |

For the collateral of short-term borrowings, please refer to Note 8.

(10) Long-term Loans

The list, terms and conditions of long-term loans of the Group were as follows:

| | June 30, 2023 | | | |
|---|---|---|---|---|
| | **Currency** | **Interest Rate Collar** | **Year of Expiry** | **Amount** |
| Unsecured Bank Loans | USD | 7.04%~7.62% | 113 | $ 575,905 |
| 〃 | RMB | 4.5%~4.8% | 112 | 43,082 |
| Secured Bank Loans | USD | 5.98%~7.04% | 114 | 498,080 |
| 〃 | RMB | 4.2% | 114 | 387,735 |
| | | | | 1,504,802 |
| Less: current portion | | | | (368,696) |
| Total | | | | **$ 1,136,106** |
| Unused Credit Lines | | | | **$ 77,825** |

| | December 31, 2022 | | | |
|---|---|---|---|---|
| | **Currency** | **Interest Rate Collar** | **Year of Expiry** | **Amount** |
| Unsecured Bank Loans | USD | 5.08%~6.95% | 113~114 | $ 1,074,500 |
| 〃 | RMB | 4.5%~4.8% | 112 | 110,200 |
| Secured Bank Loans | RMB | 4.2% | 114 | 440,800 |
| | | | | 1,625,500 |
| Less: current portion | | | | (413,260) |
| Total | | | | **$ 1,212,240** |
| Unused Credit Lines | | | | **$ 184,200** |

| | June 30, 2022 | | | |
|---|---|---|---|---|
| | **Currency** | **Interest Rate Collar** | **Year of Expiry** | **Amount** |
| Unsecured Bank Loans | USD | 3.20%~4.65% | 111~112 | $ 577,116 |
| 〃 | RMB | 4.5%~4.94% | 111~113 | 287,742 |
| Secured Bank Loans | RMB | 5.23% | 111 | 199,206 |
| | | | | 1,064,064 |
| Less: current portion | | | | (544,436) |
| Total | | | | **$ 519,628** |
| Unused Credit Lines | | | | **$ 386,230** |

For the collateral of long-term loans, please refer to Note 8.

(11) Accounts payable and other payables

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|---|---|---|---|
| Accounts payable | | | |
| Arising from direct sales | $ 51,719 | 46,335 | 70,005 |
| Arising from concessionaire sales | 927,094 | 880,886 | 1,278,477 |
| Others | 15,602 | 33,864 | 71,170 |
| Total | **$ 994,415** | **961,085** | **1,419,652** |

Most of payable arising from suppliers.

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|---|---|---|---|
| Other payables | | | |
| Construction payables | $ 92,994 | 171,473 | 157,841 |
| Compensation payable | 488,457 | 162,520 | 8,033 |
| Others | 627,584 | 685,488 | 899,286 |
| Total | **$ 1,209,035** | **1,019,481** | **1,065,160** |

(12) Lease liabilities

The Group's lease liabilities were as follows:

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|---|---|---|---|
| Current | **$ 701,438** | **943,549** | **1,182,223** |
| Non-current | **$ 8,419,723** | **9,039,555** | **10,459,651** |

For the six months ended June 30, 2023 and 2022, the Group recognized its lease modification amounting to NT$1,121,975 thousand and NT$0 thousand. Right of use asset, please refer to Note 6(6).

Please refer to note 6(20) financial instruments for maturity analysis.

The amounts recognized in profit or loss were as follow:

| | For the three months ended June 30 | | For the six months ended June 30 | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Interest on lease liabilities | **$ 119,669** | **138,911** | **246,326** | **278,545** |
| Variable lease payments not included in the measurement of lease liabilities | **$ 142** | **13,113** | **318** | **32,127** |
| Expenses relating to short-term leases | **$ 242** | **429** | **483** | **789** |
| Expenses relating to leases of low-value, excluding short-term leases of low-value assets | **$ 9** | **6** | **18** | **15** |

Total cash flow for the Group’s leases as follows:

| | For the six months ended June 30 | |
|---|---|---|
| | 2023 | 2022 |
| Total cash outflow for leases | $ 790,703 | 520,207 |

A. Lease of land, housing and construction

The Group leases land use rights, housing and buildings as office space and department store buildings for business. The lease period of office premises and department store buildings is usually with three years and ten to twenty years, respectively. Some leases include the option to extend the lease period at the end of the lease term.

Some leases provide for additional rent payments that are based on changes in local price indices, or sales that the Group makes at the leased store in the period.

B. Other leases

The lease period of the Group leased transportation and machinery and equipment is five to ten years. Some lease contracts stipulate that the Group has options to purchase the leased assets at the end of lease term.

In addition, the period in which the Group leases part of the office is one year, and the leases are short-term leases. The Group chooses to apply the exemption recognition requirement without recognizing its related right-of-use assets and lease liabilities.

(13) Employee Benefits

A. Defined Contribution Plans

Defined contribution plans of the employees in Taiwan office of the consolidated company are plotted in accordance with Taiwan Labor Pension Act, where a contribution rate as 6% of the wage of a labor each month is conducted and contributed to the personal account of retirement created by the Bureaus of Labor Insurance. After the consolidated company has contributed the fixed amount to Bureaus of Labor Insurance under the plans, it shall not assume any more legal or constructive obligations for paying an extra amount.

Defined benefit plans of the employees working in the Chinese subsidiaries are also applied with the contribution system, where an amount corresponding to the wage per month of the position as for an employee is to be contributed to his (or her) own account respectively. Whenever resigning or retiring from the job of an employee, the voluntary pension calculated by the subtraction of early withdrawn provident fund from actual cumulative voluntary amount over the years will be returned at one time; the pension contributed by company will be returned by the subtraction of early withdrawn provident fund during the tenure from actual cumulative provident fund contributed by company over the years multiplying percentage of seniority-based pay.

Pension expenses of the defined contribution plans of the consolidated company for the three months and six months ended June 30, 2023 and 2022 were NT$13,683 thousand, NT$14,762 thousand, NT$28,065 thousand, and NT$28,795 thousand respectively.

(14) Income Tax

A. Income tax expense

The components of income tax were as follows:

| | For the three months ended June 30 | | For the six months ended June 30 | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| Current Tax Expense | | | | |
| Current period | $ 16,966 | 32,744 | 51,106 | 57,564 |
| Adjustment for prior period | (750) | (1,306) | (750) | (1,306) |
| | 16,216 | 31,438 | 50,356 | 56,258 |
| Deferred Tax Expense | | | | |
| Origination and reversal of temporary differences | 146,702 | (10,027) | 115,175 | 3,405 |
| Income Tax Expenses from continuing operations | **$ 162,918** | **21,411** | **165,531** | **59,663** |

B. Deferred Tax Assets

(A) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for the six months ended June 30, 2023 and 2022 were as follows:

**Deferred Tax Assets:**

| | Tax losses deduction and other | Rental expenses | Total |
|---|---|---|---|
| Balance at January 1, 2023 (revised) | $ 121,857 | 2,663,664 | 2,785,521 |
| Recognized in profit or loss | (27,548) | (158,644) | (186,192) |
| Foreign currency translation differences for foreign operations | (2,131) | (56,706) | (58,837) |
| Balance at June 30, 2023 | **$ 92,178** | **2,448,314** | **2,540,492** |
| Balance at January 1, 2022 | $ 182,884 | 679,022 | 861,906 |
| Effect of retrospective application | - | 2,363,273 | 2,363,273 |
| Balance at January 1, 2022 (revised) | 182,884 | 3,042,295 | 3,225,179 |
| Recognized in profit or loss | (33,092) | (104,684) | (137,776) |
| Foreign currency translation differences for foreign operations | 3,714 | 61,071 | 64,785 |
| Balance at June 30, 2022 (revised) | **$ 153,506** | **2,998,682** | **3,152,188** |

**Deferred Tax Liabilities:**

| | Retained Earnings | Tax losses deduction | Total |
|---|---|---|---|
| Balance as of January 1, 2023 (revised) | $ 56,288 | 2,035,972 | 2,092,260 |
| Recognized in profit or loss | (39,714) | (31,303) | (71,017) |
| Influenced by Fluctuation of Exchange Rates | 34 | (45,397) | (45,363) |
| Balance as of June 30, 2023 | $ 16,608 | 1,959,272 | 1,975,880 |
| Balance as of January 1, 2022 | $ 50,733 | - | 50,733 |
| Effect of retrospective application | - | 2,363,273 | 2,363,273 |
| Balance at January 1, 2022 (revised) | 50,733 | 2,363,273 | 2,414,006 |
| Recognized in profit or loss | (14,696) | (119,675) | (134,371) |
| Influenced by Fluctuation of Exchange Rates | 3,247 | 47,501 | 50,748 |
| Balance at June 30, 2022 (revised) | $ 39,284 | 2,291,099 | 2,330,383 |

Starting from January 1, 2023, the consolidated company applies the amendment to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction." As per Note 3(1), the rent expenses of the subsidiary company in mainland China will no longer be exempt from recognition. Instead, an equal amount of deferred tax assets and deferred tax liabilities should be recognized.

C. Income tax verification situation

The mainland subsidiary's income tax settlement declaration case has been reported to the local tax agency until the 2022.

(15) Capital and Other Equity

Except for the following disclosures, there was no significant difference in capital and other equity for the six months ended June 30, 2023 and 2022. For the related information, please refer to the note 6(p) of the consolidated financial statements for the year ended December 31, 2022.

A. Capital surplus

The components of the capital surplus were as follows:

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|---|---|---|---|
| Premium on Issued Shares | $ 5,041,030 | 5,041,030 | 5,041,030 |
| Treasury Stock Trading | 25,333 | 25,333 | 25,333 |
| Exercising the right of imputation | 9,122 | 9,122 | 8,810 |
| | $ 5,075,485 | 5,075,485 | 5,075,173 |

B. Retained Earnings

Based on the articles of the company, the board should in accord with the measures and procedure described as below to draft the disposition of earnings and submit it to the shareholders meeting for approval by an ordinary resolution if there is any earning at general accounts annually of the company:

(A) Tax payables contributed by law;

(B) Compensation to the accumulated deficit by previous years;

(C) 10% as a contribution to the legal reserve in accordance with the applicable laws and regulations, except for when the legal reserve approaches the paid-in capital of the company;

(D) Contribution of the appropriated retained earnings by the applicable laws and regulations or the demands from a competent authority; and

(E) Profit available for distribution is the amount of earnings of the current year minus the sum from (A) to (D) above, and then plus cumulative retained earnings of the prior period. The board will propose the project of dividend distribution from it and then submit to the shareholders meeting for approval by an ordinary resolution according to the applicable laws and regulations.

Policies concerning the dividends of the company must take the environment as well as trends in the industry in the future, requirements for funds and financial structure into consideration. Dividends shall be paid no less than 30% of the current year ’s surplus. As for the profit available for distribution, except for an option of retaining, it can be distributed through equity dividends or cash dividends, which the latter is subject to be more than 10% of the total dividends.

(A) Legal reserve

When a 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.

(B) Special reserve

The Group chose to apply the exemption under the IFRS1 “First-time adoption of IFRS” ; therefore, a portion of cumulative translation adjustments amounting to thousand was reclassified as special earnings reserve. The net increase in retained earnings due to this reclassification is not covered by the Ruling No. 1010012865 issued by the FSC on April 6, 2012 for purposes of appropriating the same amount of special earnings reserve.

In accordance with the aforementioned Ruling, when the company distributes the distributable surplus, the net amount of other shareholders' equity deduction that occurs in the current year is supplemented as a special surplus reserve from the current profit and loss and the undistributed surplus of the previous period; it belongs to the deduction of other shareholders' equity accumulated in the previous period amount, the special surplus reserve shall not be distributed from the undistributed surplus of the previous period. If there is a subsequent reversal in the amount of reductions in other shareholders' equity, the surplus may be distributed for the reversed portion.

On June 15, 2023, the shareholders' general meeting resolved a reversal of the special reserve in the amount of NT$40,171 thousand to offset the loss of NT$355,792 thousand. Furthermore, on June 23, 2022, the shareholders' general meeting resolved the appropriation of a special reserve in the amount of NT$36,014 thousand.

(C) Earnings distribution

On June 15, 2023 and June 23, 2022, the shareholders' general meeting resolved the loss appropriation proposal in 2022 and 2021, respectively.

C. Treasury stock

The details for transferring treasury shares to employees:

(In thousands of shares)

| | For the six months ended June 30 | | |
|---|---|---|---|
| | | 2023 | 2022 |
| Outstanding at January 1 | $ | 8,682 | 9,007 |
| Quantity sold in this period | | (973) | (310) |
| Outstanding at June 30 | **$** | **7,709** | **8,697** |

The proceeds from transferring treasury shares were recognized as prepaid salary for employees to subscribe. As of June 30, 2023, December 31 and June 30, 2022, these prepaid salaries amounting to NT$122,161 thousand, NT$139,588 thousand and NT$140,124 thousand were recognized under other non-current assets – other. Considering the increasingly difficult environment of the department store, in order to retain talents and maintain the stability of the team, and due to the impact of the new crown virus. On August 30, 2022, the board of directors decided to defer the salary advance payment of employees until 2025.

D. Other Equity (net income after tax)

| | Exchange Difference on Translation of Foreign Operations | |
|---|---|---|
| Balance at January 1, 2023 | $ | (952,421) |
| Exchange difference on translation of net assets of foreign operations | | (197,820) |
| Share of translation differences of affiliated companies using the equity method | | (583) |
| Balance at June 30, 2023 | **$** | **(1,150,824)** |

| | | Exchange Difference on Translation of Foreign Operations |
|---|---|---|
| Balance at January 1, 2022 | $ | (992,592) |
| Exchange difference on translation of net assets of foreign operations | | 109,611 |
| Share of translation differences of affiliated companies using the equity method | | 1,087 |
| Balance at June 30, 2022 | $ | (881,894) |

(16) Earnings per Share

Calculations of the basic as well as diluted earnings per share of the consolidated company are listed as below:

| | For the three months ended June 30 | | For the six months ended June 30 | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| **Basic Earnings (Loss) per Share** | | | | |
| Net Profit Attributed to Shareholder of Common Stock of Company | $ (415,676) | (146,931) | (411,596) | (234,515) |
| Weighted average number of common shares outstanding | 195,531 | 195,531 | 195,531 | 195,531 |
| **Basic Earnings (Loss) per Share (NTD)** | $ (2.13) | (0.75) | (2.11) | (1.20) |

The Company did not disclose the diluted earnings (loss) per share for the three months and six months ended June 30, 2023, and 2022, as there were losses before tax. Additionally, there were no potential ordinary shares of employee remuneration that could have diluted the earnings (loss) per share.

(17) Revenue from Contracts with Customers

A. Details of Revenue

| | For the three months ended June 30 | | For the six months ended June 30 | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Main Regional Markets: | | | | |
| China | $ 911,872 | 1,010,023 | 1,968,454 | 2,260,822 |
| Main Product/Service: | | | | |
| Commissions revenue (Retail revenue – concessionaire sales) | $ 271,670 | 287,219 | 657,616 | 702,294 |
| Commodity sales (Retail revenue – direct sales) | 179,011 | 210,957 | 398,891 | 480,642 |

| | For the three months ended June 30 | | For the six months ended June 30 | |
|---|---|---|---|---|
| Lease revenue (Note) | 237,194 | 275,940 | 487,597 | 591,922 |
| Service revenue and others | 223,997 | 235,907 | 424,350 | 485,964 |
| | $ 911,872 | 1,010,023 | 1,968,454 | 2,260,822 |

Note: The lease revenue and financial lease interest income of the Group are under IFRS 16.

(18) Employee compensation and directors' remuneration

According to the Articles of Association, once the Company has annual profit, it should appropriate no less than 1% of the profit to its employees and 3% or less as directors' and supervisor's remuneration. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The pervading target given via shares or cash includes dependent employees of the Company and Company's subsidiaries

As the company incurred loss before tax for the three months and six months ended June 30, 2023 and 2022, no employee compensation and directors' remuneration were estimated and accrued.

As the operations for the year 2022 resulted in a net loss, no employee compensation and directors' remuneration were estimated and accrued. In 2021, the company had accounted for NT$787 thousand, respectively, as the rewards for employees, as well as accounting for NT$0 thousand, respectively, as the rewards for board members. On March 31, 2022, by board resolutions, the company had accounted for NT$788 thousand, respectively, as the rewards for employees, as well as accounting for NT$0 thousand, respectively, as the rewards for board members, where the differences between actual distribution and estimation, and they will be treated as the changes in accounting estimates and recognized as the profit or loss of 2022. All the relational information can be referred in the Market Observation Post System.

(19) Non-operating Income and Expenses

A. Interest Income

The details of other income were as follows:

| | For the three months ended June 30 | | For the six months ended June 30 | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Interest of Back Deposit | $ 6,130 | 4,049 | 11,931 | 11,137 |
| Open-end Funds | 236 | 247 | 490 | 481 |
| Other | (1,023) | 595 | (1,023) | 1,774 |
| Total | $ 5,343 | 4,891 | 11,398 | 13,392 |

B. Other Income

The details of other income were as follows:

| | For the three months ended June 30 | | For the six months ended June 30 | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| Dividend income | $ - | 2,686 | - | 2,686 |
| Government grants income | 310 | 2,199 | 13,042 | 3,099 |
| Total | **$ 310** | **4,885** | **13,042** | **5,785** |

C. Other gains and losses

The details of other gains and losses were as follows:

| | For the three months ended June 30 | | For the six months ended June 30 | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| Loss on disposal of property, plant and equipment | $ (10) | (81) | (215) | (135) |
| Foreign exchange gain (losses) | (11,079) | (8,953) | (8,452) | (8,275) |
| Net gain (loss) on financial assets at fair value through profit or loss | 1,503 | 5,204 | 4,313 | 6,528 |
| Impairment loss on property, plant and equipment(Note) | (58,779) | - | (58,779) | - |
| Impairment loss on intangible assets(Note) | (251) | - | (251) | - |
| Compensation losses(Note) | (359,899) | - | (359,899) | - |
| Gain on lease modification(Note) | 493,615 | - | 493,615 | - |
| Overdue payments transferred to income | 2,338 | - | 7,211 | - |
| Other Gains and Losses (such as fees and charges of credit card, etc.) | 19,500 | 39,708 | 42,825 | 63,796 |
| Other gains and losses, Net | **$ 86,938** | **35,878** | **120,368** | **61,914** |

Note: Wuhan Hanyang Grand Ocean Classic Commercial Limited, a subsidiary of the Group, estimated a loss related to the planned cessation of operations. As of June 30, 2023, the estimated liability for compensation associated with the closure of the mentioned store was NT$330,146 thousand.

D. Finance costs

The details of finance costs were as follows:

| | For the three months ended June 30 | | For the six months ended June 30 | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Interest Expense | $ 56,124 | 38,714 | 95,946 | 72,077 |
| Interest on Lease liabilities | 119,669 | 138,911 | 246,326 | 278,545 |
| Other Financial Expenses | 1,833 | 4,312 | 1,911 | 4,312 |
| Total | $ 177,626 | 181,937 | 344,183 | 354,934 |

(20) Financial Instruments

Except for the contention mentioned below, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For the related information, please refer to note 6(21) of the consolidated financial statements for the year ended December 31, 2022.

A. Credit risks

(A) Exposure of Credit Risk

Carrying amount of a financial asset represents the maximum amount of credit risk exposure.

(B) Concentration of credit risk

There was no significant change in concentration of credit risk. For the related information, please refer to note 6(u) of the consolidated financial statements for the year ended December 31, 2022.

(C) Credit risk of receivables

For credit risk exposure of accounts receivables, please refer to note 6(3).

Other financial assets at amortized cost includes other receivables etc., as stated above, there were almost low credit risk, therefore the impairment provision of all of these financial assets recognized during the period was limited to 12 months expected losses or lifetime ECL measurement, please refer to note 4(g) of the consolidated financial statements for the year ended December 31, 2022.

The movement in the allowance for impairment for other receivables for the six months ended June 30, 2023 and 2022 were as follows:

| | For the six months ended June 30 | |
|---|---|---|
| | 2023 | 2022 |
| Balance at January 1 | $ 200,544 | 50,765 |
| Impairment losses recognized | 99,772 | 7,543 |
| Influenced by Fluctuation of Exchange Rates | (6,818) | 1,005 |
| Balance at June 30 | $ 293,498 | 59,313 |

B. Liquidity risks

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

| | Carrying Amount | Contract Cash Flows | within 1 Year | 1 – 5 Years | over 5 Years |
|---|---|---|---|---|---|
| **June 30, 2023** | | | | | |
| Non-derivative Financial Liabilities | | | | | |
| Floating Rate Instruments | $ 1,727,715 | 1,886,803 | 1,169,887 | 716,916 | - |
| Fixed Rate Instruments | 2,054,023 | 2,140,872 | 1,850,135 | 290,737 | - |
| Non-interest-bearing | 2,616,379 | 2,616,379 | 2,063,365 | - | 553,014 |
| Lease liabilities | 9,121,161 | 12,313,042 | 1,105,353 | 4,144,208 | 7,063,481 |
| | **$ 15,519,278** | **18,957,096** | **6,188,740** | **5,151,861** | **7,616,495** |
| **December 31, 2022** | | | | | |
| Non-derivative Financial Liabilities | | | | | |
| Floating Rate Instruments | $ 1,688,500 | 1,837,845 | 929,597 | 908,248 | - |
| Fixed Rate Instruments | 1,892,095 | 1,981,269 | 1,610,732 | 370,537 | - |
| Non-interest-bearing | 2,421,284 | 2,421,284 | 1,842,416 | - | 578,868 |
| Lease liabilities | 9,983,104 | 13,508,914 | 1,402,168 | 4,570,026 | 7,536,720 |
| | **$ 15,984,983** | **19,749,312** | **5,784,913** | **5,848,811** | **8,115,588** |
| **June 30, 2022** | | | | | |
| Non-derivative Financial Liabilities | | | | | |
| Floating Rate Instruments | $ 1,408,182 | 1,581,483 | 1,095,207 | 486,276 | - |
| Fixed Rate Instruments | 2,284,818 | 2,357,838 | 2,313,216 | 44,622 | - |
| Non-interest-bearing | 2,863,740 | 2,863,740 | 2,196,922 | - | 666,818 |
| Lease liabilities | 11,641,874 | 15,579,376 | 1,705,102 | 5,524,455 | 8,349,819 |
| | **$ 18,198,614** | **22,382,437** | **7,310,447** | **6,055,353** | **9,016,637** |

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

C. Interest rate analysis

The Group's financial assets and financial liabilities with interest rate exposure risk as of the reporting date were as follows:

| | | Carrying Amount | | |
|---|---|---|---|---|
| | | June 30, 2023 | December 31, 2022 | June 30, 2022 |
| Fixed interest rate | | | | |
| Financial Asset | $ | 545,323 | 362,522 | 173,098 |
| Financial Liability | | (11,175,184) | (11,875,199) | (2,284,818) |
| | $ | (10,629,861) | (11,512,677) | (2,111,720) |
| Variable interest rate | | | | |
| Financial Asset | $ | 1,095,414 | 1,308,556 | 2,850,508 |
| Financial Liability | | (1,727,715) | (1,688,500) | (1,408,182) |
| | $ | (632,301) | (379,944) | 1,442,326 |

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments at the reporting date. Regarding of liabilities with floating interest rates, the analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.5% when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate were to increase or decrease by 0.5% basis points, with all other variables held constant, the Group's profit before tax for the six months ended June 30, 2023 and 2022, would decrease or increase by NT$1,581 thousand and NT$3,606 thousand, respectively.

D. Other market price risk

If the equity price changes, the impact of equity price change to other comprehensive income will be as follows, assuming the analysis is based on the same basis for both years and assuming that all other variables considered in the analysis remain the same:

| | For the six months ended June 30 | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| **Reporting Day Security Prices** | **Other Comprehensive Income before Tax** | **Profit or Loss before Tax** | **Other Comprehensi ve Income before Tax** | **Profit or Loss before Tax** |
| **5% Increase** | **$ -** | **580** | **-** | **3,359** |
| **5% Decrease** | **$ -** | **(580)** | **-** | **(3,359)** |

E. Information of Fair Value

(A) Measurement Process of Fair Value of Financial Instruments

Accounting policies and disclosure of the consolidated company include the assets and liabilities financial or non-financial measured by fair value. The consolidated company is to build an inner control system concerning fair value measurement. Wherein it includes an evaluation team to be responsible for reviewing all the assessments of fair value (including a Level 3 fair value), and this team will directly report to the CFO. The evaluation team will review the material inputs non-observable and adjust them periodically. If an input used for measuring fair value comes from the 3rd party information (such as a broker or pricing service institution), the team shall assess the evidence of this input provided and supported by the 3rd party, in order to ensure that this evaluation and the hierarchy classification of its fair value comply with IFRS.

The consolidated company shall use an observable input in the market as possible as it can when measuring the assets and liabilities. Fair value hierarchy is classified according to the input used of evaluation techniques:

- Level 1: Opening quotes (unadjusted) from the same assets or liabilities in an active market.
- Level 2: Except for the opening quotes in Level 1, input parameters of the assets or liabilities can be directly (i.e. price) or indirectly (i.e. inference from price) observed.
- Level 3: Input parameters of the assets or liabilities not based on the observable market information (non-observable parameters).

(B) Classifications of Financial Instruments and Fair Value

The consolidated company measures the fair value based on repeatability by the financial assets and liabilities measured by fair value through profit or loss. Carrying amount and fair value of all kinds of financial assets and liabilities (including fair value hierarchy, yet carrying amount of the financial instruments not measured by fair value are those ones having the fair value to that are reasonably approximate) are listed as below:

| | **June 30, 2023** | | | | |
|---|---|---|---|---|---|
| | | **Fair Value** | | | |
| | **Carrying Amount** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Financial Assets Measured by Fair Value through Profit or Loss | | | | | |
| Non-derivative Financial Assets Measured by Fair Value through Profit or Loss by Enforcement | $ 11,601 | 11,601 | - | - | 11,601 |

| | **December 31, 2022** | | | | |
|---|---|---|---|---|---|
| | | **Fair Value** | | | |
| | **Carrying Amount** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Financial Assets Measured by Fair Value through Profit or Loss | | | | | |
| Non-derivative Financial Assets Measured by Fair Value through Profit or Loss by Enforcement | $ 68,033 | 68,033 | - | - | 68,033 |

| | June 30, 2022 | | | | |
|---|---|---|---|---|---|
| | | Fair Value | | | |
| | Carrying Amount | Level 1 | Level 2 | Level 3 | Total |
| Financial Assets Measured by Fair Value through Profit or Loss | | | | | |
| Non-derivative Financial Assets Measured by Fair Value through Profit or Loss by Enforcement | $ 67,185 | 67,185 | - | - | 67,185 |

(C) Valuation techniques for financial instruments not measured at fair value

The Group's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

a. Financial assets or liabilities measured at amortized cost

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

(D) Valuation techniques for financial instruments measured at fair value

a. Non-derivative financial instruments

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

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

If the Group's financial instruments are regarded as being quoted in an active market, the classification and property of fair value are as follows:

Stocks in listed companies, fund and Corporate bonds, which have standard term and quoted prices in active markets. The fair values are referenced by market quotation.

(E) For the six months ended June 30, 2023 and 2022 fair value of the financial assets as well as liabilities at each level did not transfer at all.

(21) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in Note 6(v) of the consolidated financial statements for the year ended December 31, 2022.

(22) Capital management

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2022. Also, management believes that there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2022. Please refer to Note 6(w) of the consolidated financial statements for the year ended December 31, 2022 for further details.

(23) Investment and financing activities in non-cash transactions

The Group's investing and financing activities on non-cash transactions for the six months ended June 30, 2023 and 2022 were as follows:

A. The reconciliation of liabilities from financing activities is as follows:

| | | | Non-cash changes | | |
|---|---|---|---|---|---|
| | **January 1, 2023** | **Cash Flows** | **Foreign exchange movement** | **Other** | **June 30, 2023** |
| Short-term borrowings | $ 1,816,945 | 345,150 | (25,244) | - | 2,136,851 |
| Long-term borrowings | 1,625,500 | (125,494) | 4,796 | - | 1,504,802 |
| Guarantee deposits | 578,868 | (13,041) | (12,813) | - | 553,014 |
| | | | | (Note) | |
| Lease liabilities | 9,983,104 | (543,558) | (211,247) | (107,138) | 9,121,161 |
| Total liabilities from financing activities | $ 14,004,417 | (336,943) | (244,508) | (107,138) | 13,315,828 |

| | | | Non-cash changes | |
|---|---|---|---|---|
| | **January 1, 2022** | **Cash flows** | **Foreign exchange movement** | **June 30, 2022** |
| Short-term borrowings | $ 2,540,031 | (293,303) | 94,318 | 2,341,046 |
| Long-term borrowings | 1,431,175 | (427,624) | 60,513 | 1,064,064 |
| Guarantee deposits | 670,699 | (17,336) | 13,455 | 666,818 |
| Lease liabilities | 11,641,874 | (208,731) | 250,474 | 11,641,874 |
| Total liabilities from financing activities | $ 16,242,036 | (946,994) | 418,760 | 15,713,802 |

Note: Reduction of NT$1,121,975 thousand due to lease modification, and increase of NT$1,014,837 thousand in the current period.

7. **Related-party transactions:**

(1) Names and relationship with related parties

All the related parties who have transacted with the consolidated company during the coverage period of the consolidated financial statements are as below:

| Name of Related Party | Relation to the Consolidated Company |
|---|---|
| First Steamship Co., Ltd. | Final Parent Company of the Consolidated Company |
| First Steamship S.A. | Parent Company of the Consolidated Company |
| Ahead Capital Ltd. | Same Final Parent Company as the Consolidated Company |
| Mariner Finance Ltd | Same Final Parent Company as the Consolidated Company |
| Nanjing Tiandu Industry Co., Ltd. | Manager of the consolidated company is the chairman of this company. |
| Shanghai Tian An Center Building Co., Ltd. | Manager of the consolidated company is the board member of this company. |
| Shanghai Guorui Tongshun Environmental Protection Technology Co., Ltd. | A substantial related party |
| Shanghai Allied Cement Holdings Limited | A substantial related party |
| Shanghai Kaixuanmen Enterprise Development Co., Ltd. | A substantial related party |
| Tian An(Shanghai) Investment Co., Ltd. | A substantial related party |
| Nanjing Tianan Gangli Property Management Co., Ltd. | A substantial related party |
| Gangli Property Management (Shanghai) Co., Ltd. | A substantial related party |
| Shanghai Qianshu Property Management Co., Ltd. | A substantial related party |
| Nanjing Grand Ocean Dongfadao Catering Co., Ltd. | An associate |

(2) Significant transactions with related parties

A. Prepayments

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|---|---|---|---|
| Parent Company | $ 68 | 68 | 74 |
| Other related parties-Nanjing Tiandu Industry Co., Ltd. (Note) | 169,944 | 160,877 | 117,253 |
| Other related parties-Shanghai Qianshu Property | 3,787 | 7,601 | 5,762 |
| | **$ 173,799** | **168,546** | **123,089** |

Note: It refers to the variable rent paid in advance by the Group according to the monthly fixed amount in accordance with the lease agreement. On March 31, 2023, the board of directors decided to sign a ten-year lease contract with related parties, and the aforementioned prepaid rent is in the process of settlement.

B. Other receivables

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|---|---|---|---|
| Other related parties | $ 3,475 | 3,503 | 2,931 |

C. Payables to Related Parties

The payables to related parties were as follows:

| Account | Relationship | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|---|---|---|---|---|
| Other payables | An associate | $ 1,379 | 1,411 | 1,417 |
| Other payables | Other related parties | 1,839 | 832 | 5,959 |
| | | $ 3,218 | 2,243 | 7,376 |

D. Borrow from a related parties

The amounts borrowed by the Group from related parties are as follows:

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|---|---|---|---|
| Parent Company | $ 140,085 | 138,150 | 287,890 |

The Group's borrowings from related parties are calculated at an annual interest rate of 7.43% and 3.5%, respectively. For the three months and six months ended June 30, 2023 and 2022, the recognized interest expenses were NT$2,456 thousand, NT$1,395 thousand, NT$4,789 thousand, and NY$1,972 thousand, respectively.

E. Lease

(A) Liabilities lease

| | | Lease liabilities | | |
|---|---|---|---|---|
| Relationship | Purpose | June 30, 2023 | December 31, 2022 | June 30, 2022 |
| Other related parties | Office building | $ 6,766 | 11,675 | 18,264 |
| Other related parties-Shanghai Kaixuanmen | Department store | 4,278,838 | 4,408,145 | 4,482,107 |
| Other related parties-Nanjing Tiandu | Department store | 965,841 | - | 9,959 |
| Other related parties | Energy-saving renovation engineering equipment | 29,621 | 34,101 | 37,963 |

Note: The price and payment method of the above-mentioned lease agreement signed with the related party are handled in accordance with the agreement of both parties.

| | | Interest Expense | | | |
|---|---|---|---|---|---|
| | | For the three months ended June 30 | | For the six months ended June 30 | |
| Relationship | Purpose | 2023 | 2022 | 2023 | 2022 |
| Other related parties | Office building | $ 88 | 129 | 205 | 149 |
| Other related parties-Shanghai Kaixuanmen | Department store | 50,727 | 52,038 | 102,315 | 103,056 |
| Other related parties-Nanjing Tiandu | Department store | 10,235 | 143 | 20,800 | 343 |
| Other related parties | Energy-saving renovation engineering equipment | 375 | 474 | 778 | 965 |
| | | $ 61,425 | 52,784 | 124,098 | 104,513 |

(B) Operating lease

| | | Rent expense | | | |
|---|---|---|---|---|---|
| | | For the three months ended June 30 | | For the six months ended June 30 | |
| Relationship | Account | 2023 | 2022 | 2023 | 2022 |
| Parent Company (Note) | Office building | $ 205 | 360 | 410 | 720 |
| Other related parties (Note) | Office building | 37 | - | 73 | - |
| | | $ 242 | 360 | 483 | 720 |

| | | Payments that are not included in the measurement of the lease liabilities | | | |
|---|---|---|---|---|---|
| | | For the three months ended June 30 | | For the six months ended June 30 | |
| Relationship | Account | 2023 | 2022 | 2023 | 2022 |
| Other related parties-Nanjing Tiandu | Department store | $ - | 12,481 | - | 30,870 |

| | | Property management fee | | | |
|---|---|---|---|---|---|
| | | For the three months ended June 30 | | For the six months ended June 30 | |
| Relationship | Account | 2023 | 2022 | 2023 | 2022 |
| Other related parties | Office building and department store | $ 941 | 849 | 1,894 | 1,796 |

Note: These leases are short-term lease, and the Group chooses to apply the exemption recognition requirement without recognizing its related right-of-use assets and liabilities.

(C) Rental deposit

| Account items | Relationship category | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|---|---|---|---|---|
| Other financial assets - non-current | Parent Company | $ 148 | 148 | 240 |
| Other financial assets - non-current | Other related parties - Shanghai Kaixuanmen | 73,632 | 66,120 | 66,402 |
| Other financial assets - non-current | Other related parties - Nanjing Tiandu | 8,616 | 8,816 | - |
| Other financial assets - non-current | Other related parties | 3,196 | 3,270 | 12,138 |
| | | $ 85,592 | 78,354 | 78,780 |

F. Others

The Group provided management consulting services and signed service contracts with other related parties. For the three months and six months ended June 30, 2023 and 2022, the revenue from consulting services was NT$617 thousand, NT$2,886 thousand, NT$1,037 thousand, and NT$5,350 thousand, respectively.

(3) Key management personnel compensation

A. Key management personnel compensation comprised:

| | For the three months ended June 30 | | For the six months ended June 30 | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Short term employee benefits | $ 5,655 | 4,895 | 10,867 | 10,083 |

B. The Group granted key management personnel rights to subscribe treasury shares in advance salaries. As of June 30, 2023, December 31, 2022 and June 30, 2022, those prepaid salaries amounting to NT$39,193 thousand (CNY 9,097 thousand), NT$40,074 thousand (CNY 9,091 thousand) and NT$40,368 thousand (CNY 9,119 thousand), respectively, were recorded as non-current assets.

8. **Pledged assets:**

The carrying amount of pledged assets were as follows:

| Pledged asset | Object | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|---|---|---|---|---|
| Property, Plants and Equipment(Note) | Bank Loans | $ 5,326,336 | 5,423,238 | 3,031,002 |

| | | | | |
|---|---|---|---|---|
| Other financial assets | | | | |
| Restricted Deposit | Bank depository funds | 15,623 | 27,117 | 24,832 |
| Restricted Deposit | Lease dispute freeze deposit | 14,582 | 13,621 | 24,316 |
| Restricted Deposit | Bank loans | 515,118 | - | - |
| | | $ 5,871,659 | 5,463,976 | 3,080,150 |

Note：Including the land use right, which are recognized as right-of-use assets.

9. **Commitment of Material Contract or Not Recognized Contract due to Liabilities:**

(1) While the Group acquired the Quanzhou real estate, the assignor, Quanzhou FuHua Co., Ltd., failed to comply with the term of the contract, which stated that the assignor should repay the mortgage loan secured by the fourth floor of Quanzhou real estate with the consideration paid by the Group to release the mortgage. Therefore, the mortgagee filed an application to freeze the rent earned from the fourth floor of Quanzhou real estate in June 2020. The Group evaluates that the creditor still has means to repay the mortgage loan; hence, the fourth floor of Quanzhou real estate may not be at risk of impairment.

(2) The subsidiary of the Group, Chongqing Optics Valley Grand Ocean Commercial Development Co., Ltd., negotiated with the lessor, Chongqing Zhengsheng Real Estate Ltd. (hereinafter referred to as “Chongqing Zhengsheng”), to reduce the period for the lease payments due to the COVID-19 pandemic in 2020. However, the negotiation failed and Chongqing Zhengsheng filed a lawsuit against the Group in November 2020 demanding for the payment of the arrears and rental of the extended area used by the Group. Thereafter, the Group filed an appeal to the high court. On June 26, 2023, the court ruled in the second instance that the merged Group loss the case, and the Group should pay the payment of the arrears and rental of the extended area used by the Group and accumulated rental in previous years for NT$67,428 thousand (CNY 15,651 thousand), were recorded as operating expenses and current lease liabilities. The Group also should recognize penalty fee and expenses about lawsuit NT$11,848 thousand (CNY 2,750 thousand), were recorded as operating expenses、other gains and losses and other payable.

(3) The real estate property right transfer registration of Shiyan International Financial Center project from the first floor to the ninth floor above ground that the subsidiary of the Group, Wuhan Optics Valley Grand Ocean Commercial Development Co., Ltd. purchased from Hubei Grand Ocean Huayu Investment Co., Ltd.(hereinafter referred to as “Hubei Huayu”)had not been completed in accordance with the agreement of commercial property contract; therefore, the Group filed a lawsuit on September 6, 2021. In accordance with the PRC law, the Group has adequate protection for the property; hence, no losses will be incurred by the Group regarding the matter. On May 12, 2022, the court ruled in the second instance that the Group won the case, and Hubei Huayu had registered the property rights of the real estate with the Group.

On the other hand, Hubei Huayu filed a lawsuit against Grand Ocean Classic Commercial Group Ltd. and Wuhan Optics Valley Grand Ocean Commercial Development Co., Ltd. On September 30, 2021 for the dispute on the equity investment of Hubei Huayu prior to 2017, claiming the compensation of CNY 93 million for the damage. On July 28, 2022, the court ruled in the first instance that the merged company won the case, but Hubei Huayu refused to accept the court's judgment and appointed a lawyer to file an appeal, which is still in court. After the assessment of the right to make a claim occurred in 2017 exceeded the 3-year limitation period for the protection of civil rights according to the law. In addition, the Group has paid on schedule according to the subsequent equity capital reduction agreement signed by both parties. Therefore, it is determined that the Group have no obligation to pay any compensation.

10. **Losses due to major disasters: None**

11. **Subsequent Events**

Wuhan Hanyang Grand Ocean Classic Commercial Ltd., a subsidiary of the Group, has suffered continuous operating losses. According to the resolution of the board of directors, it is expected to close its business on August 31, 2023.

12. **Other**

(1) A summary of current-period employee benefits, depreciation, depletion and amortization, by function, is as follows:

| | For the three months ended June 30 | | | | | |
|---|---|---|---|---|---|---|
| Function | 2023 | | | 2022 | | |
| Item | Operating Cost | Operating expense | Total | Operating Cost | Operating expense | Total |
| Employee benefits | | | | | | |
| Salary | - | 108,841 | 108,841 | - | 102,388 | 102,388 |
| Health and labor insurance | - | 143 | 143 | - | 175 | 175 |
| Pension | - | 13,683 | 13,683 | - | 14,762 | 14,762 |
| Others | - | 47,454 | 47,454 | - | 21,463 | 21,463 |
| Depreciation | - | 379,553 | 379,553 | - | 414,338 | 414,338 |
| Depletion | - | - | - | - | - | - |
| Amortization | - | 757 | 757 | - | 959 | 959 |

| | For the six months ended June 30 | | | | | |
|---|---|---|---|---|---|---|
| Function | 2023 | | | 2022 | | |
| Item | Operating | Operating | Total | Operating | Operating | Total |

| | Cost | expense | | Cost | expense | |
|---|---|---|---|---|---|---|
| Employee benefits | | | | | | |
| Salary | - | 205,922 | 205,922 | - | 210,971 | 210,971 |
| Health and labor insurance | - | 275 | 275 | - | 344 | 344 |
| Pension | - | 28,065 | 28,065 | - | 28,795 | 28,795 |
| Others | - | 71,556 | 71,556 | - | 45,314 | 45,314 |
| Depreciation | - | 764,476 | 764,476 | - | 823,793 | 823,793 |
| Depletion | - | - | - | - | - | - |
| Amortization | - | 1,608 | 1,608 | - | 2,292 | 2,292 |

(2) Seasonality of operations

The Group's retail business is subject to seasonal fluctuations as a result of vacation. Thus, this industry typically has higher revenues and results for the first and fourth quarter of the year.

13. **Other disclosures:**

(1) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group":

A. Loans to other parties: Appendix 1, please refer to the chinese version consolidated financial statements P46.

B. Guarantees and endorsements for other parties: Appendix 2, please refer to the chinese version consolidated financial statements P47.

C. Securities held as of June 30, 2023 (excluding investment in subsidiaries, associates and joint ventures): Appendix 3, please refer to the chinese version consolidated financial statements P48.

D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300,000 thousand or 20% of the capital stock: None.

E. Acquisition of individual real estate with amount exceeding the lower of NT$300,000 thousand or 20% of the capital stock: None.

F. Disposal of individual real estate with amount exceeding the lower of NT$300,000 thousand or 20% of the capital stock: None.

G. Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100,000 thousand or 20% of the capital stock: None.

H. Receivables from related parties with amounts exceeding the lower of NT$100,000 thousand or 20% of the capital stock: Appendix 4, please refer to the chinese version consolidated financial statements P49.

I. Trading in derivative instruments: None.

J. Business relationships and significant intercompany transactions: Appendix 5, please refer to the chinese version consolidated financial statements P50.

(2) Information on investees: Appendix 6, please refer to the chinese version consolidated financial statements P51.

(3) Information on investment in mainland China: Appendix 7, please refer to the chinese version consolidated financial statements P52~53.

(4) Major shareholders:

| Shareholding / Shareholder's Name | Shares | Percentage |
|---|---|---|
| Mega International Commercial Bank Co., Ltd. Acting as Custodian for the Investment Account of FIRST STEAMSHIP S.A | 91,560,000 | 46.82% |
| First Steamship Co., Ltd. | 19,552,000 | 9.99% |

14. **Segment Information**

(1) General Information:

The main revenue of the Group comes from department store retail. The chief operating decision-maker of the Group uses the overall operating results as the basis for evaluating performance. Accordingly, the Group is a single operating department, and the operating department information for the six months ended June 30, 2023 and 2022 is consistent with the consolidated financial report information.

(2) Information of Products and Services: The consolidated company belongs to department store retail business.

(3) Information of Regional Finance: Sales regions of the retail commodity are all in China.

(4) Information of VIP: Sales objects of the consolidated company are all general consumers, and there is no dependence upon the VIP.