

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

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Six Months Ended June 30, 2021 and 2020**

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

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Independent Auditors' Review Report

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Simple Mart Retail Co., Ltd. and its subsidiary as of June 30, 2021 and 2020, and the related consolidated statements of comprehensive income for the three months ended June 30, 2021 and 2020 and for the six months ended June 30, 2021 and 2020, as well as the changes in equity and cash flows for the six months ended June 30, 2021 and 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standard 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Simple Mart Retail Co., Ltd. and its subsidiary as of June 30, 2021 and 2020, and of its consolidated financial performance for the three months ended June 30, 2021 and 2020 and for the six months ended June 30, 2021 and 2020, as well as its consolidated cash flows for the six months ended June 30, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.



The engagement partners on the reviews resulting in this independent auditors' review report are Chou, Pao-Lian and Chen, Cheng-Chien.

KPMG

Taipei, Taiwan (Republic of China)

July 30, 2021

Notes to Readers

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with the generally accepted auditing standards as of June 30, 2021 and 2020

SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARY

Consolidated Balance Sheets

June 30, 2021, December 31, 2020, and June 30, 2020

(Expressed in Thousands of New Taiwan Dollars)

Assets		June 30, 2021		December 31, 2020		June 30, 2020		Liabilities and Equity		June 30, 2021		December 31, 2020		June 30, 2020	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (note 6(a))	\$ 548,995	10	179,014	4	237,204	5	2100	Short-term borrowings (note 6(h)(q)(t))	\$ -	-	100,000	2	30,000	1
1150	Notes receivable, net (note 6(b))	-	-	7	-	15	-	2110	Short-term notes and bills payable (note 6(i)(q)(t))	99,928	2	399,863	8	279,938	6
1170	Accounts receivable, net (note 6(b) and 7)	39,946	1	44,087	1	51,605	1	2130	Contract liabilities-current (notes 6(o))	23,663	-	32,602	1	19,016	-
1197	Finance lease receivable (note 6(c) and 7)	10,805	-	10,735	-	8,839	-	2150	Notes payable (note 6(q))	965	-	948	-	1,070	-
1200	Other receivables (note 7)	6,846	-	9,219	-	9,611	-	2170	Accounts payable (note 6(q) and 7)	1,540,269	29	1,017,084	20	1,123,598	24
1300	Inventories (note 6(d))	1,398,057	27	1,508,133	30	1,292,183	28	2200	Other payables (note 6(q) and 7)	500,433	10	460,434	9	375,864	8
1410	Prepayments (note 7)	27,602	1	137,689	3	22,913	1	2280	Lease liabilities-current (note 6(j)(q)(t) and 7)	413,438	8	413,030	8	393,656	8
1476	Other current financial assets (note 6(a) and 8)	150,000	3	150,429	3	157,329	3	2300	Other current liabilities	34,972	1	69,186	1	30,144	1
1479	Other current assets	88	-	2,350	-	232	-			<u>2,613,668</u>	<u>50</u>	<u>2,493,147</u>	<u>49</u>	<u>2,253,286</u>	<u>48</u>
		<u>2,182,339</u>	<u>42</u>	<u>2,041,663</u>	<u>41</u>	<u>1,779,931</u>	<u>38</u>	Non-Current liabilities:							
Non-current assets:								2527	Contract liabilities-non-current (note 6(o))	12,720	-	15,782	-	16,857	1
1551	Investments accounted for using the equity method (note 6(e))	58,922	1	55,431	1	-	-	2550	Non-current provisions	3,738	-	3,736	-	3,733	-
1600	Property, plant and equipment (note 6(f) and 7)	1,394,797	26	1,339,308	26	1,314,789	28	2570	Deferred tax liabilities	588	-	-	-	-	-
1755	Right-of-use assets (note 6(g))	1,479,023	28	1,489,846	29	1,445,570	31	2580	Lease liabilities-non-current (note 6(j)(q)(t) and 7)	1,120,240	21	1,131,990	22	1,099,005	23
1920	Guarantee deposits paid (note 7)	102,619	2	104,040	2	100,067	2	2645	Guarantee deposits received (note 6(q) and 7)	131,951	3	134,469	3	133,381	3
194D	Finance lease receivable-non-current (note 6(c) and 7)	8,217	-	13,633	-	14,309	-			<u>1,269,237</u>	<u>24</u>	<u>1,285,977</u>	<u>25</u>	<u>1,252,976</u>	<u>27</u>
1980	Other non-current financial assets (note 8)	750	-	750	-	750	-	Total liabilities		<u>3,882,905</u>	<u>74</u>	<u>3,779,124</u>	<u>74</u>	<u>3,506,262</u>	<u>75</u>
1990	Other non-current assets	46,662	1	54,859	1	55,704	1	Equity attributable to owners of parent:(note 6(m))							
		<u>3,090,990</u>	<u>58</u>	<u>3,057,867</u>	<u>59</u>	<u>2,931,189</u>	<u>62</u>	3110	Ordinary share	600,000	11	600,000	12	600,000	13
								3200	Capital surplus	537,938	10	537,938	10	534,960	11
								Retained earnings:							
								3310	Legal reserve	25,867	-	25,867	-	25,867	1
								3350	Unappropriated retained earnings	251,984	5	181,966	4	69,396	1
										<u>277,851</u>	<u>5</u>	<u>207,833</u>	<u>4</u>	<u>95,263</u>	<u>2</u>
								3500	Treasury stocks	(25,365)	-	(25,365)	-	(25,365)	(1)
								Total equity		<u>1,390,424</u>	<u>26</u>	<u>1,320,406</u>	<u>26</u>	<u>1,204,858</u>	<u>25</u>
Total assets		<u>\$ 5,273,329</u>	<u>100</u>	<u>5,099,530</u>	<u>100</u>	<u>4,711,120</u>	<u>100</u>	Total liabilities and equity		<u>\$ 5,273,329</u>	<u>100</u>	<u>5,099,530</u>	<u>100</u>	<u>4,711,120</u>	<u>100</u>

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARY

Consolidated Statements of Comprehensive Income

For the three months ended June 30, 2021 and 2020 and for the six months ended June 30, 2021 and 2020

(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,				
	2021		2020		2021		2020		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Operating revenue (note 6(o), 7 and 14)								
	\$	3,871,976	100	3,327,307	100	7,062,722	100	6,484,071	100
5000	Operating costs (note 6(d), 7 and 12)								
		<u>2,951,197</u>	<u>76</u>	<u>2,523,792</u>	<u>76</u>	<u>5,348,444</u>	<u>76</u>	<u>4,907,602</u>	<u>76</u>
	Gross profit from operations								
		<u>920,779</u>	<u>24</u>	<u>803,515</u>	<u>24</u>	<u>1,714,278</u>	<u>24</u>	<u>1,576,469</u>	<u>24</u>
	Operating expenses: (note 4(e), 6(b)(f)(g)(j)(k)(p), 7 and 12)								
6100		755,444	20	673,496	20	1,429,383	20	1,316,464	20
6200		<u>92,830</u>	<u>3</u>	<u>77,846</u>	<u>3</u>	<u>182,833</u>	<u>3</u>	<u>165,647</u>	<u>3</u>
	Total operating expenses								
		<u>848,274</u>	<u>23</u>	<u>751,342</u>	<u>23</u>	<u>1,612,216</u>	<u>23</u>	<u>1,482,111</u>	<u>23</u>
	Net operating income								
		<u>72,505</u>	<u>1</u>	<u>52,173</u>	<u>1</u>	<u>102,062</u>	<u>1</u>	<u>94,358</u>	<u>1</u>
	Non-operating income and expenses:								
7100		441	-	435	-	778	-	850	-
7190		3,459	-	2,630	-	7,115	-	4,246	-
7230		17	-	9	-	645	-	146	-
7510		(4,461)	-	(4,939)	-	(9,452)	-	(10,526)	-
7590		(6,653)	-	(6,207)	-	(7,081)	-	(6,763)	-
7610		(619)	-	(190)	-	(609)	-	(325)	-
7670		(9,688)	-	-	-	(9,688)	-	-	-
7775		4,426	-	-	-	3,491	-	-	-
		<u>(13,078)</u>	<u>-</u>	<u>(8,262)</u>	<u>-</u>	<u>(14,801)</u>	<u>-</u>	<u>(12,372)</u>	<u>-</u>
	Profit from continuing operations before tax								
		59,427	1	43,911	1	87,261	1	81,986	1
7950	Less: Income tax expenses (note 6(l))								
		<u>11,773</u>	<u>-</u>	<u>5,085</u>	<u>-</u>	<u>17,243</u>	<u>-</u>	<u>12,590</u>	<u>-</u>
	Profit								
		<u>47,654</u>	<u>1</u>	<u>38,826</u>	<u>1</u>	<u>70,018</u>	<u>1</u>	<u>69,396</u>	<u>1</u>
8300	Other comprehensive income, net								
		-	-	-	-	-	-	-	-
8500	Total comprehensive income								
	\$	<u><u>47,654</u></u>	<u><u>1</u></u>	<u><u>38,826</u></u>	<u><u>1</u></u>	<u><u>70,018</u></u>	<u><u>1</u></u>	<u><u>69,396</u></u>	<u><u>1</u></u>
	Profit, attributable to:								
		<u><u>47,654</u></u>	<u><u>1</u></u>	<u><u>38,826</u></u>	<u><u>1</u></u>	<u><u>70,018</u></u>	<u><u>1</u></u>	<u><u>69,396</u></u>	<u><u>1</u></u>
	Comprehensive income attributable to:								
		<u><u>47,654</u></u>	<u><u>1</u></u>	<u><u>38,826</u></u>	<u><u>1</u></u>	<u><u>70,018</u></u>	<u><u>1</u></u>	<u><u>69,396</u></u>	<u><u>1</u></u>
	Earnings per share (expressed in dollars)								
		<u><u>0.80</u></u>		<u><u>0.65</u></u>		<u><u>1.17</u></u>		<u><u>1.16</u></u>	
	Basic earnings per share (note 6(n))								
	\$	<u><u>0.80</u></u>		<u><u>0.65</u></u>		<u><u>1.17</u></u>		<u><u>1.16</u></u>	
	Diluted earnings per share (note 6(n))								

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARY

Consolidated Statements of Changes in Equity

For the six months ended June 30, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent					Total equity
	Ordinary shares	Capital surplus	Retained earnings		Treasury stocks	
			Legal reserve	Unappropriated retained earnings		
Balance at January 1, 2020	\$ 600,000	511,664	21,655	42,121	-	1,175,440
Appropriation and distribution of retained earnings:						
Legal reserve	-	-	4,212	(4,212)	-	-
Cash dividends	-	-	-	(37,909)	-	(37,909)
	-	-	4,212	(42,121)	-	(37,909)
Other changes in capital surplus:						
Other changes in capital surplus	-	23,296	-	-	-	23,296
Net income	-	-	-	69,396	-	69,396
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	69,396	-	69,396
Purchase of treasury stocks	-	-	-	-	(25,365)	(25,365)
Balance at June 30, 2020	\$ 600,000	534,960	25,867	69,396	(25,365)	1,204,858
Balance at January 1, 2021	\$ 600,000	537,938	25,867	181,966	(25,365)	1,320,406
Net income	-	-	-	70,018	-	70,018
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	70,018	-	70,018
Balance at June 30, 2021	\$ 600,000	537,938	25,867	251,984	(25,365)	1,390,424

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARY

Consolidated Statements of Cash Flows

For the six months ended June 30, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	For the six months ended June 30,	
	2021	2020
Cash flows from operating activities:		
Profit before tax	\$ 87,261	81,986
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expenses	352,040	329,150
Amortization expenses	10,021	12,040
Expected credit losses	158	-
Interest expenses	9,452	10,526
Interest income	(778)	(850)
Shares of gain of associates and joint ventures accounted for using the equity method	(3,491)	-
Losses on disposals of property, plant and equipment	609	325
Impairment losses on non-financial assets	9,688	-
Others	586	(45)
Total adjustments to reconcile profit	378,285	351,146
Changes in operating assets and liabilities:		
Decrease (increase) in notes receivable	7	(9)
Decrease (increase) in accounts receivable	3,983	(23,845)
Decrease (increase) in other receivables	2,376	(1,551)
Decrease in inventories	110,076	73,481
Decrease in prepayments	110,107	145,957
Decrease in other current assets	2,262	1,130
Decrease (increase) in other financial assets	429	(1,429)
Decrease in contract liabilities	(12,001)	(6,959)
Increase (decrease) in notes payable	17	(132)
Increase in accounts payable	523,185	179,480
Increase (decrease) in other payables	19,487	(31,552)
Increase (decrease) in other current liabilities	1,050	(955)
Total adjustments	1,139,263	684,762
Cash inflow generated from operations	1,226,524	766,748
Interest received	775	938
Interest paid	(9,427)	(10,664)
Income taxes paid	(52,258)	(2,182)
Net cash flows from operating activities	1,165,614	754,840
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(176,661)	(117,845)
Proceeds from disposal of property, plant and equipment	438	14
Increase in guarantee deposits paid	-	(1,209)
Decrease in guarantee deposits paid	1,421	-
Acquisition of intangible assets	(1,504)	(5,287)
Decrease in finance lease receivable-non-current	5,346	4,985
Increase in other non-current assets	-	(1,799)
Net cash flows used in investing activities	(170,960)	(121,141)
Cash flows from financing activities:		
Decrease in short-term loans	(100,000)	(450,000)
Decrease in short-term notes and bills payable	(299,935)	(19,863)
Increase in guarantee deposits received	-	4,341
Decrease in guarantee deposits received	(2,518)	-
Payments of lease liabilities	(222,220)	(207,742)
Purchase of treasury stocks	-	(25,365)
Other changes in capital surplus	-	23,296
Net cash flows used in financing activities	(624,673)	(675,333)
Net increase (decrease) in cash and cash equivalents	369,981	(41,634)
Cash and cash equivalents at beginning of period	179,014	278,838
Cash and cash equivalents at end of period	\$ 548,995	237,204

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARY

Notes to the Consolidated Financial Statements

June 30, 2021 and 2020

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

(1) Company history

Simple Mart Retail Co., Ltd. (the “Company”) was incorporated on February 7, 2013 as a company limited authorized by the Ministry of Economic Affairs. The Company has registered office located at B1, No. 4, Section 3, Minquan East Road, Zhongshan District, Taipei City 10477, Taiwan (R.O.C.). The consolidated financial statements comprise the Company and its subsidiary (together referred to as the “Group”). The main engagement is in supermarket operation, and retail sales in kinds of food, beverage and daily commodities, etc.

As of October 24, 2018, the Company got approval for public offering, and went listed on Taiwan OTC Stock market on December 17, 2018.

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

The Board of Directors authorized the consolidated financial statements on July 30, 2021.

(3) New standards, amendments and interpretations adopted:

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2021:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from April 1, 2021:

- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020

(Continued)

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

- Amendments to IFRS 3 “Reference to the Conceptual Framework”

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

(4) Summary of significant accounting policies:

- (a) Statement of compliance

These consolidated financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to the Regulations) and IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect by FSC, and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRS endorsed by the FSC) for a complete set of the annual consolidated financial statements.

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2020. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2020.

- (b) Basis of consolidation

- (i) List of the subsidiary in the consolidated financial statements

List of the subsidiary in the consolidated financial statements included:

<u>Name of investor</u>	<u>Name of subsidiary</u>	<u>Main business and products</u>	<u>Shareholding</u>		
			<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Simple Mart Co., Ltd	Simple Mart Plus Co., Ltd	Retail catering industry	100 %	100 %	100 %

- (ii) Subsidiaries excluded from the consolidated financial statements: None.

(Continued)

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

(c) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Group, from the date on which significant influence commences until the date on which significant influence ceases. The Group recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual proportionate share.

Gains and losses resulting from transactions between the Group and an associate are recognized only to the extent of unrelated Group's interests in the associate. When the Group's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

(d) Income taxes

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of International Financial Reporting Standards 34, Interim Reporting.

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period using the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expenses for the current period.

(e) Changes in accounting policies

The Group originally classified the expenses related to the operating division as selling expenses for the six months ended June 30, 2020, due to the organizational restructuring, the expenses should be reclassified as administrative expenses amounted to \$80,134 thousand.

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

The preparation of the consolidated financial statements in conformity with the Regulations and IFRSs (in accordance with IAS 34 "Interim Financial Reporting" and endorsed by the FSC) requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The preparation of the consolidated financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2020. For related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2020.

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

(6) Explanation of significant accounts:

Except for the following disclosures, there were no material differences in the disclosures of significant accounts between the consolidated financial statements for the current period and the 2020 consolidated financial statements. Please refer to Note 6 of the 2020 annual consolidated financial statements.

(a) Cash and cash equivalents

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Cash on hand	\$ 53,436	53,558	50,418
Bank deposits	173,340	88,264	153,632
Repurchase agreement	<u>322,219</u>	<u>37,192</u>	<u>33,154</u>
	<u>\$ 548,995</u>	<u>179,014</u>	<u>237,204</u>

As of June 30, 2021, December 31 and June 30, 2020, time deposits with maturities of more than three months held by the Group amounted to \$0 thousand, \$429 thousand, and \$7,329 thousand, respectively, and classified it as other current financial assets.

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

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

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Notes receivable - measured at amortized cost	\$ -	7	15
Accounts receivable - measured at amortized cost	37,291	41,531	51,485
Accounts receivable (related parties) - measured at amortized cost	2,870	2,613	177
Less: Loss allowance	<u>(215)</u>	<u>(57)</u>	<u>(57)</u>
	<u>\$ 39,946</u>	<u>44,094</u>	<u>51,620</u>

Most of the Group's accounts receivable are generated from the customer which paid by credit cards and e-payment.

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and accounts receivable have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The loss allowance provision was determined as follows:

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

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
	<u>Gross carrying amount</u>	<u>Gross carrying amount</u>	<u>Gross carrying amount</u>
Current	\$ 38,353	40,184	48,440
1-60 days past due	1,373	3,910	2,866
61-120 days past due	378	-	314
121-180 days past due	-	-	-
More than 181 days past due	<u>57</u>	<u>57</u>	<u>57</u>
	<u>\$ 40,161</u>	<u>44,151</u>	<u>51,677</u>

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

	<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>
Balance at January 1, 2021 and 2020	\$ 57	57
Impairment losses recognized	158	-
Balance at June 30, 2021 and 2020	<u>\$ 215</u>	<u>57</u>

(c) Finance leases receivable

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

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

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Less than one year	\$ 10,942	10,928	9,029
One to five years	<u>8,248</u>	<u>13,718</u>	<u>14,427</u>
Total lease payments receivable	19,190	24,646	23,456
Unearned finance income	<u>(168)</u>	<u>(278)</u>	<u>(308)</u>
Present value of lease payments receivable	<u>\$ 19,022</u>	<u>24,368</u>	<u>23,148</u>

(d) Inventories

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Merchandise inventories	<u>\$ 1,398,057</u>	<u>1,508,133</u>	<u>1,292,183</u>

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SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARY
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Merchandise recognized as cost of goods sold amounted to \$2,940,337 thousand, \$2,512,332 thousand, \$5,319,581 thousand and \$4,878,937 thousand for the three months ended June 30, 2021 and 2020 and for the six months ended June 30, 2021 and 2020, respectively. The inventory losses from obsolescence and others were \$10,860 thousand, \$11,460 thousand, \$28,863 thousand and \$28,665 thousand for the three months ended June 30, 2021 and 2020 and for the six months ended June 30, 2021 and 2020, respectively.

As of June 30, 2021, December 31 and June 30, 2020, the Group did not provide any merchandise inventories as collateral for its loans.

(e) Investments accounted for using the equity method

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

	June 30, 2021	December 31, 2020	June 30, 2020
Associate	<u>\$ 58,922</u>	<u>55,431</u>	<u>-</u>

On December 2020, the Group acquire 45% shares of Sanyou Drugstores Co., Ltd. from the related parties, Sumitomo Corporation for \$55,980 thousand in cash, resulting in the Group to have significant influence over Sanyou Drugstores Co., Ltd. The related information was as follows:

Name of Associate	Nature of Relationship with the Group	Main operating location/ Registered Country of the Group	Proportion of shareholding and voting rights		
			June 30, 2021	December 31, 2020	June 30, 2020
Sanyou Drugstores Co., Ltd.	Retail Sale of Drugs and Cosmetics	Republic of China (R.O.C.)	45.00 %	45.00 %	-

The Group's financial information on investment accounted for using the equity method that are individually insignificant was as follows:

	For the three months ended June 30, 2021	For the six months ended June 30, 2021
Attributable to the Group:		
Gain from continuing operations	\$ 4,426	3,491
Other comprehensive income	-	-
Comprehensive income	<u>\$ 4,426</u>	<u>3,491</u>

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

(i) Collateral

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

(f) Property, plant and equipment

The cost, accumulated depreciation and impairment losses of the property, plant and equipment of the Group for the six months ended June 30, 2021 and 2020 were as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Leasehold improvements</u>	<u>Prepayment for business facilities and construction in progress</u>	<u>Total</u>
Cost:						
Balance at January 1, 2021	\$ 537,599	220,887	855,785	747,604	-	2,361,875
Additions	-	-	148,836	48,313	-	197,149
Transfer from (to)	-	-	22	(22)	-	-
Scraps	-	-	(15,456)	(6,759)	-	(22,215)
Disposal	-	-	(6,846)	-	-	(6,846)
Balance at June 30, 2021	<u>\$ 537,599</u>	<u>220,887</u>	<u>982,341</u>	<u>789,136</u>	<u>-</u>	<u>2,529,963</u>
Balance at January 1, 2020	\$ 537,599	220,887	714,409	675,753	4,183	2,152,831
Additions	-	-	53,158	32,404	7,545	93,107
Transfer from (to)	-	-	120	9,351	(9,471)	-
Scraps	-	-	(4,303)	(2,340)	-	(6,643)
Disposal	-	-	(118)	(61)	-	(179)
Balance at June 30, 2020	<u>\$ 537,599</u>	<u>220,887</u>	<u>763,266</u>	<u>715,107</u>	<u>2,257</u>	<u>2,239,116</u>
Accumulated depreciation and impairment losses:						
Balance at January 1, 2021	\$ -	19,279	520,673	482,615	-	1,022,567
Depreciation	-	2,168	76,161	52,596	-	130,925
Transfer from(to)	-	-	7	(7)	-	-
Scraps	-	-	(15,347)	(6,095)	-	(21,442)
Disposal	-	-	(6,572)	-	-	(6,572)
Impairment losses	-	-	2,033	7,655	-	9,688
Balance at June 30, 2021	<u>\$ -</u>	<u>21,447</u>	<u>576,955</u>	<u>536,764</u>	<u>-</u>	<u>1,135,166</u>
Balance at January 1, 2020	\$ -	14,943	412,589	382,308	-	809,840
Depreciation	-	2,168	62,708	56,094	-	120,970
Scraps	-	-	(4,089)	(2,255)	-	(6,344)
Disposal	-	-	(112)	(27)	-	(139)
Balance at June 30, 2020	<u>\$ -</u>	<u>17,111</u>	<u>471,096</u>	<u>436,120</u>	<u>-</u>	<u>924,327</u>
Carrying amount:						
Balance at January 1, 2021	<u>\$ 537,599</u>	<u>201,608</u>	<u>335,112</u>	<u>264,989</u>	<u>-</u>	<u>1,339,308</u>
Balance at June 30, 2021	<u>\$ 537,599</u>	<u>199,440</u>	<u>405,386</u>	<u>252,372</u>	<u>-</u>	<u>1,394,797</u>
Balance at January 1, 2020	<u>\$ 537,599</u>	<u>205,944</u>	<u>301,820</u>	<u>293,445</u>	<u>4,183</u>	<u>1,342,991</u>
Balance at June 30, 2020	<u>\$ 537,599</u>	<u>203,776</u>	<u>292,170</u>	<u>278,987</u>	<u>2,257</u>	<u>1,314,789</u>

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

	For the six months ended June 30,	
	2021	2020
Acquisition of property, plant and equipment	\$ 197,149	93,107
Add: Payables on equipment, beginning of period	62,151	50,737
Less: Payables on equipment, end of period	(82,639)	(25,999)
Cash paid	\$ 176,661	117,845

(g) Right-of-use assets

The cost and accumulated depreciation of the leased buildings and machinery and equipment of the Group were as follows:

	Machinery and equipment		
	Buildings	and equipment	Total
Cost:			
Balance at January 1, 2021	\$ 2,189,526	2,086	2,191,612
Additions	169,483	-	169,483
Lease adjustment	45,781	-	45,781
Derecognized	(27,970)	-	(27,970)
Balance at June 30, 2021	\$ 2,376,820	2,086	2,378,906
Balance at January 1, 2020	\$ 1,855,306	2,086	1,857,392
Additions	245,458	-	245,458
Lease adjustment	(40,175)	-	(40,175)
Derecognized	(3,791)	-	(3,791)
Balance at June 30, 2020	\$ 2,056,798	2,086	2,058,884
Accumulated depreciation:			
Balance at January 1, 2021	\$ 701,228	538	701,766
Depreciation	220,980	135	221,115
Derecognized	(22,998)	-	(22,998)
Balance at June 30, 2021	\$ 899,210	673	899,883
Balance at January 1, 2020	\$ 407,149	269	407,418
Depreciation	208,045	135	208,180
Derecognized	(2,284)	-	(2,284)
Balance at June 30, 2020	\$ 612,910	404	613,314

(Continued)

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

	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Total</u>
Carrying amounts:			
Balance at January 1, 2021	\$ <u>1,488,298</u>	<u>1,548</u>	<u>1,489,846</u>
Balance at June 30, 2021	\$ <u>1,477,610</u>	<u>1,413</u>	<u>1,479,023</u>
Balance at January 1, 2020	\$ <u>1,448,157</u>	<u>1,817</u>	<u>1,449,974</u>
Balance at June 30, 2020	\$ <u>1,443,888</u>	<u>1,682</u>	<u>1,445,570</u>

(h) Short-term borrowings

The short-term borrowings were summarized as follows:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Unsecured bank loans	\$ <u>-</u>	<u>100,000</u>	<u>30,000</u>
Range of interest rates	<u>-</u>	<u>0.95%</u>	<u>1.00%</u>
Unused short-term credit lines	\$ <u>699,500</u>	<u>599,500</u>	<u>669,500</u>

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

(i) Short-term notes and bills payable

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Commercial paper payable	\$ <u>99,928</u>	<u>399,863</u>	<u>279,938</u>
Range of interest rates	<u>0.908%</u>	<u>0.948%~0.958%</u>	<u>0.988%~1.038%</u>
Unused short-term credit lines	\$ <u>400,000</u>	<u>100,000</u>	<u>320,000</u>

The Group did not pledge its assets as collateral for the issuance of short-term notes and bills.

(j) Lease liabilities

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

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Current	\$ <u>413,438</u>	<u>413,030</u>	<u>393,656</u>
Non-current	\$ <u>1,120,240</u>	<u>1,131,990</u>	<u>1,099,005</u>

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

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

The amounts recognized in profit or loss were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Interests on lease liabilities	\$ <u>3,907</u>	<u>3,824</u>	<u>7,902</u>	<u>7,603</u>
Income from subleasing right-of-use assets	\$ <u>51</u>	<u>64</u>	<u>110</u>	<u>184</u>
Expenses relating to short- term leases	\$ <u>2,600</u>	<u>2,912</u>	<u>5,560</u>	<u>5,517</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>697</u>	<u>998</u>	<u>1,473</u>	<u>1,601</u>

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

	For the six months ended June 30,	
	2021	2020
Total cash outflow for leases	\$ <u>237,045</u>	<u>222,279</u>

(i) Real estate leases

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

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

(ii) Other leases

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

(k) Employee benefit

Defined contribution plans

The Group's pension expenses under the pension plan cost to the Bureau of Labor Insurance for the three months ended June 30, 2021 and 2020 and for the six months ended June 30, 2021 and 2020, were \$17,319 thousand, \$16,177 thousand, \$34,773 thousand and \$31,553 thousand, respectively.

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SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARY
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(l) Income taxes

(i) Income tax expenses

The details of income tax expense were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Current tax expenses				
Current period	\$ 14,019	6,136	16,988	11,466
Adjustments for prior years	(13)	(3,385)	(13)	(3,385)
	<u>14,006</u>	<u>2,751</u>	<u>16,975</u>	<u>8,081</u>
Deferred tax expenses				
Current period	(2,233)	2,334	268	4,509
Income tax expenses	<u>\$ 11,773</u>	<u>5,085</u>	<u>17,243</u>	<u>12,590</u>

(ii) There is no income tax directly recognized under equity.

(iii) The tax authorities have examined the Company's income tax for the year 2018.

(m) Capital and other equity

Except for the following disclosure, there was no significant change in capital and other equity for the six months ended June 30, 2021 and 2020. For the related information, please refer to Note 6(m) of the 2020 annual consolidated financial statements.

(i) Capital surplus

The balances of capital surplus were as follows:

	June 30, 2021	December 31, 2020	June 30, 2020
Premium on issuance of common stock	\$ 505,043	505,043	505,043
Others	32,895	32,895	29,917
	<u>\$ 537,938</u>	<u>537,938</u>	<u>534,960</u>

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

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SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARY
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(ii) Retained earnings

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

1) Legal reserve

When 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.

2) Earnings distribution

The appropriations of earnings for 2020 and 2019 had been approved in the shareholders' meeting held on July 7, 2021 and June 29, 2020, respectively. These earnings were appropriated as follows:

	2020	2019
Legal reserve	\$ 18,197	4,212
Dividends distributed to ordinary shareholders:		
Cash	163,769	37,909
Total	\$ 181,966	42,121

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

(n) Earnings per share

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

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2021	2020	2021	2020
Basic earnings per share				
Profit attributable to ordinary shareholders of the Company (basic)	\$ 47,654	38,826	70,018	69,396
Weighted-average number of ordinary shares outstanding	59,700	59,747	59,700	59,872
	\$ 0.80	0.65	1.17	1.16

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SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARY
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	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Diluted earnings per share				
Profit attributable to ordinary shareholders of the Company (diluted)	\$ <u>47,654</u>	<u>38,826</u>	<u>70,018</u>	<u>69,396</u>
Weighted-average number of ordinary shares outstanding	59,700	59,747	59,700	59,872
Effect of dilutive potential ordinary shares - employee share bonus	<u>9</u>	<u>11</u>	<u>30</u>	<u>32</u>
Weighted-average number of ordinary shares outstanding (diluted)	<u>59,709</u>	<u>59,758</u>	<u>59,730</u>	<u>59,904</u>
	<u>\$ 0.80</u>	<u>0.65</u>	<u>1.17</u>	<u>1.16</u>

(o) Revenue from contracts with customers

(i) Disaggregation of revenue

The Group derives revenue from the transfer of goods and services over time or at a point in time, and the amounts of revenue for the three months ended June 30, 2021 and 2020 and for the six months ended June 30, 2021 and 2020 were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Sale of goods	\$ 3,750,993	3,196,201	6,759,823	6,194,221
Others operating income	<u>120,983</u>	<u>131,106</u>	<u>302,899</u>	<u>289,850</u>
	<u>\$ 3,871,976</u>	<u>3,327,307</u>	<u>7,062,722</u>	<u>6,484,071</u>

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SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARY
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(ii) Contract balances

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

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Contract liabilities - current - customer loyalty program	\$ 14,754	23,646	8,659
Contract liabilities - current - franchise royalty fee	8,097	8,956	8,875
Contract liabilities - current - others	<u>812</u>	<u>-</u>	<u>1,482</u>
Total	<u>\$ 23,663</u>	<u>32,602</u>	<u>19,016</u>
Contract liabilities - non-current - franchise royalty fee	<u>\$ 12,720</u>	<u>15,782</u>	<u>16,857</u>

- 2) The amounts of revenue recognized for the six months ended June 30, 2021 and 2020, was included in the contract liabilities balance at the beginning of the period, were \$29,079 thousand and \$20,577 thousand, respectively.

(p) Remunerations to employees and directors

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

For the three months ended June 30, 2021 and 2020 and for the six months ended June 30, 2021 and 2020, the Company estimated its employee remuneration amounted to \$900 thousand, \$840 thousand, \$1,800 thousand and \$1,680 thousand, and directors' remuneration amounted to \$911 thousand, \$600 thousand, \$1,800 thousand and \$1,200 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of remuneration to employees and directors as specified in the Company's articles. These remunerations were expensed under operating expenses for the three months ended June 30, 2021 and 2020 and for the six months ended June 30, 2021 and 2020. If there are any subsequent adjustments to the actual remuneration amounts, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year.

For the years ended December 31, 2020 and 2019, the remunerations to employees amounted to \$3,360 thousand and \$2,200 thousand, and the remunerations to directors amounted to \$2,400 thousand and \$0 thousand, respectively. There was no difference with the actual distribution. The information is available on the Market Observation Post System website.

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SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARY
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(q) 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(r) of the 2020 annual consolidated financial statements.

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

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

(ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>More than 1 year</u>
June 30, 2021				
Non derivative financial liabilities				
Short-term notes and bills payable	\$ 99,928	100,000	100,000	-
Notes payable	965	965	965	-
Accounts payable	1,540,269	1,540,269	1,540,269	-
Other payables	500,433	500,433	500,433	-
Lease liabilities (include current and non-current)	1,533,678	1,569,648	425,892	1,143,756
Guarantee deposits received	<u>131,951</u>	<u>131,951</u>	<u>-</u>	<u>131,951</u>
	<u>\$ 3,807,224</u>	<u>3,843,266</u>	<u>2,567,559</u>	<u>1,275,707</u>
December 31, 2020				
Non derivative financial liabilities				
Short-term borrowings	\$ 100,000	100,049	100,049	-
Short-term notes and bills payable	399,863	400,000	400,000	-
Notes payable	948	948	948	-
Accounts payable	1,017,084	1,017,084	1,017,084	-
Other payables	460,434	460,434	460,434	-
Lease liabilities (include current and non-current)	1,545,020	1,618,845	430,873	1,187,972
Guarantee deposits received	<u>134,469</u>	<u>134,469</u>	<u>-</u>	<u>134,469</u>
	<u>\$ 3,657,818</u>	<u>3,731,829</u>	<u>2,409,388</u>	<u>1,322,441</u>

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SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARY
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	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>More than 1 year</u>
June 30, 2020				
Non derivative financial liabilities				
Short-term borrowings	\$ 30,000	30,014	30,014	-
Short-term notes and bills payable	279,938	280,000	280,000	-
Notes payable	1,070	1,070	1,070	-
Accounts payable	1,123,598	1,123,598	1,123,598	-
Other payables	375,864	375,864	375,864	-
Lease liabilities (include current and non-current)	1,492,661	1,528,535	406,926	1,121,609
Guarantee deposits received	133,381	133,381	-	133,381
	<u>\$ 3,436,512</u>	<u>3,472,462</u>	<u>2,217,472</u>	<u>1,254,990</u>

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

	<u>June 30, 2021</u>			<u>December 31, 2020</u>			<u>June 30, 2020</u>			
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	
Financial assets										
Monetary items										
EUR	\$	179	32.950	5,907	55	34.820	1,923	93	32.450	3,025
USD		239	27.810	6,650	20	28.430	567	442	29.230	12,934
JPY		552	0.250	138	1,488	0.274	408	1,007	0.266	268
Financial liabilities										
Monetary items										
EUR		48	32.950	1,586	143	34.820	4,980	74	32.450	2,413

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on financial assets and liabilities that are denominated in foreign currency. A weakening or strengthening of 1% of the NTD against the USD, EUR, and JPY as of June 30, 2021 and 2020 would have increased or decreased the net profit after tax by \$89 thousand and \$111 thousand, respectively, assuming all other factors remain constant. The analysis is performed on the same basis for the six months ended June 30, 2021 and 2020.

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SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARY
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(iv) Interest rate analysis

Please refer to the notes 6(r) on liquidity risk management and interest rate exposure of the Group's financial assets and liabilities.

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

If the interest rate had increased or decreased by 0.5%, the Group's net income would have decreased or increased by \$0 thousand and \$60 thousand for the six months ended June 30, 2021 and 2020, respectively, with all other variable factors remaining constant. This is mainly due to the Group's borrowing at variable rates.

(v) Fair value of financial instruments

The Group's management considers that the carrying amounts of the Group classified as loans and receivables, financial assets measured at amortized cost and financial liabilities measured at amortized cost approximate the fair values in the current consolidated financial statements, and lease liabilities are not required to disclose fair value information.

(r) Financial risk management

The objectives and policies of financial risk management of the Group are consistent with those disclosed in the consolidated financial statements for the year ended December 31, 2020. For the related information, please refer to the 2020 annual consolidated financial statements.

(s) 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, 2020. Also, management believes that there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2020. For the related information, please refer to the 2020 annual consolidated financial statements.

SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARY
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(t) Changes of liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2021	Cash flows	Non-cash changes Changes in lease	June 30, 2021
Short-term borrowings	\$ 100,000	(100,000)	-	-
Short-term notes and bills payable	399,863	(299,935)	-	99,928
Lease liabilities	<u>1,545,020</u>	<u>(222,220)</u>	<u>210,878</u>	<u>1,533,678</u>
Total liabilities from financing activities	<u>\$ 2,044,883</u>	<u>(622,155)</u>	<u>210,878</u>	<u>1,633,606</u>
			Non-cash changes Changes in lease	
	January 1, 2020	Cash flows	Non-cash changes Changes in lease	June 30, 2020
Short-term borrowings	\$ 480,000	(450,000)	-	30,000
Short-term notes and bills payable	299,801	(19,863)	-	279,938
Lease liabilities	<u>1,516,325</u>	<u>(207,742)</u>	<u>184,078</u>	<u>1,492,661</u>
Total liabilities from financing activities	<u>\$ 2,296,126</u>	<u>(677,605)</u>	<u>184,078</u>	<u>1,802,599</u>

(7) Related-party transactions:

(a) Names and relationship with related-parties

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

<u>Name of related-party</u>	<u>Relationship with the Group</u>
Mercuries & Associates Holding Ltd.	Parent company
Sanyou Drugstores Co., Ltd.	Associate (Note)
Mercuries Data Systems Ltd.	Other related party
Mercuries Liquor & Food Co., Ltd.	Other related party
Mercuries & Associates Ltd.	Other related party
Mercuries Fu Bao Ltd.	Other related party
Mercuries F&B Co., Ltd.	Other related party
Mercuries Life Insurance Co., Ltd.	Other related party
Horizon Securities Co., Ltd.	Other related party
Mercuries Social Welfare and Charity Foundation, Taoyuan County	Other related party
Criminal Investigation and Prevention Association, R.O.C.	Other related party
Simple Mart Retail Co., Ltd. Employee Welfare Committee	Other related party

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SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARY
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<u>Name of related-party</u>	<u>Relationship with the Group</u>
Mercuries F&B Consulting Co., Ltd.	Other related party
The Group's directors, general manager and vice general managers	

Note: Sanyou Drugstores Co., Ltd. is the Company's other related party before December 2020.

(b) Significant transactions with related parties

(i) Sales

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

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

(ii) Purchases

The amounts of purchases from related parties were as follows:

	<u>For the three months ended</u>		<u>For the six months ended</u>	
	<u>June 30,</u>		<u>June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Associate	\$ 1,224	-	8,106	-
Other related parties	2,886	1,440	4,068	3,497
	<u>\$ 4,110</u>	<u>1,440</u>	<u>12,174</u>	<u>3,497</u>

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

(iii) Receivables from related parties

The receivables from related parties were as follows:

<u>Accounts</u>	<u>Type of related parties</u>	<u>June 30,</u>	<u>December 31,</u>	<u>June 30,</u>
		<u>2021</u>	<u>2020</u>	<u>2020</u>
Accounts receivable	Associate	\$ 2,771	2,492	-
Accounts receivable	Other related parties	99	121	177
Other receivables	Associate (excluding property and lease transaction)	22	31	-
Other receivables	Other related parties (excluding property transaction)	15	1,104	76
		<u>\$ 2,907</u>	<u>3,748</u>	<u>253</u>

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SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARY
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(iv) Payables from related parties

The payables from related parties were as follows:

<u>Accounts</u>	<u>Type of related parties</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Accounts payable	Associate	\$ 273	-	-
Accounts payable	Other related parties	2,351	1,349	1,396
Other payables	Other related parties (excluding property and lease transaction)	141	331	60
		<u>\$ 2,765</u>	<u>1,680</u>	<u>1,456</u>

The payables from related parties are generated by the payment of goods purchased.

(v) Prepayments

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Other related parties	<u>\$ 408</u>	<u>2,857</u>	<u>345</u>

(vi) Property transactions

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

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Other related parties	<u>\$ 97</u>	<u>155</u>	<u>1,011</u>	<u>2,870</u>

As of June 30, 2021 and 2020, the remaining unpaid balances were \$33 thousand and \$0 thousand, respectively, and were recorded as other payables.

2) The disposal of property, plant and equipment to related parties were summarized as follows:

	<u>For the six months ended June 30,</u>			
	<u>2021</u>		<u>2020</u>	
<u>Type of related parties</u>	<u>Disposal price</u>	<u>Gain (loss) on disposal</u>	<u>Disposal price</u>	<u>Gain (loss) on disposal</u>
Associate	<u>\$ 2</u>	<u>-</u>	<u>-</u>	<u>-</u>

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SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARY
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(vii) Leases

The Group rented buildings as office space and warehouse from other related parties. For the three months ended June 30, 2021 and 2020 and for the six months ended June 30, 2021 and 2020, the Group recognized \$7 thousand, \$9 thousand, \$14 thousand and \$20 thousand as interest expenses, respectively. As of June 30, 2021, December 31 and June 30, 2020, the balance of lease liabilities amounted to \$2,451 thousand, \$2,994 thousand, and \$3,533 thousand, respectively.

The Group subleases the leased office space to its associate, and classified it as finance leases. As of June 30, 2021, December 31 and June 30, 2020, the balance of finance leases receivable amounted to \$4,713 thousand, \$5,829 thousand, and \$0 thousand, respectively.

(viii) Guarantee deposits paid

	June 30, 2021	December 31, 2020	June 30, 2020
Other related parties	\$ <u>292</u>	<u>292</u>	<u>292</u>

The above transactions were guarantee deposits of office leases.

(ix) Guarantee deposits received

	June 30, 2021	December 31, 2020	June 30, 2020
Associate	\$ 200	200	-
Other related parties	<u>100</u>	<u>100</u>	<u>100</u>
	<u>\$ 300</u>	<u>300</u>	<u>100</u>

(x) Other incomes

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Associate	\$ 541	-	708	-
Other related parties	<u>-</u>	<u>73</u>	<u>-</u>	<u>135</u>
	<u>\$ 541</u>	<u>73</u>	<u>708</u>	<u>135</u>

The above transactions were the payment for services provided.

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(xi) Other operating expenses

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Associate	\$ 50	-	50	-
Other related parties	2,360	1,539	4,250	2,924
	<u>2,410</u>	<u>1,539</u>	<u>4,300</u>	<u>2,924</u>

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

(c) Key management personnel compensation

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Short-term employee benefits	\$ 6,970	6,851	13,187	12,650
Post-employment benefits	248	218	480	434
	<u>7,218</u>	<u>7,069</u>	<u>13,667</u>	<u>13,084</u>

(8) Pledged assets:

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

Pledged Assets	Subject	June 30, 2021	December 31, 2020	June 30, 2020
Time deposits (Recorded as current and non-current other financial assets)	Purchase performance guarantee	<u>\$ 150,750</u>	<u>150,750</u>	<u>150,750</u>

(9) Commitments and contingencies:

- (a) The Group issued guarantee notes to obtain short-term loan commitment, as of June 30, 2021, December 31 and June 30, 2020, the balance was \$1,200,000 thousand, \$1,200,000 thousand, and \$1,300,000 thousand, respectively.
- (b) The Group's performance guarantee issued by the bank due to collection business, as of June 30, 2021, December 31 and June 30, 2020, the balances were all \$500 thousand.
- (c) The Group had signed contracts of purchasing machinery and equipment, as of June 30, 2021, December 31 and June 30, 2020, the unpaid balance was \$239 thousand, \$239 thousand, and \$2,394 thousand, respectively.

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- (d) The Group rent several buildings as retail stores for operation, the lease term is 6 to 8 years. The lease payments for the stores are based on a percentage of the determined revenue for each period. If the actual revenue exceeds the determined level, then the lease payments shall be calculated based on actual revenue of the period.

(10) Losses due to major disasters: None

(11) Subsequent events: None

(12) Others:

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

By item	By function	For the three months ended June 30, 2021			For the three months ended June 30, 2020		
		Operating cost	Operating expense	Total	Operating cost	Operating Expense	Total
Employee benefits							
Salary		-	340,432	340,432	699	313,370	314,069
Labor and health insurance		-	36,483	36,483	-	32,393	32,393
Pension		-	17,319	17,319	-	16,177	16,177
Remuneration of directors		-	1,200	1,200	-	250	250
Others		-	22,715	22,715	38	21,076	21,114
Depreciation		-	177,535	177,535	377	164,229	164,606
Amortization		-	4,914	4,914	-	5,560	5,560

By item	By function	For the six months ended June 30, 2021			For the six months ended June 30, 2020		
		Operating cost	Operating expense	Total	Operating cost	Operating Expense	Total
Employee benefits							
Salary		-	647,556	647,556	1,946	628,043	629,989
Labor and health insurance		-	73,193	73,193	44	63,977	64,021
Pension		-	34,773	34,773	21	31,532	31,553
Remuneration of directors		-	2,400	2,400	-	1,200	1,200
Others		-	44,895	44,895	89	39,315	39,404
Depreciation		-	352,040	352,040	377	328,773	329,150
Amortization		-	10,021	10,021	-	12,040	12,040

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(13) Other disclosures:

(a) Information on significant transactions:

The followings were the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the six months ended June 30, 2021:

- (i) Loans to other parties: None
- (ii) Guarantees and endorsements for other parties: None
- (iii) Securities held as of June 30, 2021 (excluding investment in subsidiaries, associates and joint ventures): None
- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vii) Related-party transactions for purchases or sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None
- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None
- (ix) Trading in derivative instruments: None
- (x) Business relationships and significant intercompany transactions:

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

(b) Information on investees:

The following is the information on investees for the six months ended June 30, 2021 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars/Shares)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of June 30, 2021			Net income (losses) of investee	Share of profits/losses of investee	Note
				June 30, 2021	December 31, 2020	Shares	Percentage of ownership	Carrying value			
Simple Mart Retail Co., Ltd.	Sanyou Drugstores Co., Ltd.	Taiwan	Retail sales of drugs and cosmetics	55,980	55,980	45,000	45 %	58,922	7,757	3,491	Associate
Simple Mart Retail Co., Ltd.	Simple Mart Plus Co., Ltd.	Taiwan	Retail sales of food and beverage	60,000	60,000	6,000	100 %	41,843	(2,665)	(2,665)	(Note)

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SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARY
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Note: The above transactions between parent and subsidiary are eliminated when preparing the consolidated financial statements.

- (c) Information on investment in mainland China: None
- (d) Information on major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Mercuries & Associates Holding Ltd.		41,118,951	68.53 %
Sumitomo Corporation		13,200,000	22.00 %

Note: The shareholding ratio is calculated by the number of issued shares of 60,000,000 shares.

(14) Segment information:

General information:

The Group has two reportable segments. Segment A mainly engages in selling daily commodities to customer and other segments engage in home shopping and organic products.

The reportable segments of the Group are strategic business units that provide different products and services. Each strategic business unit is managed separately as it requires different technology and marketing strategies.

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

	<u>For the six months ended June 30, 2021</u>				
	<u>Segment A</u>	<u>Other segments</u>	<u>Headquarters</u>	<u>Reconciliation and elimination</u>	<u>Total</u>
Revenue:					
Revenue from external customers	\$ 7,007,517	50,970	4,235	-	7,062,722
Intersegment revenues	-	-	4,329	(4,329)	-
Total revenue	<u>\$ 7,007,517</u>	<u>50,970</u>	<u>8,564</u>	<u>(4,329)</u>	<u>7,062,722</u>
Reportable segment profit or loss					
	<u>\$ 138,344</u>	<u>(35,268)</u>	<u>(18,480)</u>	<u>2,665</u>	<u>87,261</u>

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SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARY
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	For the six months ended June 30, 2020				
	Segment A	Other segments	Headquarters	Reconciliation and elimination	Total
Revenue:					
Revenue from external customers	\$ 6,424,617	57,866	1,588	-	6,484,071
Intersegment revenues	-	-	4,059	(4,059)	-
Total revenue	<u>\$ 6,424,617</u>	<u>57,866</u>	<u>5,647</u>	<u>(4,059)</u>	<u>6,484,071</u>
Reportable segment profit or loss	<u>\$ 114,773</u>	<u>(26,111)</u>	<u>(9,614)</u>	<u>2,938</u>	<u>81,986</u>