

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

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Nine Months Ended September 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 September 30, 2021 and 2020, and the related consolidated statements of comprehensive income for the three months ended September 30, 2021 and 2020 and for the nine months ended September 30, 2021 and 2020, as well as the changes in equity and cash flows for the nine months ended September 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 September 30, 2021 and 2020, and of its consolidated financial performance for the three months ended September 30, 2021 and 2020 and for the nine months ended September 30, 2021 and 2020, as well as its consolidated cash flows for the nine months ended September 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)
October 29, 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 September 30, 2021 and 2020

SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARY

Consolidated Balance Sheets

September 30, 2021, December 31, 2020, and September 30, 2020

(Expressed in Thousands of New Taiwan Dollars)

Assets		September 30, 2021		December 31, 2020		September 30, 2020		Liabilities and Equity		September 30, 2021		December 31, 2020		September 30, 2020	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (note 6(a))	\$ 233,427	4	179,014	4	178,084	4	2100	Short-term borrowings (note 6(h)(r)(u))	\$ -	-	100,000	2	-	-
1150	Notes receivable, net (note 6(b))	-	-	7	-	26	-	2110	Short-term notes and bills payable (note 6(i)(r)(u))	269,911	5	399,863	8	189,942	4
1170	Accounts receivable, net (note 6(b) and 7)	31,927	1	44,087	1	31,376	1	2130	Contract liabilities-current (notes 6(p))	28,209	1	32,602	1	26,097	-
1197	Finance lease receivable (note 6(c) and 7)	10,833	-	10,735	-	8,668	-	2150	Notes payable (note 6(r))	980	-	948	-	1,115	-
1200	Other receivables (note 7)	6,114	-	9,219	-	8,359	-	2170	Accounts payable (note 6(r) and 7)	1,276,768	25	1,017,084	20	1,124,103	24
1300	Inventories (note 6(d))	1,356,648	27	1,508,133	30	1,374,688	28	2200	Other payables (note 6(r) and 7)	433,494	9	460,434	9	408,009	8
1410	Prepayments (note 7)	39,723	1	137,689	3	32,660	1	2280	Lease liabilities-current (note 6(j)(r)(u) and 7)	422,704	8	413,030	8	413,058	9
1476	Other current financial assets (note 6(a) and 8)	150,000	3	150,429	3	429	-	2300	Other current liabilities	29,636	1	69,186	1	52,037	1
1479	Other current assets	4,686	-	2,350	-	1,306	-			<u>2,461,702</u>	<u>49</u>	<u>2,493,147</u>	<u>49</u>	<u>2,214,361</u>	<u>46</u>
		<u>1,833,358</u>	<u>36</u>	<u>2,041,663</u>	<u>41</u>	<u>1,635,596</u>	<u>34</u>	Non-Current liabilities:							
Non-current assets:								2527	Contract liabilities-non-current (note 6(p))	11,454	-	15,782	-	16,944	-
1551	Investments accounted for using the equity method (note 6(e))	58,931	1	55,431	1	-	-	2550	Non-current provisions	3,739	-	3,736	-	3,734	-
1600	Property, plant and equipment (note 6(f) and 7)	1,363,910	27	1,339,308	26	1,318,232	28	2570	Deferred tax liabilities	590	-	-	-	-	-
1755	Right-of-use assets (note 6(g))	1,491,257	30	1,489,846	29	1,506,902	32	2580	Lease liabilities-non-current (note 6(j)(r)(u) and 7)	1,122,863	22	1,131,990	22	1,142,146	24
1920	Guarantee deposits paid (note 7)	101,799	2	104,040	2	99,230	2	2645	Guarantee deposits received (note 6(r) and 7)	125,437	3	134,469	3	132,519	3
194D	Finance lease receivable-non-current (note 6(c) and 7)	5,498	-	13,633	-	12,178	-			<u>1,264,083</u>	<u>25</u>	<u>1,285,977</u>	<u>25</u>	<u>1,295,343</u>	<u>27</u>
1980	Other non-current financial assets (note 6(a) and 8)	150,750	3	750	-	150,750	3	Total liabilities		<u>3,725,785</u>	<u>74</u>	<u>3,779,124</u>	<u>74</u>	<u>3,509,704</u>	<u>73</u>
1990	Other non-current assets	44,192	1	54,859	1	58,309	1	Equity attributable to owners of parent:(note 6(m))							
		<u>3,216,337</u>	<u>64</u>	<u>3,057,867</u>	<u>59</u>	<u>3,145,601</u>	<u>66</u>	3110	Ordinary share	600,000	12	600,000	12	600,000	13
								3200	Capital surplus	535,692	10	537,938	10	535,044	11
								Retained earnings:							
								3310	Legal reserve	44,064	1	25,867	-	25,867	-
								3350	Unappropriated retained earnings	144,154	3	181,966	4	135,947	3
										<u>188,218</u>	<u>4</u>	<u>207,833</u>	<u>4</u>	<u>161,814</u>	<u>3</u>
								3500	Treasury stocks	-	-	(25,365)	-	(25,365)	-
								Total equity		<u>1,323,910</u>	<u>26</u>	<u>1,320,406</u>	<u>26</u>	<u>1,271,493</u>	<u>27</u>
Total assets		<u>\$ 5,049,695</u>	<u>100</u>	<u>5,099,530</u>	<u>100</u>	<u>4,781,197</u>	<u>100</u>	Total liabilities and equity		<u>\$ 5,049,695</u>	<u>100</u>	<u>5,099,530</u>	<u>100</u>	<u>4,781,197</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 September 30, 2021 and 2020 and for the nine months ended September 30, 2021 and 2020

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

	For the three months ended September 30,				For the nine months ended September 30,				
	2021		2020		2021		2020		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Operating revenue (note 6(p), 7 and 14)	\$ 3,714,153	100	3,473,162	100	10,776,875	100	9,957,233	100
5000	Operating costs (note 6(d), 7 and 12)	<u>2,776,568</u>	<u>75</u>	<u>2,611,074</u>	<u>75</u>	<u>8,125,012</u>	<u>75</u>	<u>7,518,676</u>	<u>76</u>
	Gross profit from operations	<u>937,585</u>	<u>25</u>	<u>862,088</u>	<u>25</u>	<u>2,651,863</u>	<u>25</u>	<u>2,438,557</u>	<u>24</u>
	Operating expenses: (note 4(e), 6(b)(f)(g)(j)(k)(n)(q), 7 and 12)								
6100	Selling expenses	746,323	20	699,609	20	2,175,548	20	2,016,073	20
6200	Administrative expenses	94,728	2	73,999	2	277,561	3	239,646	2
6450	Expected credit losses (gains)(note 6(b))	<u>(151)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Total operating expenses	<u>840,900</u>	<u>22</u>	<u>773,608</u>	<u>22</u>	<u>2,453,116</u>	<u>23</u>	<u>2,255,719</u>	<u>22</u>
	Net operating income	<u>96,685</u>	<u>3</u>	<u>88,480</u>	<u>3</u>	<u>198,747</u>	<u>2</u>	<u>182,838</u>	<u>2</u>
	Non-operating income and expenses:								
7100	Interest income (note 6(j) and 7)	359	-	567	-	1,137	-	1,417	-
7190	Other income (note 7)	6,291	-	4,746	-	13,406	-	8,992	-
7230	Foreign exchange gains (losses)	(69)	-	486	-	576	-	632	-
7510	Interest expenses (note 6(j) and 7)	(4,262)	-	(4,596)	-	(13,714)	-	(15,122)	-
7590	Miscellaneous disbursements	(1,620)	-	(132)	-	(8,702)	-	(6,895)	-
7610	Losses on disposal of property, plant and equipment (note 6(f) and 7)	(3,699)	-	(59)	-	(13,995)	-	(384)	-
7775	Shares of gain of associates and joint ventures accounted for using the equity method (note 6(e))	<u>9</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>(2,991)</u>	<u>-</u>	<u>1,012</u>	<u>-</u>	<u>(17,792)</u>	<u>-</u>	<u>(11,360)</u>	<u>-</u>
	Profit from continuing operations before tax	93,694	3	89,492	3	180,955	2	171,478	2
7950	Less: Income tax expenses (note 4(d) and 6(l))	<u>19,558</u>	<u>1</u>	<u>22,941</u>	<u>1</u>	<u>36,801</u>	<u>1</u>	<u>35,531</u>	<u>1</u>
	Profit	<u>74,136</u>	<u>2</u>	<u>66,551</u>	<u>2</u>	<u>144,154</u>	<u>1</u>	<u>135,947</u>	<u>1</u>
8300	Other comprehensive income, net	-	-	-	-	-	-	-	-
8500	Total comprehensive income	<u>\$ 74,136</u>	<u>2</u>	<u>66,551</u>	<u>2</u>	<u>144,154</u>	<u>1</u>	<u>135,947</u>	<u>1</u>
	Profit, attributable to:								
	Owners of parent	<u>\$ 74,136</u>	<u>2</u>	<u>66,551</u>	<u>2</u>	<u>144,154</u>	<u>1</u>	<u>135,947</u>	<u>1</u>
	Comprehensive income attributable to:								
	Owners of parent	<u>\$ 74,136</u>	<u>2</u>	<u>66,551</u>	<u>2</u>	<u>144,154</u>	<u>1</u>	<u>135,947</u>	<u>1</u>
	Earnings per share (expressed in dollars)								
	Basic earnings per share (note 6(o))	<u>\$ 1.24</u>		<u>1.11</u>		<u>2.41</u>		<u>2.27</u>	
	Diluted earnings per share (note 6(o))	<u>\$ 1.24</u>		<u>1.11</u>		<u>2.41</u>		<u>2.27</u>	

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 nine months ended September 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	-	23,380	-	-	-	23,380
Net income	-	-	-	135,947	-	135,947
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	135,947	-	135,947
Purchase of treasury stocks	-	-	-	-	(25,365)	(25,365)
Balance at September 30, 2020	\$ 600,000	535,044	25,867	135,947	(25,365)	1,271,493
Balance at January 1, 2021	\$ 600,000	537,938	25,867	181,966	(25,365)	1,320,406
Appropriation and distribution of retained earnings:						
Legal reserve	-	-	18,197	(18,197)	-	-
Cash dividends	-	-	-	(163,769)	-	(163,769)
	-	-	18,197	(181,966)	-	(163,769)
Net income	-	-	-	144,154	-	144,154
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	144,154	-	144,154
Treasury stocks sold to employees	-	(2,246)	-	-	25,365	23,119
Balance at September 30, 2021	\$ 600,000	535,692	44,064	144,154	-	1,323,910

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
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SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARY

Consolidated Statements of Cash Flows

For the nine months ended September 30, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30,	
	2021	2020
Cash flows from operating activities:		
Profit before tax	\$ 180,955	171,478
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expenses	530,449	494,977
Amortization expenses	14,625	18,216
Expected credit losses	7	-
Interest expenses	13,714	15,122
Interest income	(1,137)	(1,417)
Share-based payment compensation costs	2,062	-
Shares of gain of associates and joint ventures accounted for using the equity method	(3,500)	-
Losses on disposal of property, plant and equipment	13,995	384
Losses on disposal of intangible assets	6	-
Others	588	(45)
Total adjustments to reconcile profit	<u>570,809</u>	<u>527,237</u>
Changes in operating assets and liabilities:		
Decrease (increase) in notes receivable	7	(20)
Decrease (increase) in accounts receivable	12,153	(3,616)
Decrease (increase) in other receivables	3,043	(408)
Decrease (increase) in inventories	151,485	(9,024)
Decrease in prepayments	97,984	136,175
(Increase) decrease in other current assets	(2,336)	56
Decrease in other financial assets	429	-
(Decrease) increase in contract liabilities	(8,721)	209
Increase (decrease) in notes payable	32	(87)
Increase in accounts payable	259,684	179,985
Increase in other payables	14,185	21,991
Increase (decrease) in other current liabilities	1,899	(3,288)
Total adjustments	<u>1,100,653</u>	<u>849,210</u>
Cash inflow generated from operations	1,281,608	1,020,688
Interest received	1,198	1,614
Interest paid	(13,731)	(15,260)
Income taxes paid	(79,823)	(4,684)
Net cash flows from operating activities	<u>1,189,252</u>	<u>1,002,358</u>
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(278,681)	(164,869)
Proceeds from disposal of property, plant and equipment	529	157
Increase in guarantee deposits paid	-	(372)
Decrease in guarantee deposits paid	2,241	-
Acquisition of intangible assets	(1,819)	(12,045)
Decrease in finance lease receivable-non-current	8,037	7,287
Increase in other financial assets	(150,000)	-
Decrease in other financial assets	-	5,471
Net cash flows used in investing activities	<u>(419,693)</u>	<u>(164,371)</u>
Cash flows from financing activities:		
Decrease in short-term loans	(100,000)	(480,000)
Decrease in short-term notes and bills payable	(129,952)	(109,859)
Increase in guarantee deposits received	-	3,479
Decrease in guarantee deposits received	(9,032)	-
Payments of lease liabilities	(333,450)	(312,467)
Cash dividends paid	(163,769)	(37,909)
Purchase of treasury stocks	-	(25,365)
Treasury stocks sold to employees	21,057	-
Other changes in capital surplus	-	23,380
Net cash flows used in financing activities	<u>(715,146)</u>	<u>(938,741)</u>
Net increase (decrease) in cash and cash equivalents	54,413	(100,754)
Cash and cash equivalents at beginning of period	179,014	278,838
Cash and cash equivalents at end of period	<u>\$ 233,427</u>	<u>178,084</u>

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

September 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 October 29, 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”
- 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
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

(Continued)

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

- (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:

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

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

- (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.

(Continued)

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

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) Share-based payment

The grant date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as a cost, with a corresponding increase in equity, over the vesting period of the awards.

Grant date of a share-based payment award is the date which the Group notifies its employees of the subscription price and the number of shares available for subscription.

(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 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>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Cash on hand	\$ 49,541	53,558	50,035
Bank deposits	151,656	88,264	89,875
Repurchase agreement	32,230	37,192	38,174
	<u>\$ 233,427</u>	<u>179,014</u>	<u>178,084</u>

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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Time deposits with maturities of more than three months	\$ <u>150,000</u>	<u>429</u>	<u>429</u>
Restricted time deposits	<u>\$ 150,750</u>	<u>150,750</u>	<u>150,750</u>

Please refer to note 6(r) 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>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Notes receivable - measured at amortized cost	\$ -	7	26
Accounts receivable - measured at amortized cost	30,448	41,531	31,008
Accounts receivable (related parties) - measured at amortized cost	1,543	2,613	425
Less: Loss allowance	<u>(64)</u>	<u>(57)</u>	<u>(57)</u>
	<u>\$ 31,927</u>	<u>44,094</u>	<u>31,402</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 on notes receivable and accounts receivable was determined as follows:

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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
	<u>Gross carrying amount</u>	<u>Gross carrying amount</u>	<u>Gross carrying amount</u>
Current	\$ 31,663	40,184	30,476
1-60 days past due	263	3,910	922
61-120 days past due	8	-	4
121-180 days past due	-	-	-
More than 181 days past due	<u>57</u>	<u>57</u>	<u>57</u>
	<u>\$ 31,991</u>	<u>44,151</u>	<u>31,459</u>

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

	<u>For the nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Beginning balance of the period	\$ 57	57
Impairment losses recognized	<u>7</u>	<u>-</u>
Ending balance of the period	<u>\$ 64</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>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Less than one year	\$ 10,942	10,928	8,835
One to five years	<u>5,511</u>	<u>13,718</u>	<u>12,263</u>
Total lease payments receivable	16,453	24,646	21,098
Unearned finance income	<u>(122)</u>	<u>(278)</u>	<u>(252)</u>
Present value of lease payments receivable	<u>\$ 16,331</u>	<u>24,368</u>	<u>20,846</u>

(d) Inventories

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Merchandise inventories	<u>\$ 1,356,648</u>	<u>1,508,133</u>	<u>1,374,688</u>

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

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Cost of goods sold	\$ 2,764,557	2,599,761	8,084,138	7,478,698
Inventory losses from obsolescence and others	12,011	11,313	40,874	39,978
Cost of sales	\$ 2,776,568	2,611,074	8,125,012	7,518,676

As of September 30, 2021, December 31 and September 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:

	September 30,	December 31,	September 30,
	2021	2020	2020
Associate	\$ 58,931	55,431	-

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		
			September 30, 2021	December 31, 2020	September 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	For the nine months ended
	September 30, 2021	September 30, 2021
Attributable to the Group:		
Gain from continuing operations	\$ 9	3,500
Other comprehensive income	-	-
Comprehensive income	\$ 9	3,500

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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 movement of the cost and accumulated depreciation of the property, plant and equipment of the Group for the nine months ended September 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	-	-	186,710	50,866	-	237,576
Transfer from (to)	-	-	72	(72)	-	-
Scraps	-	-	(19,285)	(22,339)	-	(41,624)
Disposal	-	-	(7,102)	-	-	(7,102)
Balance at September 30, 2021	<u>\$ 537,599</u>	<u>220,887</u>	<u>1,016,180</u>	<u>776,059</u>	<u>-</u>	<u>2,550,725</u>
Balance at January 1, 2020	\$ 537,599	220,887	714,409	675,753	4,183	2,152,831
Additions	-	-	97,208	48,877	10,558	156,643
Transfer from (to)	-	-	381	14,360	(14,741)	-
Scraps	-	-	(11,113)	(2,436)	-	(13,549)
Disposal	-	-	(466)	(61)	-	(527)
Balance at September 30, 2020	<u>\$ 537,599</u>	<u>220,887</u>	<u>800,419</u>	<u>736,493</u>	<u>-</u>	<u>2,295,398</u>
Accumulated depreciation and impairment losses:						
Balance at January 1, 2021	\$ -	19,279	520,673	482,615	-	1,022,567
Depreciation	-	3,252	118,147	77,051	-	198,450
Transfer from (to)	-	-	52	(52)	-	-
Scraps	-	-	(17,089)	(10,364)	-	(27,453)
Disposal	-	-	(6,749)	-	-	(6,749)
Balance at September 30, 2021	<u>\$ -</u>	<u>22,531</u>	<u>615,034</u>	<u>549,250</u>	<u>-</u>	<u>1,186,815</u>
Balance at January 1, 2020	\$ -	14,943	412,589	382,308	-	809,840
Depreciation	-	3,252	95,122	82,487	-	180,861
Scraps	-	-	(10,837)	(2,342)	-	(13,179)
Disposal	-	-	(329)	(27)	-	(356)
Balance at September 30, 2020	<u>\$ -</u>	<u>18,195</u>	<u>496,545</u>	<u>462,426</u>	<u>-</u>	<u>977,166</u>
Carrying amounts:						
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 September 30, 2021	<u>\$ 537,599</u>	<u>198,356</u>	<u>401,146</u>	<u>226,809</u>	<u>-</u>	<u>1,363,910</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 September 30, 2020	<u>\$ 537,599</u>	<u>202,692</u>	<u>303,874</u>	<u>274,067</u>	<u>-</u>	<u>1,318,232</u>

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SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARY
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Note: For the six months ended June 30, 2021, the Group recorded impairment losses against retail stores with indicator of impairment amounting to \$9,688 thousand. As the retail stores were closed for the three months ended September 30, 2021, the losses were transferred to losses on disposal of property, plant and equipment.

Investing activities that are partially paid in cash:

	For the nine months ended September 30,	
	2021	2020
Acquisition of property, plant and equipment	\$ 237,576	156,643
Add: Payables on equipment, beginning of period	62,151	50,737
Less: Payables on equipment, end of period	(21,046)	(42,511)
Cash paid	\$ 278,681	164,869

(g) Right-of-use assets

The movement of 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	246,354	-	246,354
Lease adjustment	92,028	-	92,028
Derecognized	(60,972)	-	(60,972)
Balance at September 30, 2021	\$ 2,466,936	2,086	2,469,022
Balance at January 1, 2020	\$ 1,855,306	2,086	1,857,392
Additions	410,730	-	410,730
Lease adjustment	(38,179)	-	(38,179)
Derecognized	(3,791)	-	(3,791)
Balance at September 30, 2020	\$ 2,224,066	2,086	2,226,152
Accumulated depreciation:			
Balance at January 1, 2021	\$ 701,228	538	701,766
Depreciation	331,797	202	331,999
Derecognized	(56,000)	-	(56,000)
Balance at September 30, 2021	\$ 977,025	740	977,765

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SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARY
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	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Total</u>
Balance at January 1, 2020	\$ 407,149	269	407,418
Depreciation	313,914	202	314,116
Derecognized	(2,284)	-	(2,284)
Balance at September 30, 2020	<u>\$ 718,779</u>	<u>471</u>	<u>719,250</u>
Carrying amounts:			
Balance at January 1, 2021	<u>\$ 1,488,298</u>	<u>1,548</u>	<u>1,489,846</u>
Balance at September 30, 2021	<u>\$ 1,489,911</u>	<u>1,346</u>	<u>1,491,257</u>
Balance at January 1, 2020	<u>\$ 1,448,157</u>	<u>1,817</u>	<u>1,449,974</u>
Balance at September 30, 2020	<u>\$ 1,505,287</u>	<u>1,615</u>	<u>1,506,902</u>

(h) Short-term borrowings

The short-term borrowings were summarized as follows:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Unsecured bank loans	\$ -	100,000	-
Range of interest rates	-	0.95%	-
Unused short-term credit lines	<u>\$ 699,500</u>	<u>599,500</u>	<u>399,500</u>

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

(i) Short-term notes and bills payable

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Commercial paper payable	\$ 269,911	399,863	189,942
Range of interest rates	0.898%~0.918%	0.948%~0.958%	0.958%~0.968%
Unused short-term credit lines	<u>\$ 230,000</u>	<u>100,000</u>	<u>210,000</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>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Current	\$ 422,704	413,030	413,058
Non-current	<u>\$ 1,122,863</u>	<u>1,131,990</u>	<u>1,142,146</u>

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SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARY
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For the maturity analysis, please refer to note 6(r).

The amounts recognized in profit or loss were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Interests on lease liabilities	\$ <u>3,848</u>	<u>3,940</u>	<u>11,750</u>	<u>11,543</u>
Income from subleasing right-of-use assets	\$ <u>45</u>	<u>56</u>	<u>155</u>	<u>240</u>
Expenses relating to short- term leases	\$ <u>3,118</u>	<u>3,558</u>	<u>8,678</u>	<u>9,075</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>627</u>	<u>631</u>	<u>2,100</u>	<u>2,232</u>

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

	For the nine months ended September 30,	
	2021	2020
Total cash outflow for leases	\$ <u>355,823</u>	<u>335,077</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

(i) Defined benefit plan

The Group makes defined benefit plan contributions based on 2% of monthly salary to the bank account. If the balance of the defined benefit plan is not sufficient to pay for the employee who are expected to meet the retirement requirements in the following year, the difference will be contributed by the end of March of the following year. The retirement payment of each employee subject to the Labor Standards Act is calculated based on the number of years of service and the average salary for the six months prior to the retirement.

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

The details of expenses were as follows:

For the three months ended September 30,		For the nine months ended September 30,	
2021	2020	2021	2020
\$ 13	-	13	-

(ii) Defined contribution plans

The following pension expenses under the provisions of the Labor Pension Act have been contributed to the Bureau of Labor Insurance:

For the three months ended September 30,		For the nine months ended September 30,	
2021	2020	2021	2020
\$ 18,061	16,973	52,834	48,526

(l) Income taxes

(i) Income tax expenses

The details of income tax expense were as follows:

		For the three months ended September 30,		For the nine months ended September 30,	
		2021	2020	2021	2020
Current tax expenses					
Current period	\$	21,381	28,272	38,369	39,738
Adjustments for prior years		-	(1,510)	(13)	(4,895)
		21,381	26,762	38,356	34,843
Deferred tax expenses					
Current period		(1,823)	(3,821)	(1,555)	688
Income tax expenses	\$	19,558	22,941	36,801	35,531

(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.

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SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARY
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(m) Capital and other equity

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

The movement of shares outstanding for the nine months ended September 30, 2021 and 2020, was as follows (expressed in thousand shares):

	Ordinary Shares	
	2021	2020
Beginning balance of the period	\$ 59,700	60,000
Purchases of treasury stocks	-	(300)
Transfer of treasury stocks to employees	300	-
Ending balance of the period	<u>\$ 60,000</u>	<u>59,700</u>

(i) Capital surplus

The balances of capital surplus were as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Premium on issuance of common stock	\$ 505,043	505,043	505,043
Others	30,649	32,895	30,001
	<u>\$ 535,692</u>	<u>537,938</u>	<u>535,044</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 in cash. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received.

(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.

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SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARY
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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.

- (iii) In 2020, in accordance with the requirements under section 167(1) of the Company Act, the Group purchased 300 thousand shares as treasury stocks in order to transfer to employees. In July 2021, all of the treasury stocks were transferred to employees.

(n) Share-based payment

- (i) As of September 30, 2021, the share-based payment transaction was as follows:

	Transfer of treasury stocks to employees
Grant date	July 22, 2021
Number of shares granted	300
Exercise price (dollar)	70.4
Vesting Conditions	Immediately vested

The Group uses Black-Scholes option pricing method in measuring the fair value of the share-based payment at the grant date.

- (ii) Employees benefit expenses

For the nine months ended September 30, 2021, the compensation cost resulting from the transfer of treasury stocks to employees amounted to \$2,062 thousand.

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SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARY
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(o) Earnings per share

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Basic earnings per share				
Profit attributable to ordinary shareholders of the Company	\$ <u>74,136</u>	<u>66,551</u>	<u>144,154</u>	<u>135,947</u>
Weighted-average number of ordinary shares outstanding	<u>59,928</u>	<u>59,700</u>	<u>59,777</u>	<u>59,813</u>
	<u>\$ 1.24</u>	<u>1.11</u>	<u>2.41</u>	<u>2.27</u>
Diluted earnings per share				
Profit attributable to ordinary shareholders of the Company (diluted)	\$ <u>74,136</u>	<u>66,551</u>	<u>144,154</u>	<u>135,947</u>
Weighted-average number of ordinary shares outstanding	59,928	59,700	59,777	59,813
Effect of potentially dilutive ordinary shares - compensation to employees	9	28	36	35
Weighted-average number of ordinary shares outstanding (diluted)	<u>59,937</u>	<u>59,728</u>	<u>59,813</u>	<u>59,848</u>
	<u>\$ 1.24</u>	<u>1.11</u>	<u>2.41</u>	<u>2.27</u>

(p) 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 September 30, 2021 and 2020 and for the nine months ended September 30, 2021 and 2020 were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Sale of goods	\$ 3,541,384	3,318,051	10,301,207	9,512,272
Others operating income	172,769	155,111	475,668	444,961
	<u>\$ 3,714,153</u>	<u>3,473,162</u>	<u>10,776,875</u>	<u>9,957,233</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>September 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>September 30,</u> <u>2020</u>
Contract liabilities - current - customer loyalty program	\$ 19,418	23,646	16,458
Contract liabilities - current - franchise royalty fee	7,616	8,956	9,116
Contract liabilities - current - others	<u>1,175</u>	<u>-</u>	<u>523</u>
Total	<u>\$ 28,209</u>	<u>32,602</u>	<u>26,097</u>
Contract liabilities - non-current - franchise royalty fee	<u>\$ 11,454</u>	<u>15,782</u>	<u>16,944</u>

- 2) The amounts of revenue recognized for the nine months ended September 30, 2021 and 2020, was included in the contract liabilities balance at the beginning of the period, were \$31,619 thousand and \$23,150 thousand, respectively.

(q) Remunerations to employees and directors

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

For the three months ended September 30, 2021 and 2020 and for the nine months ended September 30, 2021 and 2020, the Company estimated its employee remuneration amounted to \$900 thousand, \$840 thousand, \$2,700 thousand and \$2,520 thousand, and directors' remuneration amounted to \$900 thousand, \$600 thousand, \$2,700 thousand and \$1,800 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 September 30, 2021 and 2020 and for the nine months ended September 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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(r) 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, concentration of credit risk is limited.

(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>
September 30, 2021				
Non-derivative financial liabilities				
Short-term notes and bills payable	\$ 269,911	270,000	270,000	-
Notes payable	980	980	980	-
Accounts payable	1,276,768	1,276,768	1,276,768	-
Other payables	433,494	433,494	433,494	-
Lease liabilities (including current and non-current)	1,545,567	1,581,317	434,658	1,146,659
Guarantee deposits received	125,437	125,437	-	125,437
	<u>\$ 3,652,157</u>	<u>3,687,996</u>	<u>2,415,900</u>	<u>1,272,096</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 (including current and non-current)	1,545,020	1,618,845	430,873	1,187,972
Guarantee deposits received	134,469	134,469	-	134,469
	<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>
September 30, 2020				
Non-derivative financial liabilities				
Short-term notes and bills payable	\$ 189,942	190,000	190,000	-
Notes payable	1,115	1,115	1,115	-
Accounts payable	1,124,103	1,124,103	1,124,103	-
Other payables	408,009	408,009	408,009	-
Lease liabilities (including current and non-current)	1,555,204	1,592,454	426,733	1,165,721
Guarantee deposits received	132,519	132,519	-	132,519
	<u>\$ 3,410,892</u>	<u>3,448,200</u>	<u>2,149,960</u>	<u>1,298,240</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>September 30, 2021</u>			<u>December 31, 2020</u>			<u>September 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	\$	129	32.120	4,147	55	34.820	1,923	6	33.950	194
USD		115	27.800	3,210	20	28.430	567	554	29.050	16,097
JPY		3,820	0.247	944	1,488	0.274	408	777	0.274	212
Financial liabilities										
Monetary items										
EUR		155	32.120	4,967	143	34.820	4,980	299	33.950	10,159

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 September 30, 2021 and 2020 would have increased or decreased the net profit after tax by \$27 thousand and \$51 thousand, respectively, assuming all other factors remain constant. The analysis is performed on the same basis for the nine months ended September 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(s) 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 liabilities with variable 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.

(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.

(s) 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.

(t) 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.

(u) 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	September 30, 2021
Short-term borrowings	\$ 100,000	(100,000)	-	-
Short-term notes and bills payable	399,863	(129,952)	-	269,911
Lease liabilities	<u>1,545,020</u>	<u>(330,450)</u>	<u>330,997</u>	<u>1,545,567</u>
Total liabilities from financing activities	<u>\$ 2,044,883</u>	<u>(560,402)</u>	<u>330,997</u>	<u>1,815,478</u>

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SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARY
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	<u>January 1, 2020</u>	<u>Cash flows</u>	<u>Non-cash changes Changes in lease</u>	<u>September 30, 2020</u>
Short-term borrowings	\$ 480,000	(480,000)	-	-
Short-term notes and bills payable	299,801	(109,859)	-	189,942
Lease liabilities	<u>1,516,325</u>	<u>(312,467)</u>	<u>351,346</u>	<u>1,555,204</u>
Total liabilities from financing activities	<u>\$ 2,296,126</u>	<u>(902,326)</u>	<u>351,346</u>	<u>1,745,146</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
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.

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

The amounts of purchases from related parties were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Associate	\$ 4,066	-	12,172	-
Other related parties	1,209	418	5,277	3,915
	<u>\$ 5,275</u>	<u>418</u>	<u>17,449</u>	<u>3,915</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:

Accounts	Type of related parties	September 30, 2021	December 31, 2020	September 30, 2020
Accounts receivable	Associate	\$ 1,471	2,492	-
Accounts receivable	Other related parties	72	121	425
Other receivables	Associate (excluding property and lease transaction)	143	31	-
Other receivables	Other related parties (excluding property transaction)	15	1,104	32
		<u>\$ 1,701</u>	<u>3,748</u>	<u>457</u>

(iv) Payables to related parties

The payables to related parties were as follows:

Accounts	Type of related parties	September 30, 2021	December 31, 2020	September 30, 2020
Accounts payable	Associate	\$ 3,296	-	-
Accounts payable	Other related parties	798	1,349	476
Other payables	Other related parties (excluding property and lease transaction)	426	331	952
		<u>\$ 4,520</u>	<u>1,680</u>	<u>1,428</u>

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SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARY
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The payables to related parties are generated by the payment of goods purchased.

(v) Prepayments

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Other related parties	\$ -	2,857	-

(vi) Property transactions

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

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Other related parties	\$ 17	743	1,028	3,613

As of September 30, 2021 and 2020, the remaining unpaid balances were \$18 thousand and \$442 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 nine months ended September 30,</u>			
	<u>2021</u>		<u>2020</u>	
<u>Type of related parties</u>	<u>Proceeds</u>	<u>Gain (loss) on disposal</u>	<u>Proceeds</u>	<u>Gain (loss) on disposal</u>
Associate	\$ 93	(13)	-	-

(vii) Leases

The Group rented buildings as office space and warehouse from other related parties. For the three months ended September 30, 2021 and 2020 and for the nine months ended September 30, 2021 and 2020, the Group recognized \$6 thousand, \$9 thousand, \$20 thousand and \$29 thousand as interest expenses, respectively. As of September 30, 2021, December 31 and September 30, 2020, the balance of lease liabilities amounted to \$2,176 thousand, \$2,994 thousand, and \$3,264 thousand, respectively.

The Group subleases the leased office space to its associate, and classified it as finance leases. As of September 30, 2021, December 31 and September 30, 2020, the balance of finance leases receivable amounted to \$4,153 thousand, \$5,829 thousand, and \$0 thousand, respectively.

(viii) Guarantee deposits paid

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

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SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARY
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The above transactions were guarantee deposits of office leases.

(ix) Guarantee deposits received

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

(x) Other incomes

	<u>For the three months ended</u> <u>September 30,</u>		<u>For the nine months ended</u> <u>September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Associate	\$ 269	-	977	-
Other related parties	-	78	-	213
	<u>\$ 269</u>	<u>78</u>	<u>977</u>	<u>213</u>

The above transactions were the payment for services provided.

(xi) Other operating expenses

	<u>For the three months ended</u> <u>September 30,</u>		<u>For the nine months ended</u> <u>September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Associate	\$ -	-	50	-
Other related parties	2,591	1,966	6,841	4,890
	<u>\$ 2,591</u>	<u>1,966</u>	<u>6,891</u>	<u>4,890</u>

The above transactions were insurance and repairment fees, etc.

(c) Key management personnel compensation

	<u>For the three months ended</u> <u>September 30,</u>		<u>For the nine months ended</u> <u>September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ 6,671	5,670	19,858	18,320
Post-employment benefits	258	223	738	657
Share-based payments	1,204	-	1,204	-
	<u>\$ 8,133</u>	<u>5,893</u>	<u>21,800</u>	<u>18,977</u>

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

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

<u>Pledged Assets</u>	<u>Subject</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
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 September 30, 2021, December 31 and September 30, 2020, the balance was \$1,200,000 thousand, \$1,200,000 thousand, and \$800,000 thousand, respectively.
- (b) The Group's performance guarantee issued by the bank due to collection service business. As of September 30, 2021, December 31 and September 30, 2020, the balances were all \$500 thousand.
- (c) The Group had signed contracts of purchasing application software. As of September 30, 2021, December 31 and September 30, 2020, the unpaid balance was \$9,800 thousand, \$239 thousand, and \$239 thousand, respectively.
- (d) The Group rent several buildings as retail stores for operation, the lease terms from 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

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SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARY
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(12) Others:

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

By item	By function	For the three months ended September 30, 2021			For the three months ended September 30, 2020		
		Operating cost	Operating expense	Total	Operating cost	Operating Expense	Total
Employee benefits							
Salary		-	332,980	332,980	519	299,874	300,393
Labor and health insurance		-	38,364	38,364	-	33,991	33,991
Pension		-	18,074	18,074	-	16,973	16,973
Remuneration to directors		-	1,200	1,200	-	1,725	1,725
Others		-	24,761	24,761	32	21,741	21,773
Depreciation		-	178,409	178,409	188	165,639	165,827
Amortization		-	4,604	4,604	-	6,176	6,176

By item	By function	For the nine months ended September 30, 2021			For the nine months ended September 30, 2020		
		Operating cost	Operating expense	Total	Operating cost	Operating Expense	Total
Employee benefits							
Salary		-	980,536	980,536	2,465	927,917	930,382
Labor and health insurance		-	111,557	111,557	44	97,968	98,012
Pension		-	52,847	52,847	21	48,505	48,526
Remuneration to directors		-	3,600	3,600	-	2,925	2,925
Others		-	69,656	69,656	121	61,056	61,177
Depreciation		-	530,449	530,449	565	494,412	494,977
Amortization		-	14,625	14,625	-	18,216	18,216

(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 nine months ended September 30, 2021:

- (i) Loans to other parties: None
- (ii) Guarantees and endorsements for other parties: None
- (iii) Securities held as of September 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

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SIMPLE MART RETAIL CO., LTD. AND SUBSIDIARY
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- (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 nine months ended September 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 September 30, 2021			Net income (losses) of investee	Share of profits/losses of investee	Note
				September 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 %	58,931	8,152	3,500	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 %	40,402	(4,106)	(4,106)	(Note)

Note: The above transactions between parent and subsidiary are eliminated when preparing the consolidated financial statements.

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

Shareholder's Name	Shareholding	Shares	Percentage
Mercuries & Associates Holding Ltd.		41,118,951	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.

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Notes to the Consolidated Financial Statements

(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:

	For the nine months ended September 30, 2021				
	Segment A	Other segments	Headquarters	Reconciliation and elimination	Total
Revenue:					
Revenue from external customers	\$ 10,694,080	76,963	5,832	-	10,776,875
Intersegment revenues	-	-	5,561	(5,561)	-
Total revenue	<u>\$ 10,694,080</u>	<u>76,963</u>	<u>11,393</u>	<u>(5,561)</u>	<u>10,776,875</u>
Reportable segment profit or loss	<u>\$ 252,033</u>	<u>(43,309)</u>	<u>(31,875)</u>	<u>4,106</u>	<u>180,955</u>
	For the nine months ended September 30, 2020				
	Segment A	Other segments	Headquarters	Reconciliation and elimination	Total
Revenue:					
Revenue from external customers	\$ 9,864,406	90,216	2,611	-	9,957,233
Intersegment revenues	-	-	7,328	(7,328)	-
Total revenue	<u>\$ 9,864,406</u>	<u>90,216</u>	<u>9,939</u>	<u>(7,328)</u>	<u>9,957,233</u>
Reportable segment profit or loss	<u>\$ 247,977</u>	<u>(40,570)</u>	<u>(39,668)</u>	<u>3,739</u>	<u>171,478</u>