Stock Code:2945

SIMPLE MART RETAIL CO., LTD.

Parent Company Only Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2021 and 2020

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

Table of contents

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Independent Auditors' Report

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

Opinion

We have audited the financial statements of Simple Mart Retail Co., Ltd. ("the Company"), which comprise the statement of financial position as of December 31, 2021 and 2020, and the statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

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

1. Recognition of retail sales revenue:

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

   Description of the key audit matter:

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

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

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain audit procedures including, among others, observing the process of sales information entered by the salesclerk; inspecting the process of additions and changes to the merchandise master file data; evaluating the control of which sales information in POS terminals was periodically and completely transferred to the ERP system and automatically generated sales revenue journal entries, and inspecting manual sales journal entries and relevant documents; inspecting the amount consistency between daily cash reports and bank statement.

2. Valuation of inventories:

Please refer to Note 4(g) for the accounting policy of inventory valuation, Note 5 for uncertainty of accounting estimations and assumptions for inventory valuation and Note 6(d) for the details of related disclosures.

Description of the key audit matter:

The Company's inventories are measured at the lower of cost and net realizable value. The retail industry is highly competitive, therefore, the demand and price of related merchandise might be fluctuated. Thus, it might be the risk of when the cost of inventories goes over net realizable value.

How the matter was addressed in our audit:

In connection of inventory allowance valuation, we analyzed the change in inventory turnovers, evaluated the accounting policy rationality, understood the sales price adopted by the management evaluation, inspected the sales statues and valuation after the period, with evaluation in the adoption of net realizable value basis, to prove the rationality of inventory allowance valuation adopted by the management.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)
February 25, 2022

Notes to Readers

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

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

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

SIMPLE MART RETAIL CO., LTD.

Balance Sheets

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2021 Amount	%	December 31, 2020 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 641,098	12	137,669	3
1170	Accounts receivable, net (note 6(b))	52,575	1	40,294	1
1180	Accounts receivable - related parties, net (note 6(b) and 7)	3,407	-	3,455	-
1197	Finance lease receivable (note 6(c) and 7)	11,004	-	10,904	-
1200	Other receivables(note 7)	8,428	-	9,323	-
1300	Inventories (note 6(d))	1,474,061	27	1,505,871	29
1410	Prepayments (note 7)	22,165	-	136,961	3
1476	Other current financial assets (note 6(a) and 8)	150,000	3	150,429	3
1479	Other current assets	440	-	2,350	-
		2,363,178	43	1,997,256	39
	Non-current assets:				
1551	Investments accounted for using the equity method (note 6(e) and 7)	100,997	2	99,939	2
1600	Property, plant and equipment (note 6(f) and 7)	1,350,302	24	1,337,956	27
1755	Right-of-use assets (note 6(g) and 7)	1,565,249	28	1,486,379	29
1920	Guarantee deposits paid (note 7)	99,995	2	103,008	2
194D	Finance lease receivable - non-current (note 6(c) and 7)	2,872	-	13,904	-
1980	Other non-current financial assets (note 6(a) and 8)	8,750	-	750	-
1990	Other non-current assets (note 6(l))	41,281	1	54,859	1
		3,169,446	57	3,096,795	61
	Total assets	$ 5,532,624	100	5,094,051	100

	Liabilities and Equity	December 31, 2021 Amount	%	December 31, 2020 Amount	%
	Current liabilities:				
2100	Short-term borrowings (note 6(h)(s)(v))	$ -	-	100,000	2
2110	Short-term notes and bills payable (note 6(i)(s)(v))	-	-	399,863	8
2130	Contract liabilities - current (notes 6(p))	29,727	-	32,602	1
2150	Notes payable (note 6(s))	74	-	948	-
2170	Accounts payable (note 6(s))	1,302,492	24	1,015,073	20
2180	Accounts payable - related parties (note 6(s) and 7)	7,333	-	1,814	-
2200	Other payables (note 6(s) and 7)	486,999	9	458,232	9
2280	Lease liabilities - current (note 6(j)(s)(v) and 7)	435,839	8	409,946	8
2300	Other current liabilities(note7)	47,676	1	69,176	1
		2,310,140	42	2,487,654	49
	Non-Current liabilities:				
2527	Contract liabilities - non-current (note 6(p))	10,644	-	15,782	-
2550	Non-current provisions	3,740	-	3,736	-
2570	Deferred tax liabilities(note 6(l))	765	-	-	-
2580	Lease liabilities - non-current (note 6(j)(s)(v) and 7)	1,182,845	21	1,131,990	22
2645	Guarantee deposits received (note 6(s) and 7)	118,808	2	134,483	3
		1,316,802	23	1,285,991	25
	Total liabilities	3,626,942	65	3,773,645	74
	Equity:(note 6(m))				
3110	Ordinary share	675,000	12	600,000	12
3200	Capital surplus	992,115	18	537,938	10
	Retained earnings:				
3310	Legal reserve	44,064	1	25,867	-
3350	Unappropriated retained earnings	194,503	4	181,966	4
		238,567	5	207,833	4
3500	Treasury stocks	-	-	(25,365)	-
	Total equity	1,905,682	35	1,320,406	26
	Total liabilities and equity	$ 5,532,624	100	5,094,051	100

See accompanying notes to parent company only financial statements.

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

SIMPLE MART RETAIL CO., LTD.

Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

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

		2021		2020	
		Amount	%	Amount	%
4000	**Operating revenue** (note(6(p) and 7)	$ 13,964,763	100	13,198,913	100
5000	**Operating costs** (note 6(d),7 and 12)	10,463,741	75	9,914,484	75
	Gross profit from operations	3,501,022	25	3,284,429	25
	Operating expenses: (note 4(u), 6(b)(f)(g)(j)(k)(n)(q),7 and 12)				
6100	Selling expenses	2,862,614	20	2,670,346	20
6200	Administrative expenses	388,877	3	358,234	3
6450	Expected credit losses	7	-	-	-
	Total operating expenses	3,251,498	23	3,028,580	23
	Net operating income	249,524	2	255,849	2
	Non-operating income and expenses:				
7100	Interest income (note 6(j))	1,544	-	1,718	-
7190	Other income (note 6(r) and 7)	30,197	-	24,249	-
7230	Foreign exchange gains	220	-	588	-
7510	Interest expenses (note 6(j) and 7)	(18,099)	-	(19,876)	-
7590	Miscellaneous disbursements	(9,222)	-	(10,482)	-
7610	Loss on disposals of property, plant and equipment (note 6(f) and 7)	(12,380)	-	(8,825)	-
7670	Impairment loss (note 6(f)(g))	(2,038)	-	(8,571)	-
7775	Shares of gain (loss) of subsidiaries, associates and joint ventures accounted for using equity method (note 6(e))	1,058	-	(4,781)	-
		(8,720)	-	(25,980)	-
	Profit from continuing operations before tax	240,804	2	229,869	2
7950	**Less: Income tax expenses** (note 6(l))	46,301	-	47,903	-
	Profit	194,503	2	181,966	2
8300	**Other comprehensive income, net**	-	-	-	-
8500	**Total comprehensive income**	$ **194,503**	**2**	**181,966**	**2**
	Earnings per share				
	Basic earnings per share (note 6(o))	$	**3.21**		**3.04**
	Diluted earnings per share (note 6(o))	$	**3.21**		**3.04**

See accompanying notes to parent company only financial statements.

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

SIMPLE MART RETAIL CO., LTD.

Statements of Changes in Equity

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

			Retained earnings			
	Ordinary shares	Capital surplus	Legal reserve	Unappropriated retained earnings	Treasury stocks	Total equity
Balance at January 1, 2020	$ 600,000	511,664	21,655	42,121	-	1,175,440
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	-	26,274	-	-	-	26,274
Net income	-	-	-	181,966	-	181,966
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	181,966	-	181,966
Purchase of treasury stocks	-	-	-	-	(25,365)	(25,365)
Balance at December 31, 2020	600,000	537,938	25,867	181,966	(25,365)	1,320,406
Distribution of retained earnings:						
Legal reserve	-	-	18,197	(18,197)	-	-
Cash dividends	-	-	-	(163,769)	-	(163,769)
	-	-	18,197	(181,966)	-	(163,769)
Net income	-	-	-	194,503	-	194,503
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	194,503	-	194,503
Treasury stocks sold to employees	-	(2,246)	-	-	25,365	23,119
Capital increase by cash	75,000	453,967	-	-	-	528,967
Share-based payment transactions	-	2,456	-	-	-	2,456
Balance at December 31, 2021	**$ 675,000**	**992,115**	**44,064**	**194,503**	**-**	**1,905,682**

See accompanying notes to parent company only financial statements.

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

SIMPLE MART RETAIL CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	2021	2020
Cash flows from operating activities:		
Profit before tax	$ 240,804	229,869
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expenses	701,214	660,138
Amortization expenses	19,295	24,016
Expected credit losses	7	-
Interest expenses	18,099	19,876
Interest income	(1,544)	(1,718)
Share-based payment compensation costs	4,518	-
Shares of loss (gain) of subsidiaries, associates and joint ventures accounted for using the equity method	(1,058)	4,781
Losses on disposal of property, plant and equipment	12,380	8,825
Losses on disposal of intangible assets	7	-
Impairment losses on non-financial assets	2,038	8,571
Others	315	(1,320)
Total adjustments to reconcile profit	755,271	723,169
Changes in operating assets and liabilities:		
Increase in accounts receivable	(12,288)	(14,645)
Decrease (increase) in accounts receivable - related parties	48	(1,057)
Decrease (increase) in other receivables	904	(1,308)
Decrease (increase) in inventories	31,810	(142,993)
Decrease in prepayments	114,796	30,168
Decrease (increase) in other current assets	1,910	(1,086)
(Increase) decrease in other financial assets	(7,571)	2,521
(Decrease) increase in contract liabilities	(8,013)	5,552
Decrease in notes payable	(874)	(254)
Increase in accounts payable	287,419	73,041
Increase in accounts payable - related parties	5,519	381
Increase in other payables	38,277	53,999
Increase in provisions	-	1
Increase (decrease) in other current liabilities	9,528	(1,681)
Total adjustments	1,216,736	725,808
Cash inflow generated from operations	1,457,540	955,677
Interest received	1,536	1,822
Interest paid	(18,045)	(19,963)
Income taxes paid	(79,811)	(4,664)
Net cash flows generated from operating activities	1,361,220	932,872
Cash flows from investing activities:		
Acquisition of investments accounted for using the equity method	-	(55,980)
Acquisition of property, plant and equipment	(298,517)	(244,005)
Proceeds from disposal of property, plant and equipment	670	712
Increase in guarantee deposits paid	-	(5,151)
Decrease in guarantee deposits paid	3,013	-
Acquisition of intangible assets	(2,480)	(11,185)
Decrease in finance lease receivable non current	10,885	9,928
Net cash flows used in investing activities	(286,429)	(305,681)
Cash flows from financing activities:		
Decrease in short-term loans	(100,000)	(380,000)
Increase in short-term notes and bills payable	-	100,062
Decrease in short-term notes and bills payable	(399,863)	-
Increase in guarantee deposits received	-	5,443
Decrease in guarantee deposits received	(15,675)	-
Payment of lease liabilities	(442,079)	(416,962)
Cash dividends paid	(163,769)	(37,909)
Capital increase by cash	528,967	-
Purchase of treasury stocks	-	(25,365)
Treasury stocks sold to employees	21,057	-
Other changes in capital surplus	-	26,274
Net cash flows used in financing activities	(571,362)	(728,457)
Net increase (decrease) in cash and cash equivalents	503,429	(101,266)
Cash and cash equivalents at beginning of period	137,669	238,935
Cash and cash equivalents at end of period	$ **641,098**	**137,669**

See accompanying notes to parent company only financial statements.

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

SIMPLE MART RETAIL CO., LTD.

Notes to the Financial Statements

For the years ended December 31, 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, 2003 as a company limited authorized by the Ministry of Economic Affairs. The Company has registered office located at B1, No. 4, Section 3, Minquan East Road, Zhongshan District, Taipei City 10477, Taiwan (R.O.C.). The main engagement is in supermarket manufacture, and retail sales in kinds of foods, beverage and daily commodities, etc.

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

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

The Board of Directors authorized the accompanying financial statements on February 25, 2022.

(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 Company has initially adopted the following new amendments, which do not have a significant impact on its 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 Company 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 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.
Notes to the Financial Statements

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

The Company does not expect the following new and amended standards, which have yet to be endorsed by the FSC, 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
- 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”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

(4) Summary of significant accounting policies:

The significant accounting policies presented in the financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the financial statements.

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

The financial statements have been prepared on a historical cost basis.

(ii) Functional and presentation currency

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

(c) Foreign currencies

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

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

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

(Continued)

(i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

An entity shall classify a liability as current when:

(i) It is expected to be settled in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period; or

(iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises cash on hand and bank deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

(f) Financial instruments

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

(i) Financial assets

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

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

(Continued)

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

1) Financial assets measured at amortized cost

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

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

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

2) Impairment of financial assets

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

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

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

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

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

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

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

(Continued)

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

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

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

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 180 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

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

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

3) Derecognition of financial assets

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

(Continued)

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

3) Treasury stock

Repurchased shares are recognized under treasury stocks (a contra-equity account) based on their repurchase price (including all directly accountable costs), net of tax. Gains on disposal of treasury stocks should be recognized under Capital Reserve – Treasury Stock Transactions; Losses on disposal of treasury stocks should be offset against existing capital reserves arising from similar types of treasury stocks. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings. The carrying amount of treasury stocks should be calculated using the weighted average of different types of repurchase.

4) Financial liabilities

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

5) Derecognition of financial liabilities

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

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

6) Offsetting of financial assets and liabilities

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

(Continued)

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

(g) Inventories

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

(h) Investment in 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.

(i) Investment in subsidiaries

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

(j) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(Continued)

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

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

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

Depreciation methods, useful life and residual values are reviewed at least at each annual reporting date and adjusted if appropriate.

(k) Leases

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

(i) As a lessee

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

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

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

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

1) fixed payments, including in-substance fixed payments;

2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

3) amounts expected to be payable under a residual value guarantee; and

4) payments for purchase or termination options that are reasonably certain to be exercised.

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

1) there is a change in future lease payments arising from the change in an index or rate; or

2) there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or

3) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or

4) there is a change of its assessment on whether it will exercise a extension or termination option; or

5) there is any lease modifications

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

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

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

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

(Continued)

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

(ii) As a lessor

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

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

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

(l) Intangible assets

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

(i) Subsequent expenditure

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

(ii) Amortization

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

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

Computer software and others	2~8 years

Amortization methods, useful life and residual values are reviewed at each reporting date and adjusted if appropriate.

(m) Impairment of non-financial assets

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

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

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

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

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

(n) Revenue from contracts with customers

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

1) Sale of goods

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

2) Customer loyalty program

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

(Continued)

3) Other operating income

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

4) Commission revenue

When the Company acts as an agent instead of principal between the transaction, the revenue is recognized according to the net commission amount received.

5) Financing components

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

(o) Government grants and government assistance

The Company recognizes an unconditional government grant in profit or loss as other income when the grant becomes receivable. Grants that compensate the Company for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(p) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

(iii) Short-term employee benefits

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

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

(q) 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.

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

Grant date of a share-based payment award is the base date which the Board of Directors had authorized.

(r) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

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

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

(i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

(ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) taxable temporary differences arising on the initial recognition of goodwill.

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

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

(i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(Continued)

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

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

(s) Earnings per share

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

(t) Operating segments

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

(u) Changes in accounting policies

The Company originally classified the expenses related to the operating division as selling expenses for the years ended December 31, 2020, due to the organizational restructuring, the expenses should be reclassified as administrative expenses amounting to $167,459 thousand.

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

The preparation of the financial statements in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers 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 management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is as follows:

(a) Valuation of inventories

Based on the policy of the obsolescence loss provisions in inventories arose from obsolescent and overdue goods, the Company estimates the amount of obsolescent items from the inventory at the end of the reporting period, and then appropriate the cost of inventory to obsolescence loss. The valuation is mainly determined by the demand of merchandise in accordance with the specific period in the future. Due to the rapid industrial transformation, there may be significant changes in the value of inventories. Please refer to Note 6(d) for the valuation of inventories.

(Continued)

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

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand	$ 52,650	53,408
Bank deposits	188,448	84,261
Repurchase agreement	400,000	-
	$ 641,098	**137,669**

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

	December 31, 2021	December 31, 2020
Time deposits with maturities of more than three months	**$ -**	**429**
Restricted time deposits	**$ 158,750**	**150,750**

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

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

	December 31, 2021	December 31, 2020
Accounts receivable - measured at amortized cost	$ 52,639	40,351
Accounts receivable (related parties) - measured at amortized cost	3,407	3,455
Less: loss allowance	(64)	(57)
	$ 55,982	**43,749**

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

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

(Continued)

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

	December 31, 2021 Gross carrying amount	December 31, 2020 Gross carrying amount
Current	$ 55,743	39,369
1-60 days past due	246	4,380
61-120 days past due	-	-
121~180 days past due	-	-
More than 181 days past due	57	57
	$ 56,046	**43,806**

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

	2021	2020
Beginning balance of the period	$ 57	57
Impairment losses recognized	7	-
Ending balance of the period	**$ 64**	**57**

(c) Finance leases receivable

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

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

	December 31, 2021	December 31, 2020
Less than one year	$ 11,086	11,100
One to five years	2,877	13,991
Total lease payments receivable	13,963	25,091
Unearned finance income	(87)	(283)
Present value of lease payments receivable	**$ 13,876**	**24,808**

(d) Inventories

	December 31, 2021	December 31, 2020
Merchandise inventories	**$ 1,474,061**	**1,505,871**

	2021	2020
Cost of goods sold	$ 10,408,427	9,856,833
Inventory losses from obsolescence and others	55,314	57,651
Cost of sales	**$ 10,463,741**	**9,914,484**

(Continued)

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

As of December 31, 2021 and 2020, the Company 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:

	December 31, 2021	December 31, 2020
Subsidiary	$ 41,191	44,508
Associate	59,806	55,431
	$ 100,997	**99,939**

(i) Subsidiary

Please refer to the consolidated financial statement for the year ended December 31, 2021 for further details.

(ii) Associate

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

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

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

	2021	2020
Attributable to the Company:		
Gain from continuing operations	$ 4,375	549
Other comprehensive income	-	-
Comprehensive income	**$ 4,375**	**549**

(iii) Collateral

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

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

(f) Property, plant and equipment

The movement of the cost, accumulated depreciation and impairment losses of the property, plant and equipment of the Company for the year ended December 31, 2021 and 2020 were as follows:

	Land	Buildings	Machinery and equipment	Leasehold improvements	Prepayment for business facilities and construction in progress	Total
Cost:						
Balance at January 1, 2021	$ 537,599	220,887	850,679	746,902	-	2,356,067
Additions	-	-	210,676	78,282	-	288,958
Transfer from (to)	-	-	72	(72)	-	-
Scraps	-	-	(34,121)	(27,074)	-	(61,195)
Disposal	-	-	(7,348)	-	-	(7,348)
Balance at December 31, 2021	**$ 537,599**	**220,887**	**1,019,958**	**798,038**	**-**	**2,576,482**
Balance at January 1, 2020	$ 537,599	220,887	709,206	674,990	4,183	2,146,865
Additions	-	-	164,055	81,046	10,318	255,419
Transfer from (to)	-	-	141	14,360	(14,501)	-
Scraps	-	-	(18,799)	(23,494)	-	(42,293)
Disposal	-	-	(3,924)	-	-	(3,924)
Balance at December 31, 2020	**$ 537,599**	**220,887**	**850,679**	**746,902**	**-**	**2,356,067**
Accumulated depreciation and impairment losses:						
Balance at January 1,2021	$ -	19,279	516,884	481,948	-	1,018,111
Depreciation	-	4,335	158,178	99,015	-	261,528
Transfer from(to)	-	-	46	(46)	-	-
Scraps	-	-	(33,353)	(15,277)	-	(48,630)
Disposal	-	-	(6,863)	-	-	(6,863)
Impairment losses	-	-	1,784	250	-	2,034
Balance at December 31, 2021	**$ -**	**23,614**	**636,676**	**565,890**	**-**	**1,226,180**
Balance at January 1, 2020	$ -	14,943	409,913	381,819	-	806,675
Depreciation	-	4,336	128,140	108,886	-	241,362
Transfer from(to)	-	-	3	(3)	-	-
Scraps	-	-	(18,329)	(15,508)	-	(33,837)
Disposal	-	-	(2,843)	-	-	(2,843)
Impairment losses	-	-	-	6,754	-	6,754
Balance at December 31, 2020	**$ -**	**19,279**	**516,884**	**481,948**	**-**	**1,018,111**
Carrying amounts:						
Balance at December 31, 2021	**$ 537,599**	**197,273**	**383,282**	**232,148**	**-**	**1,350,302**
Balance at January 1, 2020	**$ 537,599**	**205,944**	**299,293**	**293,171**	**4,183**	**1,340,190**
Balance at December 31, 2020	**$ 537,599**	**201,608**	**333,795**	**264,954**	**-**	**1,337,956**

(Continued)

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

Investing activities that are partially paid in cash:

		2021	2020
Acquisition of Property, plant and equipment	$	288,958	255,419
Add: Payables on equipment, beginning of period		62,151	50,737
Less: Payables on equipment, end of period		(52,592)	(62,151)
Cash paid	$	**298,517**	**244,005**

(g) Right-of-use assets

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

		Buildings	Machinery and equipment	Total
Cost:				
Balance at January 1, 2021	$	2,177,817	2,086	2,179,903
Additions		427,064	-	427,064
Lease adjustment		109,749	-	109,749
Derecognized		(136,177)	-	(136,177)
Balance at December 31, 2021	$	**2,578,453**	**2,086**	**2,580,539**
Balance at January 1, 2020	$	1,847,598	2,086	1,849,684
Additions		549,985	-	549,985
Lease adjustment		(44,448)	-	(44,448)
Derecognized		(175,318)	-	(175,318)
Balance at December 31, 2020	$	**2,177,817**	**2,086**	**2,179,903**
Accumulated depreciation and impairment losses:				
Balance at January 1, 2021	$	692,986	538	693,524
Depreciation		439,417	269	439,686
Derecognized		(117,920)	-	(117,920)
Balance at December 31, 2021	$	**1,014,483**	**807**	**1,015,290**
Balance at January 1, 2020	$	403,056	269	403,325
Depreciation		418,507	269	418,776
Derecognized		(130,394)	-	(130,394)
Impairment losses		1,817	-	1,817
Balance at December 31, 2020	$	**692,986**	**538**	**693,524**
Carrying amounts:				
Balance at December 31, 2021	$	**1,563,970**	**1,279**	**1,565,249**
Balance at January1, 2020	$	**1,444,542**	**1,817**	**1,446,359**
Balance at December 31, 2020	$	**1,484,831**	**1,548**	**1,486,379**

(Continued)

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

(h) Short-term borrowings

The short-term borrowings were summarized as follows:

	December 31, 2021	December 31, 2020
Unsecured bank loans	$ -	100,000
Range of interest rates	-	0.95%
Unused short-term credit lines	$ 399,500	599,500

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

(i) Short-term notes and bills payable

	December 31, 2021	December 31, 2020
Commercial paper payable	$ -	399,863
Range of interest rates	-	0.948%~0.958%
Unused short-term credit lines	$ 500,000	100,000

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

(j) Lease liabilities

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

	December 31, 2021	December 31, 2020
Current	$ 435,839	409,946
Non-current	$ 1,182,845	1,131,990

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

The amounts recognized in profit or loss were as follows:

	2021	2020
Interests on lease liabilities	$ 15,630	15,527
Income from subleasing right-of-use assets	$ (196)	(300)
Expenses relating to short-term leases	$ 9,940	10,948
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	$ 2,642	3,051

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

	2021	2020
Total cash outflow for leases	$ 470,095	446,188

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

(i) Real estate leases

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

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

(ii) Other leases

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

(k) Employee benefit

(i) Defines benefit plan

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

2021	2020
$ 28	**-**

(ii) Defined contribution plans

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

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

2021	2020
$ 70,791	**65,451**

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

(l) Income taxes

(i) Income tax expenses

The components of income tax for 2021 and 2020 were as follows:

		2021	2020
Current tax expenses			
Current period	$	48,797	55,120
Adjustments for prior periods		(13)	(4,695)
		48,784	50,425
Deferred tax expenses			
Current period		(2,483)	(2,522)
Income tax expenses	$	**46,301**	**47,903**

There is no income tax directly recognized under equity for 2021 and 2020.

Reconciliation of income tax and profit before tax for 2021 and 2020 were as follows:

		2021	2020
Income before income tax	$	240,804	229,869
Income tax using the Company's domestic tax rate		48,161	45,974
Prior year's income tax adjustment		(13)	(4,695)
Others		(1,847)	6,624
Income tax expenses	$	**46,301**	**47,903**

(ii) Deferred income tax assets and liabilities

1) Recognized deferred tax assets

Changes in the amounts of deferred tax assets (recorded as other non-current assets) for 2021 and 2020 were as follows:

		Loss on investment	Unrealized loss on inventories	Deferred income	Compesation for unused annual leave	Impairment loss	Others	Total
Deferred income tax assets:								
Balance at January 1, 2021	$	3,208	1,597	3,096	4,320	1,714	11	13,946
Recognized in profit or loss		554	838	1,394	656	(374)	180	3,248
Balance at December 31, 2021	$	**3,762**	**2,435**	**4,490**	**4,976**	**1,340**	**191**	**17,194**
Balance at January 1, 2020	$	2,252	-	1,363	4,096	-	3,713	11,424
Recognized in profit or loss		956	1,597	1,733	224	1,714	(3,702)	2,522
Balance at December 31, 2020	$	**3,208**	**1,597**	**3,096**	**4,320**	**1,714**	**11**	**13,946**

(Continued)

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

2) Recognized deferred tax liabilities

		Profit on investment
Deferred tax liabilities:		
Balance at January 1, 2021	$	-
Recognized in profit or loss		(765)
Balance at December 31, 2021	**$**	**(765)**

(iii) The tax authorities have examined the Company's income tax for the year 2019.

(m) Capital and other equity

As of December 31, 2021 and 2020, the Company's authorized capital consisted of 800,000 thousand shares, amounting to $80,000 thousand, with par value of $10 per share. In 2021 and 2020, all of the issued shares were ordinary shares consisted of 67,500 thousand shares and 60,000 thousand shares, respectively.

The movement of shares outstanding for the years ended December 31, 2021 and 2020, was as follows (expressed in thousand shares):

		Ordinary Shares	
		2021	**2020**
Beginning balance of the period	$	59,700	60,000
Treasury stock transferred to employees		300	-
Capital increase by cash		7,500	-
Purchase of treasury stocks		-	(300)
Ending balance of the period	**$**	**67,500**	**59,700**

(i) Ordinary shares

On July 7, 2021, the Company's Board of Directors resolved to issue 7,500 thousand shares, with par value of $10 per share, amounting to $75,000 thousand for pre-initial public offering placement. The public subscription price was $69 per share at premium, and the average transaction price of the competitive auction was $71.68 per share at premium. In accordance with Article 267 of the Company Act, 10% of the total number of shares issued, amounting to 750,000 shares, were reserved for subscription by the Company's employees. The Chairman shall be fully authorized to arrange for subscription by specific persons at the issuance price, of any unsubscribed shares or subscription of shares waived by employees. On August 27, 2021, the above issuance of shares for cash capital increase was approved by the Taiwan Stock Exchange, with November 29, 2021, as the date of capital increase, the total amount for subscription was $531,967 thousand, after deducting the issuance cost of $3,000 thousand, the total amount of cash received for the capital increase was $528,967 thousand, which was fully received and the related registration procedures were completed. The premium on issuance of common stock was $453,967 thousand, and was recorded as capital surplus.

(Continued)

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

(ii) Capital surplus

The balances of capital surplus were as follows:

	December 31, 2021	December 31, 2020
Premium on issuance of common stock	$ 959,010	505,043
Others	33,105	32,895
	$ 992,115	**537,938**

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.

(iii) Retained earnings

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

1) Legal reserve

When 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**

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

On February 25, 2022, the Company' s Board of Directors resolved to appropriate the earnings for 2021 as follows:

		2021
Dividends distributed to ordinary shareholders:		
Cash	$	175,053

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

(iv) In 2020, in accordance with the requirements under section 167(1) of the Company Act, the Company 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 December 31, 2021, the details of treasury stock transferred to employees were as follows:

	Treasury stock transferred to employees
Grant date	July 7, 2021
Number of shares granted	300
Recipients	Eligible employees
Vesting Conditions	Immediately vested

1) The Company used the Black-Scholes option pricing method in measuring the fair value of the share-based payment at the grant date. The measurement inputs were as follows:

	2021 Treasury stock transferred to employees
Fair value at grant date	77.28
Exercise price	70.40
Expected volatility (%)	15.00
Expected life (years)	0.04
Risk-free interest rate (%)	0.0973

2) Employees benefit expenses

As of December 31, 2021, the compensation cost resulting from the transfer of treasury stocks to employees amounted to $2,062 thousand.

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

(ii) As of December 31, 2021, the details of cash capital increase reserved for employee subscription were as follows:

	Cash capital increase reserved for employee subscription
Grant date	November 4, 2021
Number of shares granted	357
Recipients	Eligible employees
Vesting Conditions	Immediately vested

1) The Company used the Black-Scholes option pricing method in measuring the fair value of the share-based payment at the grant date. The measurement inputs were as follows:

	2021 Cash capital increase reserved for employee subscription
Fair value at grant date	77.06
Exercise price	69.00
Expected volatility (%)	28.69
Expected life (years)	0.06
Risk-free interest rate (%)	0.222

2) Employees benefit expenses

As of December 31, 2021, the compensation cost resulting from the cash capital increase reserved for employee subscription amounted to $2,456 thousand.

(o) Earnings per share

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

	2021	2020
Earnings per share:		
Profit attributable to ordinary shareholders of the Company	$ 194,503	181,966
Weighted-average number of ordinary shares outstanding	60,511	59,786
	$ 3.21	3.04
Diluted earnings per share		
Profit attributable to ordinary shareholders of the Company (diluted)	$ 194,503	181,966

(Continued)

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

		2021	2020
Weighted-average number of ordinary shares outstanding		60,511	59,786
Effect of dilutive potential ordinary shares - employee share bonus		57	42
Weighted-average number of ordinary shares outstanding (diluted)		**60,568**	**59,828**
	$	**3.21**	**3.04**

(p) Revenue from contracts with customers

(i) Details of revenue

The Company derives revenue from the transfer of goods and services over time or at a point in time, and the amounts of revenue for the years ended December 31, 2021 and 2020 were as follows:

		2021	2020
Sale of goods	$	13,312,390	12,581,523
Others operating income		652,373	617,390
	$	**13,964,763**	**13,198,913**

(ii) Contract balances

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

		December 31, 2021	December 31, 2020
Contract liabilities - current - customer loyalty program	$	22,452	23,646
Contract liabilities - current -franchise royalty fee		7,026	8,956
Contract liabilities - current -others		249	-
Total	**$**	**29,727**	**32,602**
Contract liabilities - non-current -franchise royalty fee	**$**	**10,644**	**15,782**

2) The amount of revenue recognized for the years ended December 31, 2021 and 2020, was included in the contract liabilities balance at the beginning of the period, were $34,164 thousand and $25,700 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.

(Continued)

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

For the years ended December 31, 2021 and 2020, the Company estimated its employee remuneration at $3,600 thousand and $3,360 thousand, and directors' remuneration at $3,500 thousand and $2,400 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration of employees and directors of each period, multiplied by the percentage of remuneration of employees and directors as specified in the Company's articles. These remunerations were expensed under operating expenses during 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. There was no difference with the actual distribution. The information is available on the Market Observation Post System website.

(r) Government subsidy

As of December 31, 2021 and 2020, the Company obtained a utility bill relief in accordance with the Ministry of Economic Affairs Approach to the Relief of Industries which were Affected by Severe Pneumonia with Novel Pathogens, which amounted to $14,100 thousand and $9,762 thousand (recorded as other income).

(s) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

The Company has a large and unrelated customer base. therefore, concentrationof credit risk is limited.

(ii) Liquidity risk

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

		Carrying amount	Contractual cash flows	Within 1 year	More than 1 year
December 31, 2021					
Non derivative financial liabilities					
Notes payable	$	74	74	74	-
Accounts payable		1,302,492	1,302,492	1,302,492	-
Accounts payable - related parties		7,333	7,333	7,333	-
Other payables		486,999	486,999	486,999	-
Lease liabilities (include current and non-current)		1,618,684	1,656,705	448,839	1,207,866
Guarantee deposits received		118,808	118,808	-	118,808
	$	**3,534,390**	**3,572,411**	**2,245,737**	**1,326,674**

(Continued)

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

		Carrying amount	Contractual cash flows	Within 1 year	More than 1 year
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		1,015,073	1,015,073	1,015,073	-
Accounts payable - related parties		1,814	1,814	1,814	-
Other payables		458,232	458,232	458,232	-
Lease liabilities (include current and non-current)		1,541,936	1,615,751	427,779	1,187,972
Guarantee deposits received		134,483	134,483	-	134,483
	$	3,652,349	3,726,350	2,403,895	1,322,455

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

		December 31, 2021			December 31, 2020		
		Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets							
Monetary items							
USD	$	134	27.630	3,702	20	28.430	567
EUR		81	31.120	2,528	54	34.820	1,894
JPY		3,530	0.239	842	1,488	0.274	408
Financial liabilities							
Monetary items							
EUR		105	31.120	3,273	143	34.820	4,980

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on financial assets and liabilities that are denominated in foreign currency. A weakening or strengthening of 1% of the NTD against the USD, EUR, and JPY as of December 31, 2021 and 2020 would have increased or decreased the net profit after tax by $30 thousand and $(17) thousand, respectively, assuming all other factors remain constant. The analysis is performed on the same basis for the years ended December 31, 2021 and 2020.

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

(iv) Interest rate analysis

Please refer to the notes 6(t) on liquidity risk management and interest rate exposure of the Company's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of non-derivative financial instruments on the reporting date. Regarding assets 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 Company management's assessment of the reasonably possible interest rate change.

If the interest rate had increased or decreased by 0.5%, the Company' s net income would have decreased or increased by $0 thousand and $400 thousand for the years ended December 31, 2021 and 2020, respectively, with all other variable factors remainsing constant. This is mainly due to the Company's borrowing at variable rates.

(v) Fair value of financial instruments

The Company's management considers that the carrying amounts of the Company 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 financial statements, and lease liabilities are not required to disclose fair value information.

(t) Financial risk management

(i) Overview

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

1) Credit risk

2) Liquidity risk

3) Market risk

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

(ii) Structure of risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the Board of Directors on its activities.

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

(iii) Credit risk

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

(iv) Liquidity risk

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

(v) Market risk

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

1) Currency risk

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

2) Interest rate risk

Interest risk is the risk that changes in market interest rates will affect the fair value of the Company's financial instrument. The Company's bank deposits and short-term borrowings are floating rate debts. Therefore, there is a risk that changes in market interest rates will cause the effective interest rates on its short-term borrowings to change accordingly, resulting in fluctuations in its future cash flows.

(u) Capital management

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

As of December 31, 2021, the Company's capital management was remaining constant.

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

(v) 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	December 31, 2021
Short-term borrowings	$ 100,000	(100,000)	-	-
Short-term notes and bills payable	399,863	(399,863)	-	-
Lease liabilities	1,541,936	(442,079)	518,828	1,618,685
Total liabilities from financing activities	**$ 2,041,799**	**(941,942)**	**518,828**	**1,618,685**

	January 1, 2020	Cash flows	Non-cash changes: Changes in lease	December 31, 2020
Short-term borrowings	$ 480,000	(380,000)	-	100,000
Short-term notes and bills payable	299,801	100,062	-	399,863
Lease liabilities	1,513,242	(416,962)	445,656	1,541,936
Total liabilities from financing activities	**$ 2,293,043**	**(696,900)**	**445,656**	**2,041,799**

(7) Related-party transactions:

(a) Parent company and ultimate controller

Mercuries & Associates, Holding Ltd is the parent company and ultimate controlling party of the Group, owned the Company 60.77% of common shares. Mercuries & Associates, Holding Ltd has prepared a consolidated financial report for public use.

(b) Names and relationship with related-parties

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

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

(Continued)

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

Name of related-party	Relationship with the Company
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
Taiwan Masters Golf Foundation	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
Pharmacyplus co., Ltd.	Other related party
Simple Mart Retail Co., Ltd. Employee Welfare Committee	Other related party
Mercuries F&B Consulting Co., Ltd.	Other related party
The Company’s directors, general manager and vice general managers	

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

(c) Significant transactions with related parties

(i) Sales

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

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

(ii) Purchases

The amounts of purchases from related parties were as follows:

	2021	2020
Subsidiary	$ 1,034	1,359
Associate	18,327	-
Other related parties	9,961	5,688
	$ 29,322	**7,047**

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

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

(iii) Receivable from related parties

The receivables from related parties were as follows:

Accounts	Type of related-parties	December 31, 2021	December 31, 2020
Accounts receivable	Subsidiary	$ 42	903
Accounts receivable	Associate	3,261	2,492
Accounts receivable	Other related parties	104	60
Other receivables	Subsidiary	39	108
Other receivables	Associate (excluding property and lease transaction)	191	31
Other receivables	Other related parties (excluding property transaction)	15	1,104
		$ 3,652	4,698

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

(iv) Payables from related parties

The payables from related parties were as follows:

Accounts	Type of related-parties	December 31, 2021	December 31, 2020
Accounts payable	Subsidiary	$ 61	465
Accounts payable	Associate	3,934	-
Accounts payable	Other related parties	3,338	1,349
Other payables	Subsidiary	3	-
Other payables	Other related parties (excluding property and lease transaction)	453	327
		$ 7,789	2,141

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

(v) Prepayments

The prepayments to related parties were as follows:

	December 31, 2021	December 31, 2020
Other related parties	$ 2,904	2,857

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

(vi) Property transactions

1) The acquisitions of financial assets from related parties were summarized as follows:

		2021		
Relationship	**Account**	**Number of shares**	**Purpose**	**Acquisition price**
Other related party - Sumitomo Corporation	Investments accounted for using the equity method	**45,000**	Sanyou Drugstores Co., Ltd.	**$ 55,980**

Please refer to note 6(e).

2) The prices of equipment acquired from related parties were summarized as follows:

	2021	**2020**
Subsidiary	$ -	33
Other related parties	1,028	4,086
	$ 1,028	**4,119**

As of December 31, 2021 and 2020, the remaining unpaid balances were $188 thousand and $201 thousand, respectively, and were recorded as other payables.

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

	2021		2020	
Type of related parties	**Proceeds**	**Gain (loss) on disposal**	**Proceeds**	**Gain (loss) on disposal**
Associate:				
Sanyou Drugstores Co., Ltd.	$ 250	25	-	-
Other related party:				
Sanyou Drugstores Co., Ltd.	-	-	123	5
Mercuries F&B Co., Ltd.	-	-	389	(79)
	$ 250	**25**	**512**	**(74)**

For the year ended December 31, 2021 and 2020, the Company sold its office equipment to Sanyou Drugstores Co., Ltd., with the selling price amounting to $250 thousand and $123 thousand. As of December 31, 2021 and 2020, the unpaid balances were $0 thousand and $129 thousand. For the year ended December 31, 2021 and 2020, the Company sold its office equipment to Mercuries F&B Co., Ltd, with the selling price amounting to $0 thousand and $389 thousand. As of December 31, 2021 and 2020, the unpaid balances were $0 thousand and $408 thousand.

(Continued)

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

(vii) Leases

The Company rented buildings as office space and warehouse from other related parties. For the year ended December 31, 2021 and 2020, the Company recognized $25 thousand and $37 thousand as interest expenses, respectively. As of December 31, 2021 and 2020, the balance of lease liabilities amounted to $1,895 thousand and $2,994 thousand, respectively.

The Company subleases the leased office space to its subsidiary and associate, and classified it as finance leases. As of December 31, 2021, the balance of finance leases receivable amounting to $272 thousand and $3,591 thousand, respectively, and as of December 31, 2020, the balance of finance leases receivable amounting to $441 thousand and $5,829 thousand, respectively.

(viii) Guarantee deposits paid

	December 31, 2021	December 31, 2020
Other related parties	$ 292	292

The above transactions were guarantee deposits of office leases.

(ix) Guarantee deposits received

	December 31, 2021	December 31, 2020
Subsidiary	$ 14	14
Associate	200	200
Other related parties	100	100
	$ 314	314

The above transactions were guarantee deposits of office leases.

(x) Other operating expenses

	2021	2020
Subsidiary	$ 55	2
Associate	4	-
Other related parties	11,583	7,114
	$ 11,642	7,116

The above transactions were insurance and maintenance fees, etc.

(Continued)

(xi) Other incomes

	2021	2020
Associate	$ 1,521	282
Other related parties	-	4
	$ 1,521	**286**

The above transactions were the payment for services provided.

(d) Key management personnel compensation

	2021	2020
Short-term employee benefits	$ 36,613	34,917
Post-employment benefits	902	796
Share-based payments	1,245	-
	$ 38,760	**35,713**

(8) Pledged assets:

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

Pledged Assets	Pledged to secure	December 31, 2021	December 31, 2020
Time deposits (Recorded as current and noncurrent other financial assets)	Purchase and collection business performance guarantee	**$ 158,750**	**150,750**

(9) Commitments and contingencies:

(a) The Company issued guarantee notes to obtain short-term loan commitment, as of December 31, 2021 and 2020, the balance was $1,200,000 thousand and $1,200,000 thousand, respectively.

(b) The Company' s performance guarantee issued by the bank due to collection business, as of December 31, 2021 and 2020, the balance were all $500 thousand.

(c) The Company had signed contracts of purchasing application software. As of December 31, 2020, the unpaid balance was $239 thousand.

(d) The Company 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

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

(11) Subsequent Events:

On February 25, 2022, the Company's Board of Director approved to acquire 6,000,000 shares of Sanyou Drugstores Co., Ltd. from the entity with significant influence over the Company, Mercuries & Associates Holding Ltd.

(12) Others:

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

By function / By item	2021 Operating cost	2021 Operating expense	2021 Total	2020 Operating cost	2020 Operating expense	2020 Total
Employee benefits						
Salary	-	1,297,500	1,297,500	2,989	1,242,220	1,245,209
Labor and health insurance	-	151,424	151,424	44	133,094	133,138
Pension	-	70,819	70,819	21	65,430	65,451
Remuneration of directors	-	5,000	5,000	-	4,000	4,000
Others	-	94,293	94,293	155	83,258	83,413
Depreciation	-	701,214	701,214	750	659,388	660,138
Amortization	-	19,295	19,295	-	24,016	24,016

For the year ended December 31, 2021 and 2020, the total numbers of employees and employee benefits were as follows:

	2021	2020
Number of employees	3,656	3,332
Number of directors who were not employees	7	7
The average employee benefit	$ 442	459
The average salaries and wages	$ 356	374
The adjustment rate of average employee salaries	(4.81)%	3.60 %
Compensation to supervisors	$ -	-

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

The Compensation Committee determined the compensation with reference to the general pay level in the industry, individual performance appraisal, the Company's overall operating performance, and other related risks. The remuneration of independent directors and functional committee members should consider the business size and overall operating performance of the Company, the time devoted by the independent directors and the fulfillment, responsibility and risks that are taken by functional committee members. Besides, compensation distribution to directors and supervisors shall be reviewed and evaluated by the Compensation Committee and approved by the Board of Directors pursuant to the "Regulations Governing the Compensation to Supervisors and Functional Committee Members". To maintain the independence of the independent directors, the compensation of the independent directors is not linked to the profit or loss of the Company.

(Continued)

SIMPLE MART RETAIL CO., LTD.

Notes to the Financial Statements

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

(13) Other disclosures:

(a) Information on significant transactions:

The followings were the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company for the years ended December 31, 2021:

(i) Loans to other parties: None

(ii) Guarantees and endorsements for other parties: None

(iii) Securities held as of December 31, 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 and 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

(Continued)

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

(b) Information on investees:

The following is the information on investees for the years ended December 31, 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 December 31, 2021			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares (thousands)	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 %	59,806	10,241	4,375	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 %	41,191	(3,317)	(3,317)	Subsidiary

(c) Information on investment in mainland China: None

(d) Major shareholders:

Shareholding / Shareholder's Name	Shares	Percentage
Mercuries & Associates Holding Ltd.	41,018,951	60.77 %
Sumitomo Corporation	13,200,000	19.56 %

(14) Segment information:

Please refer to the consolidated financial statements for the year ended December 31, 2021.

SIMPLE MART RETAIL CO., LTD.

Statement of Cash and Cash Equivalents

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Cash on hand (including working capital)		$ 52,650
Bank deposits		
Check deposits		1,440
Demand deposits		179,936
Foreign currency deposits	Euro dollars are $81 thousand with the exchange rate at 31.120；Japanese yen is $3,530 thousand with the exchange rate at 0.239; U.S dollars is $134 thousands with exchange rate at 27.630.	7,072
		188,448
Repurchase agreement		400,000
		$ 641,098

Statement of Inventories

Item	Amount		Remark
	Cost	Market price	
Merchandise inventories	$ 1,486,236	**2,119,856**	The market price is according to the net realizable value.
Less: allowance for inventory valuation and obsolescence losses	(12,175)		
Total	**$ 1,474,061**		

SIMPLE MART RETAIL CO., LTD.

Statement of changes in Investments under Equity Method

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

	Beginning balance		Addition (Note1)		Decrease (Note2)		Ending balance			Market value or net assets value		
Name of investee	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Percentage of ownership	Amount	Unit price	Total amount	Collateral
Sanyou Drugstores Co., Ltd.	45,000,000	$ 55,431	-	4,375	-	-	45,000,000	45 %	59,806	1.56	70,138	None
Simple Mart Plus Co., Ltd.	6,000,000	44,508	-	-	-	3,317	6,000,000	100 %	41,191	6.87	41,191	None
		$ 99,939		**4,375**		**3,317**			**100,997**		**111,329**	

Note1: The addition was due to the investment gain.

Note 2: The decrease was due to the investment loss.

SIMPLE MART RETAIL CO., LTD.

Statement of Accounts Payable

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Vendor name	Description	Amount
Taiwan Tobacco & Liquor Corporation	Unrelated party	$ 107,195
Vendor A	〃	97,532
Vendor B	〃	78,415
Others (Note)	〃	1,019,350
		$ 1,302,492

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

Statement of Other Payables

Item	Amount
Salaries payable	$ 182,966
Payable on equipment	52,592
Health insurance, labor insurance and pension expense payable	47,246
Payable on bonuses for franchisee	34,149
Bonus payable on unutilized annual leave	24,882
Others (Note)	145,164
Total	**$ 486,999**

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

SIMPLE MART RETAIL CO., LTD.

Statement of Lease Liabilities

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Item	Lease term	Discount rate	Ending balance
Buildings	2010.12~2031.12	0.90%~1.04%	$ 1,617,386
Machinery and equipment	2018.10~2026.10	1.04 %	1,298
			1,618,684
Less: lease liabilities - current			(435,839)
Lease liabilities - non-current			**$ 1,182,845**

Statement of Operating Revenue

For the year ended December 31, 2021

Item	Amount	Remark
Sales revenue	$ 13,312,794	
Less: sales return and discount	(404)	
Net sales	13,312,390	Retail sales in daily commodities
Other operating income	652,373	Advertisement, product launch, franchisee.
Total	**$ 13,964,763**	

SIMPLE MART RETAIL CO., LTD.

Statement of Operating Costs

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Inventories, beginning of period	$ 1,513,855
Purchases	11,263,015
Less: purchase bonuses for vendors	(882,207)
Less: inventories, end of period	(1,486,236)
Losses from price recovery of inventory	4,191
Other costs	51,123
Total	**$ 10,463,741**

Statement of Selling Expenses

Item	Amount
Salaries expense (Salaries, meal, and pension expense)	$ 1,183,366
Depreciation	686,214
Commissions expense	408,526
Utilities expense	231,116
Others (Note)	353,392
Total	**$ 2,862,614**

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

SIMPLE MART RETAIL CO., LTD.

Statement of Administrative Expenses

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Salaries expense (Salaries, meal, and pension expense)	$ 258,369
Insurance expense	27,420
Others (Note)	103,088
Total	**$ 388,877**

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

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

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

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

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

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

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