

**SIMPLE MART RETAIL CO., LTD.****Parent Company Only Financial Statements****With Independent Auditors' Report  
For the Years Ended December 31, 2020 and 2019**

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

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## Independent Auditors' Report

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

### Opinion

We have audited the financial statements of Simple Mart Retail Co., Ltd. ("the Company"), which comprise the statement of financial position as of December 31, 2020 and 2019, 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, 2020 and 2019, 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 inspected the condition of inventory age, 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.

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 24, 2021

#### **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, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2020		December 31, 2019				December 31, 2020		December 31, 2019	
		Amount	%	Amount	%			Amount	%	Amount	%
<b>Assets</b>						<b>Liabilities and Equity</b>					
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents (note 6(a))	\$ 137,669	3	238,935	5	2100	Short-term borrowings (note 6(h)(r)(u))	\$ 100,000	2	480,000	10
1170	Accounts receivable, net (note 6(b) and 7)	43,749	1	28,047	1	2110	Short-term notes and bills payable (note 6(i)(r)(u))	399,863	8	299,801	6
1197	Finance Lease Receivable (note 6(c) and 7)	10,904	-	9,888	-	2130	Contract liabilities - current (notes 6(o))	32,602	1	23,903	-
1200	Other receivables (note 7)	9,323	-	8,119	-	2150	Notes payable (note 6(r))	948	-	1,202	-
1300	Inventories (note 6(d))	1,505,871	29	1,362,878	27	2170	Accounts payable (note 6(r) and 7)	1,016,887	20	943,465	19
1410	Prepayments (note 7)	136,961	3	167,129	3	2200	Other payables (note 6(r) and 7)	458,232	9	392,911	8
1476	Other current financial assets (note 6(a) and 8)	150,429	3	152,950	3	2280	Lease Liabilities - current (note 6(j)(r)(u) and 7)	409,946	8	381,540	8
1479	Other current assets	<u>2,350</u>	-	<u>1,264</u>	-	2300	Other current liabilities (note 7)	<u>69,176</u>	<u>1</u>	<u>25,096</u>	-
		<u>1,997,256</u>	<u>39</u>	<u>1,969,210</u>	<u>39</u>			<u>2,487,654</u>	<u>49</u>	<u>2,547,918</u>	<u>51</u>
<b>Non-current assets:</b>						<b>Non-Current liabilities:</b>					
1551	Investments accounted for using the equity method (note 6(e) and 7)	99,939	2	48,740	1	2527	Contract liabilities - non-current (note 6(o))	15,782	-	18,929	-
1600	Property, plant and equipment (note 6(f) and 7)	1,337,956	27	1,340,190	27	2550	Non-current provisions	3,736	-	3,731	-
1755	Right-of-use assets (note 6(g) and 7)	1,486,379	29	1,446,359	29	2580	Lease Liabilities - non-current (note 6(j)(r)(u) and 7)	1,131,990	22	1,131,702	23
1920	Guarantee deposits paid (note 7)	103,008	2	97,857	2	2645	Guarantee deposits received (note 6(r) and 7)	<u>134,483</u>	<u>3</u>	<u>129,040</u>	<u>3</u>
194D	Finance Lease Receivable - non-current (note 6(c) and 7)	13,904	-	38,487	1			<u>1,285,991</u>	<u>25</u>	<u>1,283,402</u>	<u>26</u>
1980	Other non-current financial assets (note 8)	750	-	750	-			<u>3,773,645</u>	<u>74</u>	<u>3,831,320</u>	<u>77</u>
1990	Other non-current assets (note 6(l))	<u>54,859</u>	<u>1</u>	<u>65,167</u>	<u>1</u>		<b>Total liabilities</b>				
		<u>3,096,795</u>	<u>61</u>	<u>3,037,550</u>	<u>61</u>	3110	<b>Equity:(note 6(m))</b>				
						3200	Ordinary share	<u>600,000</u>	<u>12</u>	<u>600,000</u>	<u>12</u>
							Capital surplus	<u>537,938</u>	<u>10</u>	<u>511,664</u>	<u>10</u>
							Retained earnings:				
						3310	Legal reserve	25,867	-	21,655	-
						3350	Unappropriated retained earnings	<u>181,966</u>	<u>4</u>	<u>42,121</u>	<u>1</u>
								<u>207,833</u>	<u>4</u>	<u>63,776</u>	<u>1</u>
						3500	Treasury stock	<u>(25,365)</u>	-	-	-
							<b>Total equity</b>	<u>1,320,406</u>	<u>26</u>	<u>1,175,440</u>	<u>23</u>
							<b>Total liabilities and equity</b>	<u>\$ 5,094,051</u>	<u>100</u>	<u>5,006,760</u>	<u>100</u>
	<b>Total assets</b>	<u>\$ 5,094,051</u>	<u>100</u>	<u>5,006,760</u>	<u>100</u>						

(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, 2020 and 2019**

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

		<u>2020</u>		<u>2019</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	<b>Operating revenue</b> (note(6(o) and 7)	\$ 13,198,913	100	12,080,447	100
5000	<b>Operating costs</b> (note 6(d),7 and 12)	<u>9,914,484</u>	<u>75</u>	<u>9,153,766</u>	<u>76</u>
	<b>Gross profit from operations</b>	<u>3,284,429</u>	<u>25</u>	<u>2,926,681</u>	<u>24</u>
	<b>Operating expenses:</b> (note 6(b)(f)(g)(j)(k)(p),7 and 12)				
6100	Selling expenses	2,837,805	22	2,681,770	22
6200	Administrative expenses	<u>190,775</u>	<u>1</u>	<u>177,141</u>	<u>2</u>
	<b>Total operating expenses</b>	<u>3,028,580</u>	<u>23</u>	<u>2,858,911</u>	<u>24</u>
	<b>Net operating income</b>	<u>255,849</u>	<u>2</u>	<u>67,770</u>	<u>-</u>
	<b>Non-operating income and expenses:</b>				
7100	Interest income (note 6(j) and 7)	1,718	-	2,188	-
7190	Other income (note 6(q) and 7)	24,249	-	12,904	-
7230	Foreign exchange gains	588	-	55	-
7510	Interest expense (note 6(j) and 7)	(19,876)	-	(20,235)	-
7590	Miscellaneous disbursements	(10,482)	-	(4,011)	-
7610	Loss on disposals of property, plant and equipment (note 6(f) and 7)	(8,825)	-	(5,074)	-
7670	Impairment loss (note 6(f)(g))	(8,571)	-	-	-
7775	Share of loss of subsidiaries, associates and joint ventures accounted for using equity method (note 6(e))	<u>(4,781)</u>	<u>-</u>	<u>(6,245)</u>	<u>-</u>
		<u>(25,980)</u>	<u>-</u>	<u>(20,418)</u>	<u>-</u>
	<b>Profit from continuing operations before tax</b>	229,869	2	47,352	-
7950	<b>Less: Income tax expenses</b> (note 6(l))	<u>47,903</u>	<u>-</u>	<u>5,231</u>	<u>-</u>
	<b>Profit</b>	<u>181,966</u>	<u>2</u>	<u>42,121</u>	<u>-</u>
8300	<b>Other comprehensive income, net</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b>Total comprehensive income</b>	<u>\$ 181,966</u>	<u>2</u>	<u>42,121</u>	<u>-</u>
	<b>Earnings per share</b>				
	Earnings per share (note 6(n))	<u>\$ 3.04</u>		<u>0.70</u>	
	Diluted earnings per share (note 6(n))	<u>\$ 3.04</u>		<u>0.70</u>	

See accompanying notes to parent company only financial statements.



(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
SIMPLE MART RETAIL CO., LTD.

Statements of Changes in Equity  
For the years ended December 31, 2020 and 2019  
(Expressed in Thousands of New Taiwan Dollars)

	Ordinary shares	Capital surplus	Retained earnings		Treasury stocks	Total equity
			Legal reserve	Unappropriated retained earnings		
<b>Balance at January 1, 2019</b>	\$ 530,966	500,120	3,891	177,643	-	1,212,620
Appropriation and distribution of retained earnings:						
Legal reserve appropriated	-	-	17,764	(17,764)	-	-
Cash dividends distributed to shareholders	-	-	-	(149,792)	-	(149,792)
Stock dividends distributed to shareholders	10,087	-	-	(10,087)	-	-
	<u>10,087</u>	<u>-</u>	<u>17,764</u>	<u>(177,643)</u>	<u>-</u>	<u>(149,792)</u>
Other changes in capital surplus:						
Stock dividends from capital surplus	53,095	(53,095)	-	-	-	-
Other changes in capital surplus	-	6,121	-	-	-	6,121
Net income	-	-	-	42,121	-	42,121
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,121</u>	<u>-</u>	<u>42,121</u>
Issue of shares	5,852	58,518	-	-	-	64,370
<b>Balance at December 31, 2019</b>	<u>600,000</u>	<u>511,664</u>	<u>21,655</u>	<u>42,121</u>	<u>-</u>	<u>1,175,440</u>
Appropriation and distribution of retained earnings:						
Legal reserve appropriated	-	-	4,212	(4,212)	-	-
Cash dividends distributed to shareholders	-	-	-	(37,909)	-	(37,909)
	<u>-</u>	<u>-</u>	<u>4,212</u>	<u>(42,121)</u>	<u>-</u>	<u>(37,909)</u>
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	<u>-</u>	<u>-</u>	<u>-</u>	<u>181,966</u>	<u>-</u>	<u>181,966</u>
Retirement of treasury stock	-	-	-	-	(25,365)	(25,365)
<b>Balance at December 31, 2020</b>	<u>\$ 600,000</u>	<u>537,938</u>	<u>25,867</u>	<u>181,966</u>	<u>(25,365)</u>	<u>1,320,406</u>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
SIMPLE MART RETAIL CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	2020	2019
<b>Cash flows from operating activities:</b>		
Profit before tax	\$ 229,869	47,352
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	660,138	639,495
Amortization expense	24,016	18,331
Reversal of impairment loss	-	(130)
Interest expense	19,876	20,235
Interest income	(1,718)	(2,188)
Share of loss of subsidiaries, associates and joint ventures accounted for using the equity method	4,781	6,245
Loss on disposal of property, plant and equipment	8,825	5,074
Impairment loss on non-financial assets	8,571	-
Others	(1,320)	(17)
<b>Total adjustments to reconcile profit</b>	<b>723,169</b>	<b>687,045</b>
<b>Changes in operating assets and liabilities:</b>		
Decrease in notes receivable	-	1,586
Decrease (increase) in accounts receivable	(15,702)	13,968
Decrease (increase) in other receivables	(1,308)	9,978
Increase in inventories	(142,993)	(168,845)
Decrease (increase) in prepayments	30,168	(150,276)
Decrease (increase) in other current assets	(1,086)	907
Decrease (increase) in other financial assets	2,521	(50)
Increase in contract liabilities	5,552	1,809
Increase (decrease) in notes payable	(254)	1,167
Increase (decrease) in accounts payable	73,422	(330,601)
Increase (decrease) in other payables	53,999	(45,681)
Increase (decrease) in provisions	1	(699)
Decrease in other current liabilities	(1,681)	(1,124)
<b>Total adjustments</b>	<b>725,808</b>	<b>19,184</b>
Cash inflow generated from operations	955,677	66,536
Interest received	1,822	2,153
Interest paid	(19,963)	(20,107)
Income taxes paid	(4,664)	(42,556)
<b>Net cash flows from operating activities</b>	<b>932,872</b>	<b>6,026</b>
<b>Cash flows used in investing activities:</b>		
Acquisition of investments accounted for using the equity method	(55,980)	-
Proceeds from disposal of investments accounted for using the equity method	-	15,403
Acquisition of property, plant and equipment	(244,005)	(178,611)
Proceeds from disposal of property, plant and equipment	712	2,390
Increase in guarantee deposits paid	(5,151)	-
Decrease in guarantee deposits paid	-	6,585
Acquisition of intangible assets	(11,185)	(24,099)
Decrease in long-term lease and installment receivables	9,928	9,347
Decrease in other financial assets	-	950
Decrease in other non-current assets	-	290
<b>Net cash flows used in investing activities</b>	<b>(305,681)</b>	<b>(167,745)</b>
<b>Cash flows from (used in) financing activities:</b>		
Increase (decrease) in short-term loans	(380,000)	350,000
Increase in short-term notes and bills payable	100,062	299,801
Increase in guarantee deposits received	5,443	16,181
Payment of lease liabilities	(416,962)	(396,438)
Cash dividends paid	(37,909)	(149,792)
Issued for cash	-	64,370
Retirement of treasury shares	(25,365)	-
Other changes in capital surplus	26,274	6,121
<b>Net cash flows from (used in) financing activities</b>	<b>(728,457)</b>	<b>190,243</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(101,266)</b>	<b>28,524</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>238,935</b>	<b>210,411</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 137,669</b>	<b>238,935</b>

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, 2020 and 2019**

**(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 went listed on Taiwan OTC Stock market on December 17, 2018.

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

The Board of Directors authorized the accompanying financial statements on February 24, 2021.

**(3) New standards, amendments and interpretations adopted:**

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

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2020:

- Amendments to IFRS 3 “Definition of a Business”
- Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”
- Amendments to IAS 1 and IAS 8 “Definition of Material”
- Amendments to IFRS 16 “COVID-19-Related Rent Concessions”

- (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, 2021, would not have a significant impact on its financial statements:

- 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”

(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, to have a significant impact on its financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”

**(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.

- (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

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**SIMPLE MART RETAIL CO., LTD.**  
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- (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 demand 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.

- 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

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**SIMPLE MART RETAIL CO., LTD.**  
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- 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 trade receivables, other receivable, leases receivable, guarantee deposit paid and other financial assets).

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

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

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

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

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

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

As the Company's bank deposits and time deposits 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.

(Continued)

**SIMPLE MART RETAIL CO., LTD.**  
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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)

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**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.

During the cancellation of treasury stocks, Capital Reserve – Share Premiums and Share Capital should be debited proportionately. Gains on cancellation of treasury stocks should be recognized under existing capital reserves arising from similar types of treasury stocks; Losses on cancellation 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.

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.

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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.

(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 Company has significant influence, but not control or joint control, over their financial and operating policies. When the Company holds between 20% and 50% of the voting rights of the investee company, it is assumed to have a significant influence.

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 financial statements include the Company'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 Company, from the date on which significant influence commences until the date on which significant influence ceases.

(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.

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

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

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

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

(k) Leases

(i) Identifying a lease

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. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the customer has the right to direct the use of the asset throughout the period of use only if either:
  - the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or

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**SIMPLE MART RETAIL CO., LTD.**  
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- the relevant decisions about how and for what purpose the asset is used are predetermined and:
  - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
  - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for each lease component and any associated non-lease components as a single lease component.

(ii) 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:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- 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:

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

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**SIMPLE MART RETAIL CO., LTD.**  
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- there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- 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
- there is a change of its assessment on whether it will exercise a extension or termination option; or
- 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.

(iii) 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'.

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(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
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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.

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(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.

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.

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(p) Employee benefits

(i) Defined contribution plans

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

(ii) 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) 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 reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

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**SIMPLE MART RETAIL CO., LTD.**  
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Deferred tax assets and liabilities are offset if the following criteria are met:

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

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

(r) 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.

(s) 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.

**(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.

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**Notes to the Financial Statements**

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.

**(6) Explanation of significant accounts:**

(a) Cash and Cash Equivalents

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Cash on hand	\$ 53,408	50,478
Bank deposits	84,261	188,457
	<b><u>\$ 137,669</u></b>	<b><u>238,935</u></b>

As of December 31, 2020 and 2019, time deposits with maturities of more than three months held by the Company amounted to \$429 thousand and \$2,950 thousand, respectively, and were recorded as other current financial assets. Please refer to note 6(r)(s) for the exchange rate risk, interest rate risk, and sensitivity analysis of the financial assets and liabilities of the Company.

(b) Notes and Accounts Receivable (including related parties)

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Accounts Receivable - measured at amortized cost	\$ 40,351	25,706
Accounts Receivable (related parties) - measured at amortized cost	3,455	2,398
Less: Loss Allowance	<u>(57)</u>	<u>(57)</u>
	<b><u>\$ 43,749</u></b>	<b><u>28,047</u></b>

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 allowance for doubtful accounts were determined as follows:

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**SIMPLE MART RETAIL CO., LTD.**  
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	<u>December 31, 2020</u>	<u>December 31, 2019</u>
	<b>Gross carrying amount</b>	<b>Gross carrying amount</b>
Current	\$ 39,369	19,113
1-60 days past due	4,380	8,583
61-120 days past due	-	320
More than 181 days past due	<u>57</u>	<u>88</u>
	<b><u>\$ 43,806</u></b>	<b><u>28,104</u></b>

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

	<u>2020</u>	<u>2019</u>
Balance on January 1, 2020 and 2019	\$ 57	187
Impairment loss (reversed)	<u>-</u>	<u>(130)</u>
Balance on December 31, 2020 and 2019	<b><u>\$ 57</u></b>	<b><u>57</u></b>

(c) Finance leases receivable

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

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Less than one year	\$ 11,100	10,335
One to five years	<u>13,991</u>	<u>39,307</u>
Total lease payments receivable	25,091	49,642
Unearned finance income	<u>(283)</u>	<u>(1,267)</u>
Present value of lease payments receivable	<b><u>\$ 24,808</u></b>	<b><u>48,375</u></b>

(d) Inventories

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Merchandise Inventories	<b><u>\$ 1,505,871</u></b>	<b><u>1,362,878</u></b>

As of December 31, 2020 and 2019, merchandise recognized as cost of good sales amounted to \$9,856,833 thousand and \$9,107,172 thousand, respectively. The inventory losses from obsolescence and others were \$57,651 thousand and \$46,594 thousand for the year ended December 31, 2020 and 2019, respectively.

(Continued)

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

As of December 31, 2020 and 2019, 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:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiaries	\$ 44,508	48,740
Associates	<u>55,431</u>	<u>-</u>
	<u>\$ 99,939</u>	<u>48,740</u>

(i) Subsidiaries

Please refer to the consolidated financial statement for the year ended December 31, 2020 for further details.

(ii) Associates

The Company paid \$55,980 thousand in cash to acquire 45% of the shares of Sanyou Drugstores Co., Ltd. from the related parties, Sumitomo Corporation, and has significant influence on the company, the related information is as follows:

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

The Company's financial information for investments in individually insignificant associates under equity method at the reporting date was as follows. The relevant financial information is included in the financial statements.

	<u>2020</u>
The amounts belong to the Company:	
Loss before income tax from continuing operations	\$ 549
Other comprehensive income, net	<u>-</u>
Comprehensive income	<u>\$ 549</u>

(iii) Collateral

As of December 31, 2020 and 2019, the Company did not provide any investments under equity method as collateral for its loans.

(Continued)

**SIMPLE MART RETAIL CO., LTD.**  
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(f) Property, plant and equipment

The cost, depreciation and impairment of the property, plant and equipment of the Company for the year ended December 31, 2020 and 2019 were as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Leasehold improvements</u>	<u>Prepayment for business facilities and unfinished construction</u>	<u>Total</u>
Cost:						
Balance on 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 on December 31, 2020	<u>\$ 537,599</u>	<u>220,887</u>	<u>850,679</u>	<u>746,902</u>	<u>-</u>	<u>2,356,067</u>
Balance on January 1, 2019	\$ 537,599	220,887	749,673	628,155	6,292	2,142,606
Additions	-	-	87,127	73,562	7,060	167,749
Transfer from (to)	-	-	2,058	6,597	(9,169)	(514)
Reclassification	-	-	(94,755)	63,807	-	(30,948)
Scraps	-	-	(22,428)	(95,200)	-	(117,628)
Disposal	-	-	(12,469)	(1,931)	-	(14,400)
Balance on December 31, 2019	<u>\$ 537,599</u>	<u>220,887</u>	<u>709,206</u>	<u>674,990</u>	<u>4,183</u>	<u>2,146,865</u>
Depreciation and impairment loss:						
Balance on January 1, 2020	\$ -	14,943	409,913	381,819	-	806,675
Depreciation	-	4,336	128,140	108,886	-	241,362
Scraps	-	-	(18,329)	(15,508)	-	(33,837)
Disposal	-	-	(2,843)	-	-	(2,843)
Transfer from (to)	-	-	3	(3)	-	-
Impairment loss	-	-	-	6,754	-	6,754
Balance on December 31, 2020	<u>\$ -</u>	<u>19,279</u>	<u>516,884</u>	<u>481,948</u>	<u>-</u>	<u>1,018,111</u>
Balance on January 1, 2019	\$ -	10,607	362,534	348,084	-	721,225
Depreciation	-	4,336	117,040	112,503	-	233,879
Reclassification	-	-	(38,669)	14,804	-	(23,865)
Scraps	-	-	(21,042)	(92,767)	-	(113,809)
Disposal	-	-	(9,950)	(805)	-	(10,755)
Balance on December 31, 2019	<u>\$ -</u>	<u>14,943</u>	<u>409,913</u>	<u>381,819</u>	<u>-</u>	<u>806,675</u>
Carrying amount:						
Balance on December 31, 2020	<u>\$ 537,599</u>	<u>201,608</u>	<u>333,795</u>	<u>264,954</u>	<u>-</u>	<u>1,337,956</u>
Balance on January 1, 2019	<u>\$ 537,599</u>	<u>210,280</u>	<u>387,139</u>	<u>280,071</u>	<u>6,292</u>	<u>1,421,381</u>
Balance on December 31, 2019	<u>\$ 537,599</u>	<u>205,944</u>	<u>299,293</u>	<u>293,171</u>	<u>4,183</u>	<u>1,340,190</u>

(Continued)

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

	<u>2020</u>	<u>2019</u>
Acquisition of Property, plant and equipment	\$ 255,419	167,749
Add : Payables on equipment, beginning of year	50,737	61,599
Less : Payables on equipment, end of year	<u>(62,151)</u>	<u>(50,737)</u>
Cash paid	<u>\$ 244,005</u>	<u>178,611</u>

(g) Right-of-use assets

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

	<u>Buildings</u>	<u>Office equipment</u>	<u>Total</u>
Cost:			
Balance on January 1, 2020	\$ 1,847,598	2,086	1,849,684
Additions	549,985	-	549,985
Lease adjustment	(44,448)	-	(44,448)
Derecognized	<u>(175,318)</u>	<u>-</u>	<u>(175,318)</u>
Balance on December 31, 2020	<u>\$ 2,177,817</u>	<u>2,086</u>	<u>2,179,903</u>
Balance on January 1, 2019	\$ 1,578,342	2,086	1,580,428
Additions	284,634	-	284,634
Derecognized	<u>(15,378)</u>	<u>-</u>	<u>(15,378)</u>
Balance on December 31, 2019	<u>\$ 1,847,598</u>	<u>2,086</u>	<u>1,849,684</u>
Accumulated depreciation and impairment loss:			
Balance on January 1, 2020	\$ 403,056	269	403,325
Depreciation	418,507	269	418,776
Derecognized	(130,394)	-	(130,394)
Impairment loss	<u>1,817</u>	<u>-</u>	<u>1,817</u>
Balance on December 31, 2020	<u>\$ 692,986</u>	<u>538</u>	<u>693,524</u>
Balance on January 1, 2019	\$ -	-	-
Depreciation	405,347	269	405,616
Derecognized	<u>(2,291)</u>	<u>-</u>	<u>(2,291)</u>
Balance on December 31, 2019	<u>\$ 403,056</u>	<u>269</u>	<u>403,325</u>
Carrying amounts:			
Balance on December 31, 2020	<u>\$ 1,484,831</u>	<u>1,548</u>	<u>1,486,379</u>
Balance on January 1, 2019	<u>\$ 1,578,342</u>	<u>2,086</u>	<u>1,580,428</u>
Balance on December 31, 2019	<u>\$ 1,444,542</u>	<u>1,817</u>	<u>1,446,359</u>

(Continued)

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

(h) Short-term borrowings

The short-term borrowings were summarized as follows:

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Unsecured bank loans	\$ <u>100,000</u>	<u>480,000</u>
Range of interest rates	<u>0.95%</u>	<u>1.04%~1.163%</u>
Unused short-term credit lines	\$ <u>599,500</u>	<u>219,500</u>

As of December 31, 2020 and 2019, the Company did not provide any short-term borrowings as collateral for its loans.

(i) Short-term notes and bills payable

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Commercial paper payable	\$ <u>399,863</u>	<u>299,801</u>
Range of interest rates	<u>0.948%~0.958%</u>	<u>1.038%~1.088%</u>
Unused short-term credit lines	\$ <u>100,000</u>	<u>-</u>

As of December 31, 2020 and 2019, the Company did not provide any short-term notes and bills payable as collateral for its loans.

(j) Lease liabilities

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

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Current	\$ <u>409,946</u>	<u>381,540</u>
Non-current	\$ <u>1,131,990</u>	<u>1,131,702</u>

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

The amount recognized in profit or loss was as follows:

	<u>2020</u>	<u>2019</u>
Interest on lease liabilities	\$ <u>15,527</u>	<u>15,441</u>
Income from sub-leasing right-of-use assets	\$ <u>300</u>	<u>522</u>
Expenses relating to short-term leases	\$ <u>10,948</u>	<u>14,923</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>3,051</u>	<u>2,446</u>

(Continued)

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

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

	<b>2020</b>	<b>2019</b>
Total cash flow for leases	<b>\$ 446,188</b>	<b>428,726</b>

(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 of the same duration after the end of the contract term.

(ii) Other leases

The Company leases office 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

Defined benefit 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 pension expenses incurred from the contributions to the Bureau of the Labor Insurance amounted to \$65,451 thousand and \$60,954 thousand for the years ended December 31, 2020 and 2019, respectively.

(l) Income taxes

(i) Income tax expenses

The components of income tax in the years 2020 and 2019 were as follows:

	<b>2020</b>	<b>2019</b>
Current income tax expense		
Current period	\$ 55,120	8,529
Adjustments for prior years	(4,695)	695
	50,425	9,224
Deferred tax benefit		
Current period	(2,522)	(3,993)
Income tax expense	<b>\$ 47,903</b>	<b>5,231</b>

In 2020 and 2019, there is no income tax directly recognized under equity.

(Continued)

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

Reconciliation of income tax and profit before tax for 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Income before income tax	\$ <u>229,869</u>	<u>47,352</u>
Income tax computed at statutory tax rate	45,974	9,470
Prior year's income tax adjustment	(4,695)	695
Change in unrecognized temporary differences	-	(1,550)
Others	<u>6,624</u>	<u>(3,384)</u>
Income tax expense	<u>\$ <u>47,903</u></u>	<u><u>5,231</u></u>

(ii) Deferred income tax assets

1) Recognized deferred tax assets

Changes in the amount of deferred tax assets (recorded as other non-current assets) for December 31, 2020 and 2019 were as follows:

	<u>Loss on investment</u>	<u>Unrealized loss on inventories</u>	<u>Deferred income</u>	<u>Impairment loss</u>	<u>Others</u>	<u>Total</u>
<b>Deferred income tax assets:</b>						
Balance on January 1, 2020	\$ 2,252	-	1,363	-	7,809	11,424
Recognized in profit or loss	<u>956</u>	<u>1,597</u>	<u>1,733</u>	<u>1,714</u>	<u>(3,478)</u>	<u>2,522</u>
Balance on December 31, 2020	<u>\$ <u>3,208</u></u>	<u><u>1,597</u></u>	<u><u>3,096</u></u>	<u><u>1,714</u></u>	<u><u>4,331</u></u>	<u><u>13,946</u></u>
Balance on January 1, 2019	\$ 2,434	435	1,520	-	3,042	7,431
Recognized in profit or loss	<u>(182)</u>	<u>(435)</u>	<u>(157)</u>	<u>-</u>	<u>4,767</u>	<u>3,993</u>
Balance on December 31, 2019	<u>\$ <u>2,252</u></u>	<u><u>-</u></u>	<u><u>1,363</u></u>	<u><u>-</u></u>	<u><u>7,809</u></u>	<u><u>11,424</u></u>

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

(m) Capital and other equity

As of December 31, 2020 and 2019, the number of authorized ordinary shares were 80,000 thousand shares with par value of \$10 per share. The total value of authorized ordinary shares amounted to \$800,000 thousand. As of that date, 60,000 thousand of ordinary shares amounted \$600,000 thousand were issued.

(Continued)



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

The movement of shares outstanding for 2020 and 2019 were as follows (in thousands of shares):

	<b>Ordinary Shares</b>	
	<b>2020</b>	<b>2019</b>
Balance on January 1, 2020	\$ 60,000	53,097
Issued for cash	-	585
Capital surplus for issuance	-	5,309
Stock dividends	-	1,009
Treasury Stock Acquired	(300)	-
Balance on December 31, 2020	<b>\$ 59,700</b>	<b>60,000</b>

(i) Ordinary shares

A resolution was passed during the board meeting held on January 18, 2019 for the issuance of 585 thousand ordinary shares, with par value of \$10 per share, amounting to \$5,850 thousand. The premium shares were issued at \$110 per share for the capital increase on April 10, 2019, and the relevant statutory registration procedures have been completed.

A resolution was passed during the general meeting of shareholders held on May 24, 2019, for the retained earnings \$10,087 thousand and the capital surplus \$53,095 thousand transferring to the issuance of 6,318 thousand ordinary shares, with par value of \$10 per share, amounting to \$63,180 thousand, with 13 July 2019 as the date of capital increase. The relevant statutory registration procedures have been completed.

(ii) Capital surplus

The balances of capital surplus as of December 31, 2020 and 2019, were as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Premium on issuance of common stock	\$ 505,043	505,043
Others	32,895	6,621
	<b>\$ 537,938</b>	<b>511,664</b>

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.

In pursuant to the resolution of Board meeting held on January 18, 2019, for the issuance of 585 thousand ordinary shares, with par value of \$10 per share, amounting to \$5,850 thousand. The premium shares were issued at \$110 per share.

(Continued)

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

In pursuant to the resolution of general meeting of shareholders held on May 24, 2019, for the capital surplus \$53,095 thousand transferring to the issuance of 5,309 thousand ordinary shares, with par value of \$10 per share.

(iii) Retained earnings

The Company's Articles of Incorporation stipulate that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' 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

Earnings distribution for 2019 and 2018 was decided by the resolution adopted, at the general meeting of shareholders held on June 29, 2020 and May 24, 2019, respectively. The relevant dividend distributions to shareholders were as follows:

	<u>2019</u>	<u>2018</u>
Legal reserve	\$ 4,212	17,764
Dividends distributed to ordinary shareholders:		
Cash	37,909	149,792
Shares	-	10,087
Total	<u>\$ 42,121</u>	<u>177,643</u>

On February 24, 2021, the Company's Board of Directors resolved to appropriate the 2020 earnings. These earnings were appropriated as follows:

	<u>2020</u>
Dividends distributed to ordinary shareholders:	
Cash	<u>\$ 163,769</u>

The 2020 earnings mentioned above is still pending for the resolution of general meeting of shareholders. The related information can be accessed on the Market Observation Post System website.

(Continued)

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

(iv) Treasury stock

In accordance with the requirement under section 167(1) of the Company Act, the Company repurchased 300 thousand shares as treasury stock in order to protect the Company's integrity and shareholders' equity. As of December 31, 2020, a total of 300 thousand shares were not yet cancelled.

In accordance with the requirements of Company Act, treasury stock held by the Company should not be pledged, and do not hold any shareholder rights before their transfer.

(n) Earnings per share

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

	<u>2020</u>	<u>2019</u>
<b>Earnings per share:</b>		
Net income	\$ <u>181,966</u>	<u>42,121</u>
Weighted-average number of common shares outstanding (thousand shares)	<u>59,786</u>	<u>59,821</u>
Basic earnings per share	\$ <u>3.04</u>	<u>0.70</u>
<b>Diluted earnings per share</b>		
Net income (used to calculate diluted earnings per share)	\$ <u>181,966</u>	<u>42,121</u>
Weighted-average number of common shares outstanding (thousand shares)	59,786	59,821
Effect of dilutive potential common stock - employees' compensation (thousand shares)	<u>42</u>	<u>26</u>
Weighted-average number of common shares outstanding used to calculate diluted earnings per share (thousand shares)	<u>59,828</u>	<u>59,847</u>
Diluted earnings per share	\$ <u>3.04</u>	<u>0.70</u>

(o) Revenue from contracts with customers

(i) Details of revenue

The Company derives revenue from the transfer of goods and services at a point in time in the following operating segments:

	<u>2020</u>	<u>2019</u>
Sale of goods	\$ 12,581,523	11,500,855
Others operating income	<u>617,390</u>	<u>579,592</u>
	\$ <u>13,198,913</u>	<u>12,080,447</u>

(Continued)

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

(ii) Contract balances

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>January 1, 2019</u>
Contract liabilities - current - customer loyalty program	\$ 23,646	14,981	15,768
Contract liabilities - current - franchise loyalty fee	<u>8,956</u>	<u>8,922</u>	<u>7,693</u>
Total	<u>\$ 32,602</u>	<u>23,903</u>	<u>23,461</u>
Contract liabilities - non-current - franchise loyalty fee	<u>\$ 15,782</u>	<u>18,929</u>	<u>17,562</u>

- 2) The amount of revenue recognized for the years ended December 31, 2020 and 2019, was included in the contract liabilities balance at the beginning of the period, were \$25,700 thousand and \$23,718 thousand, respectively.

(p) Employee compensation and directors' and supervisors' remuneration

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

For the years ended December 31, 2020 and 2019, the Company estimated its employee remuneration amounting to \$3,360 thousand and \$2,200 thousand, and directors' and supervisors' remuneration amounting to \$2,400 thousand and \$0 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating expenses during 2020 and 2019. If there is a change in the estimated amounts after the annual financial statements are authorized for issuance, the differences are recorded as changes in accounting estimates and will be recorded as profit or loss in the following year's financial statements. There was no difference between the aforementioned compensation to employees and directors resolved by the Board of Directors and the amounts recognized in the Company's financial statements for the year ended 2020 and 2019. Related information would be available at the Market Observation Post System website.

(q) Government subsidy

As of December 31, 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 \$9,762 thousand (recorded as Other income).

(Continued)

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

(r) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

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

(ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>More than 1 year</u>
<b>December 31, 2020</b>				
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	1,016,887	1,016,887	1,016,887	-
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	<u>134,483</u>	<u>134,483</u>	<u>-</u>	<u>134,483</u>
	<u>\$ 3,652,349</u>	<u>3,726,350</u>	<u>2,403,895</u>	<u>1,322,455</u>
<b>December 31, 2019</b>				
Non derivative financial liabilities				
Short-term borrowings	\$ 480,000	480,141	480,141	-
Short-term notes and bills payable	299,801	300,000	300,000	-
Notes payable	1,202	1,202	1,202	-
Accounts payable	943,465	943,465	943,465	-
Other payables	392,911	392,911	392,911	-
Lease liabilities (include current and non-current)	1,513,242	1,550,753	395,064	1,155,689
Guarantee deposits received	<u>129,040</u>	<u>129,040</u>	<u>-</u>	<u>129,040</u>
	<u>\$ 3,759,661</u>	<u>3,797,512</u>	<u>2,512,783</u>	<u>1,284,729</u>

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

(Continued)

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

	December 31, 2020			December 31, 2019		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
<b>Financial assets</b>						
<b>Monetary items</b>						
EUR	\$ 54	34.820	1,894	55	32.770	1,800
USD	20	28.430	567	152	29.580	4,501
JPY	1,488	0.274	408	106	0.267	28
<b>Financial liabilities</b>						
<b>Monetary items</b>						
EUR	143	34.820	4,980	29	32.770	956

2) Sensitivity analysis

The Company's exposure to foreign currency risk arose from the retranslation of the foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables that are denominated in foreign currency. A 1% of appreciation (depreciation) of the TWD against the USD, EUR, and JPY as of December 31, 2020 and 2019, would have increased (decreased) the equity by (\$17) thousand and \$43 thousand, respectively. The analysis is performed on the same basis in 2020 and 2019.

(iv) Interest rate analysis

Please refer to the notes 6(s) 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 assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.5% when reporting to management internally, which also represents the Company management's assessment of the reasonably possible interest rate change.

If the interest rate had increased/decreased by 0.5%, the Company's net income would have increased/decreased by \$400 thousand and \$1,920 thousand for the year ended December 31, 2020 and 2019, respectively, with all other variable factors remaining constant. This is mainly due to the Company's borrowing at variable rates.

(Continued)

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

(v) Fair value of financial instruments

The Company's management considers that the carrying amounts of the Company's financial assets 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.

(s) Financial risk management

(i) Overview

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

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

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

(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.

(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.

(Continued)

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

(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.

(t) 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 capital management is to ensure the ability to continue as a going concern, in order to provide shareholders' remuneration, and to maintain an optimal capital structure to reduce the capital costs.

As of December 31, 2020, the Company's capital management was remaining constant.

(u) Changes of liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities were as follows:

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

(Continued)



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

	<b>January 1, 2019</b>	<b>Cash flows</b>	<b>Non-cash changes Changes in lease</b>	<b>December 31, 2019</b>
Short-term borrowings	\$ 130,000	350,000	-	480,000
Short-term notes and bills payable	-	299,801	-	299,801
Lease liabilities	1,580,428	(396,438)	329,252	1,513,242
Total liabilities from financing activities	<u>\$ 1,710,428</u>	<u>253,363</u>	<u>329,252</u>	<u>2,293,043</u>

**(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 68.88% 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:

<u>Name of related-party</u>	<u>Relationship with the Company</u>
Mercuries & Associates Holding Ltd.	Parent Company
Simple Mart Plus Co., Ltd.	Subsidiary
Sanyou Drugstores Co., Ltd. (Note)	Associate
Sumitomo Corporation	Other related party
Mercuries Data Systems Ltd.	Other related party
Mercuries Liquor & Food Co., Ltd.	Other related party
Mercuries & Associates Ltd.	Other related party
Mercuries Fu Bao Ltd.	Other related party
Mercuries F&B Co., Ltd.	Other related party
Mercuries Life Insurance Co., Ltd.	Other related party
Horizon Securities Co., Ltd.	Other related party
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
Mercuries Insurance Agency	Other related party
SCI Pharmtech Inc.	Other related party

(Continued)

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

<u>Name of related-party</u>	<u>Relationship with the Company</u>
Mercuries Furniture Co., Ltd.	Other related party
Mercuries F&B Consulting Co., Ltd.	Other related party
The Company's directors (including independent directors), the key management personnel of the Company, general manager and deputy general manager.	

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:

	<u>2020</u>	<u>2019</u>
Subsidiary	\$ 1,359	2,607
Other related parties	5,688	5,715
	<u>\$ 7,047</u>	<u>8,322</u>

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

(iii) Receivable from related parties

The receivables from related parties were as follows:

<u>Accounts</u>	<u>Type of related-parties</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts receivable	Subsidiary	\$ 903	2,345
Accounts receivable	Associates	2,492	-
Accounts receivable	Other related parties	60	53
Other receivables	Subsidiary	108	14
Other receivables	Associates (excluding property and lease transaction)	31	21
Other receivables	Other related parties (excluding property transaction)	1,104	1,671
		<u>\$ 4,698</u>	<u>4,104</u>

(Continued)

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

## (iv) Payable from related parties

The payables from related parties were as follows:

<u>Accounts</u>	<u>Type of related-parties</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts payable	Subsidiary	\$ 465	51
Accounts payable	Other related parties	1,349	1,382
Other payables	Subsidiary	-	935
Other payables	Other related parties (excluding property and lease transaction)	327	799
Other current liabilities	Subsidiary	-	6
		<u>\$ 2,141</u>	<u>3,173</u>

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

## (v) Prepayments

The prepayments to related parties were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other related parties	<u>\$ 2,857</u>	<u>2,419</u>

## (vi) Property transactions

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

<u>Relationship</u>	<u>Account</u>	<u>2020</u>	<u>Acquisition price</u>
		<u>Number of shares</u>	<u>Purpose</u>
Other related party - Sumitomo Corporation	Investments under equity method	<u>45,000</u>	Sanyou Drugstores Co., Ltd. <u>\$ 55,980</u>

Please refer to note 6(e). There is no acquisition of financial assets on December 31, 2019.

2) The purchase price of property, plant and equipment purchased from related parties were summarized as follows:

	<u>2020</u>	<u>2019</u>
Subsidiary	\$ 33	-
Other related parties	<u>4,086</u>	<u>1,635</u>
	<u>\$ 4,119</u>	<u>1,635</u>

(Continued)

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

As of December 31, 2020 and 2019, the remaining unpaid balances were \$201 thousand and \$414 thousand, respectively, and were recorded as Other payables.

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

<u>Type of related parties</u>	<u>2020</u>		<u>2019</u>	
	<u>Disposal price</u>	<u>Gain (loss) on disposal</u>	<u>Disposal price</u>	<u>Gain (loss) on disposal</u>
Associate:				
Sanyou Drugstores Co., Ltd	\$ 123	5	-	-
Other related party:				
Mercuries F&B Co., Ltd	389	(79)	-	-
	<u>\$ 512</u>	<u>(74)</u>	<u>-</u>	<u>-</u>

In October 2020, the Company sold its office equipment to the associate - Sanyou Drugstores Co., Ltd., with the selling price amounting to \$123 thousand. As of December 31, 2020 and 2019, the unpaid balances was \$129 thousand. In December 2020, the Company sold its office equipment to the other related party - Mercuries F&B Co., Ltd, with the selling price amounting to \$389 thousand. As of December 31, 2020, the unpaid balances were \$408 thousand.

(vii) Leases

The Company rented buildings as retail stores from its subsidiary. In 2019, the Company recognized \$64 thousand as interest expenses. As of December 31, 2019, the balance of leases liabilities amounted to \$0 thousand.

The Company rented buildings as office space and warehouse from other related parties. For the year ended December 31, 2020 and 2019, the Company recognized \$37 thousand and \$125 thousand as interest expenses, respectively. As of December 31, 2020 and 2019, the balance of lease liabilities amounted to \$2,994 thousand and \$5,124 thousand, respectively.

The Company sublet the leased office space to its subsidiary and associate, and classified it as finance leases. As of December 31, 2020, the leases transaction was recorded as finance leases receivable, amounting to \$441 thousand and \$5,829 thousand, respectively, and as of December 31, 2019, the finance leases receivable amounted to \$589 thousand and \$0 thousand, respectively.

The Company rented warehouses from other related parties, and classified them as short-term leases. In 2019, the Company recognized \$120 thousand as rental expenses, and the expenses were paid in full.

(Continued)

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

## (viii) Guarantee deposits paid

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Other related parties	\$ <u>292</u>	<u>292</u>

The above transactions were guarantee deposits of office leases.

## (ix) Guarantee deposits received

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Subsidiary	\$ 14	-
Associate	200	-
Other related parties	<u>100</u>	<u>-</u>
	<u>\$ 314</u>	<u>-</u>

## (x) Other incomes

	<u>2020</u>	<u>2019</u>
Subsidiary	\$ -	667
Associate	282	-
Other related parties	<u>4</u>	<u>4,467</u>
	<u>\$ 286</u>	<u>5,134</u>

The above transactions were the payment for services provided.

## (xi) Other operating expenses

	<u>2020</u>	<u>2019</u>
Subsidiary	\$ 2	22
Other related parties	<u>7,114</u>	<u>8,360</u>
	<u>\$ 7,116</u>	<u>8,382</u>

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

## (d) Key management personnel compensation

	<u>2020</u>	<u>2019</u>
Short-term employee benefits	\$ 34,917	26,316
Post-employment benefits	<u>796</u>	<u>858</u>
	<u>\$ 35,713</u>	<u>27,174</u>

(Continued)

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

**(8) Pledged assets:**

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

<u>Asset name</u>	<u>Pledge assets</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Certificate of deposit (Accounted for current and non-current other financial assets)	Purchase performance guarantee	<u>\$ 150,750</u>	<u>150,750</u>

**(9) Commitments and contingencies:**

- (a) The Company acquired guarantee notes issued from short-term loan commitment, as of December 31, 2020 and 2019, the balance was \$1,200,000 thousand and \$1,000,000 thousand, respectively.
- (b) The Company acquired purchase performance guarantee issued by the bank due to collection service, as of December 31, 2020 and 2019, the balance was \$500 thousand.
- (c) The Company had signed contracts with payable on machinery and equipment, as of December 31, 2020 and 2019, the balance was \$239 thousand and \$2,394 thousand, respectively.
- (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 revenue for each period. If the revenue exceeds the determined level, then the lease payments shall be calculated based on actual revenue of the period.

**(10) Losses Due to Major Disasters:None****(11) Subsequent Events:None****(12) Others:**

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

<b>By item</b>	<b>By function</b>	<b>2020</b>			<b>2019</b>		
		<b>Cost of Sale</b>	<b>Operating Expense</b>	<b>Total</b>	<b>Cost of Sale</b>	<b>Operating Expense</b>	<b>Total</b>
Employee benefits							
Salary		2,989	1,242,220	1,245,209	5,281	1,172,956	1,178,237
Labor and health insurance		44	133,094	133,138	568	130,387	130,955
Pension		21	65,430	65,451	250	60,704	60,954
Remuneration of directors		-	4,000	4,000	-	1,200	1,200
Others		155	83,258	83,413	291	68,057	68,348
Depreciation		750	659,388	660,138	3	639,492	639,495
Amortization		-	24,016	24,016	-	18,331	18,331

(Continued)

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

For the year ended December 31, 2020 and 2019, the total numbers of employees and employee benefits were as follows:

	<u>2020</u>	<u>2019</u>
Number of employees	<u>3,332</u>	<u>3,273</u>
Number of directors who were not employees	<u>7</u>	<u>7</u>
The average employee benefit	<u>\$ 459</u>	<u>440</u>
The average salaries and wages	<u>\$ 374</u>	<u>361</u>
The adjustment rate of average employee salaries	<u>3.60 %</u>	
Compensation to supervisors	<u>\$ -</u>	<u>-</u>

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.

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

- (i) Loans to other parties:None  
(ii) Guarantees and endorsements for other parties:None

(Continued)

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

- (iii) Securities held as of December 31, 2020 (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\$300 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
- (b) Information on investees:

The following is the information on investees for the years ended December 31, 2020 (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, 2020			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2020	December 31, 2019	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	-	45,000	45 %	55,431	(255,610)	(549)	Associate (Note)
Simple Mart Retail Co., Ltd	Simple Mart Plus Co., Ltd	Taiwan	Retail sales of food and beverage	60,000	60,000	6,000	100 %	44,508	(4,232)	(4,232)	Subsidiary

Note: Sanyou Drugstores Co., Ltd. became the Company's associate since December 2020.

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

Shareholder's Name	Shareholding	Shares	Percentage
Mercuries & Associates Holding Ltd.		41,118,951	68.88 %
Sumitomo Corporation		13,200,000	22.11 %

**(14) Segment information:**

Please refer to the consolidated financial statements for the year ended December 31, 2020.

(Continued)



**Simple Mart Retail Co., Ltd.**  
**Statement of Cash and Cash Equivalents**  
**December 31, 2020**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash on hand (including working capital)		\$ <u>53,408</u>
Bank deposits		
Check deposits		2,755
Demand deposits		78,637
Foreign currency deposits	Euro dollars are \$54 thousand with the exchange rate at 34.820 ; Japanese yen is \$1,488 thousand with the exchange rate at 0.274; U.S dollars is \$20 thousands with exchange rate at 28.430.	2,869
		<u>84,261</u>
		<u>\$ <b>137,669</b></u>

**Statement of Inventories**

<u>Item</u>	<u>Amount</u>		<u>Remark</u>
	<u>Cost</u>	<u>Market price</u>	
Merchandise inventories			The market price is according to the net realizable value.
	\$ 1,513,855	<u>2,024,569</u>	
Less: Allowance for inventory valuation and obsolescence losses	<u>(7,984)</u>		
Total	<u>\$ <b>1,505,871</b></u>		

**Simple Mart Retail Co., Ltd.**

**Statement of Prepayments**

**December 31, 2020**

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

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Prepayment	Taiwan Tobacco & Liquor Corporation	\$ 99,244
Prepayment	Company A	13,694
Others (Note)		<u>24,023</u>
		<u><b>\$ 136,961</b></u>

Note: An account balance was included when it exceeded 5% of the aggregate amount of the line item.

## Simple Mart Retail Co., Ltd.

## Statement of changes in Investments under Equity Method

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Name of investee	Beginning balance		Addition (Note1)		Decrease (Note2)		Ending balance		Market value or net assets value		
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Percentage of ownership	Unit price	Total amount	Collateral
Sanyou Drugstores Co., Ltd.	-	\$ -	45,000,000	55,980	-	549	45,000,000	45 %	1.46	65,530	None
Simple Mart Plus Co., Ltd	6,000,000	48,740	-	-	-	4,232	6,000,000	100 %	7.42	44,508	None
		\$ <u>48,740</u>		<u>55,980</u>		<u>4,781</u>				<u>110,038</u>	

Note 1: The Company acquired 45% of the shares of Sanyou Drugstores Co., Ltd. from the related party, Sumitomo Corporation.

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

**Simple Mart Retail Co., Ltd.**  
**Statement of Short-term Borrowings**  
**December 31, 2020**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Type</u>	<u>Ending balance</u>	<u>Contract period</u>	<u>Range of interest rate</u>	<u>Loan commitment</u>	<u>Collateral</u>
E.Sun Bank	\$ <u><u>100,000</u></u>	2020.10.20~2021.10.20	0.95%	\$ <u><u>100,000</u></u>	None

**Statement of Short-term Bills Payable**

<u>Item</u>	<u>Guarantee or acceptance institution</u>	<u>Contract period</u>	<u>Issuing amount</u>	<u>Unamortized discount (Note 1)</u>	<u>Carrying amount</u>
Commercial paper	Ta Ching Bills Finance Corporation	2020.8.25~2021.8.25	50,000	22	49,978
Commercial paper	Taiwan Finance Corporation	2020.2.14~2021.2.13	50,000	24	49,976
Commercial paper	Mega Bills Finance Co., Ltd.	2020.10.19~2021.10.18	100,000	19	99,981
Commercial paper	Grand Bills Finance Corporation	2020.4.9~2021.4.8	<u>200,000</u>	<u>72</u>	<u>199,928</u>
			<u>\$ 400,000</u>	<u>137</u>	<u>399,863</u>

Note 1: The range of interest rate is between 0.948%~0.958%.

**Simple Mart Retail Co., Ltd.**  
**Statement of Accounts Payable**  
**December 31, 2020**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Vendor name</u>	<u>Description</u>	<u>Amount</u>
Taiwan Tobacco & Liquor Corporation	Unrelated party	\$ 155,084
Flow-tide Enterprises Co., Ltd.	"	73,297
Company B	"	53,890
Others (Note)	"	<u>734,616</u>
		<u><u>\$ 1,016,887</u></u>

Note: An account balance was included when it exceeded 5% of the aggregate amount of the line item.

**Statement of Other Payables**

<u>Item</u>	<u>Amount</u>
Salary payable	\$ 175,537
Payable on equipment	62,151
Health insurance, labor insurance and pension expense payable	42,324
Payable on bonuses for franchisee	32,797
Bonus payable on unutilized annual leave	23,289
Others (Note)	<u>122,134</u>
Total	<u><u>\$ 458,232</u></u>

Note: An account balance was included when it exceeded 5% of the aggregate amount of the line item.

**Simple Mart Retail Co., Ltd.**  
**Statement of Lease Liabilities**  
**December 31, 2020**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Lease term</u>	<u>Discount rate</u>	<u>Ending balance</u>
Buildings	2010.12~2030.11	0.95%~1.04%	\$ 1,540,373
Machinery and equipment	2018.10~2026.10	1.04 %	<u>1,563</u>
			1,541,936
Less: lease liabilities - current			<u>(409,946)</u>
Lease liabilities - non-current			<u><u>\$ 1,131,990</u></u>

**Statement of Operating Revenue**

<u>Item</u>	<u>Amount</u>	<u>Remark</u>
Sales revenue	\$ 12,584,069	
Less: Sales return and discount	<u>(2,546)</u>	
Net sales	12,581,523	Retail sales in daily commodities
Other operating income	<u>617,390</u>	Advertisement, product launch, franchisee.
Total	<u><u>\$ 13,198,913</u></u>	

**Simple Mart Retail Co., Ltd.**  
**Statement of Operating Costs**  
**December 31, 2020**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Amount</u>
Inventories, beginning of year	\$ 1,372,704
Purchases	10,816,742
Less: Purchase bonuses for vendors	(818,758)
Less: Inventories, end of year	(1,513,855)
Gain from price recovery of inventory	(1,842)
Other costs	<u>59,493</u>
Total	<u><u>\$ 9,914,484</u></u>

**Statement of Selling Expenses**

<u>Item</u>	<u>Amount</u>
Salaries expense (Salaries, meal, and pension expense)	\$ 1,263,451
Depreciation	648,274
Commissions expense	395,386
Utilities expense	195,831
Others (Note)	<u>334,863</u>
Total	<u><u>\$ 2,837,805</u></u>

Note: An account balance was included when it exceeded 5% of the aggregate amount of the line item.

**Simple Mart Retail Co., Ltd.**  
**Statement of Administrative Expenses**  
**December 31, 2020**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Amount</u>
Salaries expense (Salaries, meal, and pension expense)	\$ 107,079
Amortizations	19,722
Insurance expense	11,153
Depreciation	11,114
Rent expense	10,148
Others (Note)	<u>31,559</u>
Total	<u>\$ 190,775</u>

Note: An account balance was included when it exceeded 5% of the aggregate amount of the line item.

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.