

Supplemental Listing Document

If you are in any doubt as to any aspect of this document, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, accountant or other professional adviser.

Application has been made to the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for permission to deal in and for quotation of the Certificates (as defined below). The SGX-ST takes no responsibility for the contents of this document, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document. Admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of SG Issuer, Société Générale, the Certificates, or the Company (as defined below).

12,500,000 European Style Cash Settled Short Certificates
relating to the ordinary shares of Sunny Optical Technology (Group) Company Limited
with a Daily Leverage of -5x

issued by

SG Issuer

(Incorporated in Luxembourg with limited liability)

unconditionally and irrevocably guaranteed by

Société Générale

Issue Price: S\$0.80 per Certificate

This document is published for the purpose of obtaining a listing of all the above certificates (the “**Certificates**”) to be issued by SG Issuer (the “**Issuer**”) unconditionally and irrevocably guaranteed by Société Générale (the “**Guarantor**”), and is supplemental to and should be read in conjunction with a base listing document dated 18 June 2021 including such further base listing documents as may be issued from time to time (the “**Base Listing Document**”) for the purpose of giving information with regard to the Issuer, the Guarantor and the Certificates. Information relating to the Company (as defined below) is contained in this document.

This document does not constitute or form part of any offer, or invitation, to subscribe for or to sell, or solicitation of any offer to subscribe for or to purchase, Certificates or other securities of the Issuer, nor is it calculated to invite, nor does it permit the making of, offers by the public to subscribe for or purchase for cash or other consideration the Certificates or other securities of the Issuer.

Restrictions have been imposed on offers and sales of the Certificates and on distributions of documents relating thereto in Singapore, Hong Kong, the European Economic Area, the United Kingdom and the United States (see “Placing and Sale” contained herein).

The Certificates are complex products. You should exercise caution in relation to them. Investors are warned that the price of the Certificates may fall in value as rapidly as it may rise and

holders may sustain a total loss of their investment. The price of the Certificates also depends on the supply and demand for the Certificates in the market and the price at which the Certificates is trading at any time may differ from the underlying valuation of the Certificates because of market inefficiencies. It is not possible to predict the secondary market for the Certificates. Although the Issuer, the Guarantor and/or any of their affiliates may from time to time purchase the Certificates or sell additional Certificates on the market, the Issuer, the Guarantor and/or any of their affiliates are not obliged to do so. Investors should also note that there are leveraged risks because the Certificates integrate an inverse leverage mechanism and the Certificates will amplify the movements in the increase, and in the decrease, of the value of the Underlying Stock (as defined below) and if the investment results in a loss, any such loss will be increased by the leverage factor of the Certificates. As such, investors could lose more than they would if they had invested directly in the Underlying Stock.

The Certificates are classified as capital markets products other than prescribed capital markets products¹ and Specified Investment Products (SIPs)², and may only be sold to retail investors with enhanced safeguards, including an assessment of such investors' investment knowledge or experience.

The Certificates constitute general unsecured obligations of the Issuer (in the case of any substitution of the Issuer in accordance with the Conditions of the Certificates, the Substituted Obligor as defined in the Conditions of the Certificates) and of no other person, and the guarantee dated 18 June 2021 (the "**Guarantee**") and entered into by the Guarantor constitutes direct unconditional unsecured senior preferred obligations of the Guarantor and of no other person, and if you purchase the Certificates, you are relying upon the creditworthiness of the Issuer and the Guarantor and have no rights under the Certificates against any other person.

Application has been made to the SGX-ST for permission to deal in and for quotation of the Certificates and the SGX-ST has agreed in principle to grant permission to deal in and for quotation of the Certificates. It is expected that dealings in the Certificates will commence on or about 26 April 2022.

As of the date hereof, the Guarantor's long term credit rating by S&P Global Ratings is A, and by Moody's Investors Service, Inc. is A1.

The Issuer is regulated by the Luxembourg Commission de Surveillance du Secteur Financier on a consolidated basis and the Guarantor is regulated by, *inter alia*, the Autorité des Marchés Financiers, the Autorité de Contrôle Prudentiel et de Résolution and the European Central Bank.

25 April 2022

¹ As defined in the Securities and Futures (Capital Markets Products) Regulations 2018.

² As defined in the MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products.

Subject as set out below, the Issuer and the Guarantor accept full responsibility for the accuracy of the information contained in this document and the Base Listing Document in relation to themselves and the Certificates. To the best of the knowledge and belief of the Issuer and the Guarantor (each of which has taken all reasonable care to ensure that such is the case), the information contained in this document and the Base Listing Document for which they accept responsibility (subject as set out below in respect of the information contained herein with regard to the Company) is in accordance with the facts and does not omit anything likely to affect the import of such information. The information with regard to the Company as set out herein is extracted from publicly available information. The Issuer and the Guarantor accept responsibility only for the accurate reproduction of such information. No further or other responsibility or liability in respect of such information is accepted by the Issuer and the Guarantor.

No person has been authorised to give any information or to make any representation other than those contained in this document in connection with the offering of the Certificates, and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer or the Guarantor. Neither the delivery of this document nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Issuer, the Guarantor or their respective subsidiaries and associates since the date hereof.

This document does not constitute an offer or invitation by or on behalf of the Issuer or the Guarantor to purchase or subscribe for any of the Certificates. The distribution of this document and the offering of the Certificates may, in certain jurisdictions, be restricted by law. The Issuer and the Guarantor require persons into whose possession this document comes to inform themselves of and observe all such restrictions. In particular, the Certificates and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended or any state securities law, and trading in the Certificates has not been approved by the United States Commodity Futures Trading Commission (the “**CFTC**”) under the United States Commodity Exchange Act of 1936, as amended and the Issuer will not be registered as an investment company under the United States Investment Company Act of 1940, as amended, and the rules and regulations thereunder. None of the Securities and Exchange Commission, any state securities commission or regulatory authority or any other United States, French or other regulatory authority has approved or disapproved of the Certificates or the Guarantee or passed upon the accuracy or adequacy of this document. Accordingly, Certificates, or interests therein, may not at any time be offered, sold, resold, traded, pledged, exercised, redeemed, transferred or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, nor may any U.S. person at any time trade, own, hold or maintain a position in the Certificates or any interests therein. In addition, in the absence of relief from the CFTC, offers, sales, re-sales, trades, pledges, exercises, redemptions, transfers or deliveries of Certificates, or interests therein, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, may constitute a violation of United States law governing commodities trading and commodity pools. Consequently, any offer, sale, resale, trade, pledge, exercise, redemption, transfer or delivery made, directly or indirectly, within the United States or to, or for the account or benefit of, a U.S. person will not be recognised. A further description of certain restrictions on offering and sale of the Certificates and distribution of this document is given in the section headed “Placing and Sale” contained herein.

The SGX-ST has made no assessment of, nor taken any responsibility for, the financial soundness of the Issuer or the Guarantor or the merits of investing in the Certificates, nor have they verified the accuracy or the truthfulness of statements made or opinions expressed in this document.

The Issuer, the Guarantor and/or any of their affiliates may repurchase Certificates at any time on or after the date of issue and any Certificates so repurchased may be offered from time to time in one or more transactions in the over-the-counter market or otherwise at prevailing market prices or in negotiated transactions, at the discretion of the Issuer, the Guarantor and/or any of their affiliates.

Investors should not therefore make any assumption as to the number of Certificates in issue at any time.

References in this document to the “**Conditions**” shall mean references to the Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities contained in the Base Listing Document. Terms not defined herein shall have the meanings ascribed thereto in the Conditions.

Table of Contents

| | <i>Page</i> |
|---|-------------|
| Risk Factors | 6 |
| Terms and Conditions of the Certificates | 16 |
| Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities | 27 |
| Summary of the Issue | 41 |
| Information relating to the European Style Cash Settled Short Certificates on Single Equities | 43 |
| Information relating to the Company | 59 |
| Information relating to the Designated Market Maker | 60 |
| Supplemental Information relating to the Guarantor | 62 |
| Supplemental General Information | 63 |
| Placing and Sale | 65 |
| Appendix I | |
| Appendix II | |

RISK FACTORS

The following are risk factors relating to the Certificates:

- (a) investment in Certificates involves substantial risks including market risk, liquidity risk, and the risk that the Issuer and/or the Guarantor will be unable to satisfy its/their obligations under the Certificates. Investors should ensure that they understand the nature of all these risks before making a decision to invest in the Certificates. You should consider carefully whether Certificates are suitable for you in light of your experience, objectives, financial position and other relevant circumstances. Certificates are not suitable for inexperienced investors;
- (b) the Certificates constitute general unsecured obligations of the Issuer (in the case of any substitution of the Issuer in accordance with the Conditions of the Certificates, the Substituted Obligor as defined in the Conditions of the Certificates) and of no other person, and the Guarantee constitutes direct unconditional unsecured senior preferred obligations of the Guarantor and of no other person. In particular, it should be noted that the Issuer issues a large number of financial instruments, including Certificates, on a global basis and, at any given time, the financial instruments outstanding may be substantial. If you purchase the Certificates, you are relying upon the creditworthiness of the Issuer and the Guarantor and have no rights under the Certificates against any other person;
- (c) since the Certificates relate to the price of the Underlying Stock, certain events relating to the Underlying Stock may cause adverse movements in the value and the price of the Underlying Stock, as a result of which, the Certificate Holders (as defined in the Conditions of the Certificates) may, in extreme circumstances, sustain a significant loss of their investment if the price of the Underlying Stock has risen sharply;
- (d) due to their nature, the Certificates can be volatile instruments and may be subject to considerable fluctuations in value. The price of the Certificates may fall in value as rapidly as it may rise due to, including but not limited to, variations in the frequency and magnitude of the changes in the price of the Underlying Stock, the time remaining to expiry, the currency exchange rates and the creditworthiness of the Issuer and the Guarantor;
- (e) if, whilst any of the Certificates remain unexercised, trading in the Underlying Stock is suspended or halted on the relevant stock exchange, trading in the Certificates may be suspended for a similar period;
- (f) as indicated in the Conditions of the Certificates and herein, a Certificate Holder must tender a specified number of Certificates at any one time in order to exercise. Thus, Certificate Holders with fewer than the specified minimum number of Certificates in a particular series will either have to sell their Certificates or purchase additional Certificates, incurring transactions costs in each case, in order to realise their investment;
- (g) investors should note that in the event of there being a Market Disruption Event (as defined in the Conditions) determination or payment of the Cash Settlement Amount (as defined in the Conditions) may be delayed, all as more fully described in the Conditions;
- (h) certain events relating to the Underlying Stock require or, as the case may be, permit the Issuer to make certain adjustments or amendments to the Conditions. Investors may refer to the Conditions 4 and 6 on pages 32 to 36 and the examples and illustrations of adjustments set out in the “Information relating to the European Style Cash Settled Short Certificates on Single Equities” section of this document for more information;

- (i) the Certificates are only exercisable on the Expiry Date and may not be exercised by Certificate Holders prior to such Expiry Date. Accordingly, if on the Expiry Date the Cash Settlement Amount is zero, a Certificate Holder will lose the value of his investment;
- (j) the total return on an investment in any Certificate may be affected by the Hedging Fee Factor (as defined below), Management Fee (as defined below) and Gap Premium (as defined below);
- (k) investors holding their position overnight should note that they would be required to bear the annualised cost which consists of the Management Fee and Gap Premium, which are calculated daily and applied to the value of the Certificates, as well as certain costs embedded within the Leverage Inverse Strategy (as described below) including the Stock Borrowing Cost (as defined below) and Rebalancing Cost (as defined below);
- (l) investors should note that there may be an exchange rate risk relating to the Certificates where the Cash Settlement Amount is converted from a foreign currency into Singapore dollars.

Exchange rates between currencies are determined by forces of supply and demand in the foreign exchange markets. These forces are, in turn, affected by factors such as international balances of payments and other economic and financial conditions, government intervention in currency markets and currency trading speculation. Fluctuations in foreign exchange rates, foreign political and economic developments, and the imposition of exchange controls or other foreign governmental laws or restrictions applicable to such investments may affect the foreign currency market price and the exchange rate-adjusted equivalent price of the Certificates. Fluctuations in the exchange rate of any one currency may be offset by fluctuations in the exchange rate of other relevant currencies;

- (m) investors should note that there are leveraged risks because the Certificates integrate an inverse leverage mechanism and the Certificates will amplify the movements in the increase, and in the decrease, of the value of the Underlying Stock and if the investment results in a loss, any such loss will be increased by the leverage factor of the Certificates. As such, investors could lose more than they would if they had invested directly in the Underlying Stock;
- (n) when held for longer than a day, the performance of the Certificates could be more or less than the leverage factor that is embedded within the Certificates. The performance of the Certificates each day is locked in, and any subsequent returns are based on what was achieved the previous day. This process, referred to as compounding, may lead to a performance difference from 5 times the inverse performance of the Underlying Stock over a period longer than one day. This difference may be amplified in a volatile market with a sideways trend, where market movements are not clear in direction, whereby investors may sustain substantial losses;
- (o) the Air Bag Mechanism (as defined below) is triggered only when the Underlying Stock is calculated or traded, which may not be during the trading hours of the Relevant Stock Exchange for the Certificates (as defined below);
- (p) investors should note that the Air Bag Mechanism reduces the impact on the Leverage Inverse Strategy if the Underlying Stock rises further, but will also maintain a reduced exposure to the Underlying Stock in the event the Underlying Stock starts to fall after the Air Bag Mechanism is triggered, thereby reducing its ability to recoup losses;
- (q) there is no assurance that the Air Bag Mechanism will prevent investors from losing the entire value of their investment, in the event of (i) an overnight increase in the Underlying Stock, where there is a 20% or greater gap between the previous day closing price and the opening price of the Underlying Stock the following day, as the Air Bag Mechanism will only be triggered when market opens the following day or (ii) a sharp intraday increase in the price of the Underlying

Stock of 20% or greater within the 15 minutes Observation Period compared to the reference price, being: (1) if air bag has not been previously triggered on the same day, the previous closing price of the Underlying Stock, or (2) if one or more air bag have been previously triggered on the same day, the latest New Observed Price. Investors may refer to pages 52 to 53 of this document for more information;

- (r) In the case of extreme market conditions or where the Air Bag Mechanisms are triggered simultaneously, trading in the Certificates may be suspended for an extended period, which may be up to an additional 15 minutes, to facilitate the intra-day adjustment under the Air Bag Mechanism;
- (s) certain events may, pursuant to the terms and conditions of the Certificates, trigger (i) the implementation of methods of adjustment or (ii) the early termination of the Certificates. The Issuer will give the investors reasonable notice of any early termination. If the Issuer terminates the Certificates early, then the Issuer will, if and to the extent permitted by applicable law, pay an amount to each Certificate Holder in respect of each Certificate held by such holder equal to the fair market value of the Certificate less the cost to the Issuer of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion. The performance of this commitment shall depend on (i) general market conditions and (ii) the liquidity conditions of the underlying instrument(s) and, as the case may be, of any other hedging transactions. Investors should note that the amount repaid by the Issuer may be less than the amount initially invested. Investors may refer to the Condition 13 on pages 38 to 39 of this document for more information;
- (t) there is no assurance that an active trading market for the Certificates will sustain throughout the life of the Certificates, or if it does sustain, it may be due to market making on the part of the Designated Market Maker. The Issuer acting through its Designated Market Maker may be the only market participant buying and selling the Certificates. Therefore, the secondary market for the Certificates may be limited and you may not be able to realise the value of the Certificates. Do note that the bid-ask spread increases with illiquidity;
- (u) in the ordinary course of their business, including without limitation, in connection with the Issuer or its appointed designated market maker's market making activities, the Issuer, the Guarantor and any of their respective subsidiaries and affiliates may effect transactions for their own account or for the account of their customers and hold long or short positions in the Underlying Stock. In addition, in connection with the offering of any Certificates, the Issuer, the Guarantor and any of their respective subsidiaries and affiliates may enter into one or more hedging transactions with respect to the Underlying Stock. In connection with such hedging or market-making activities or with respect to proprietary or other trading activities by the Issuer, the Guarantor and any of their respective subsidiaries and affiliates, the Issuer, the Guarantor and any of their respective subsidiaries and affiliates may enter into transactions in the Underlying Stock which may affect the market price, liquidity or value of the Certificates and which may affect the interests of Certificate Holders;
- (v) various potential and actual conflicts of interest may arise from the overall activities of the Issuer, the Guarantor and/or any of their subsidiaries and affiliates.

The Issuer, the Guarantor and any of their subsidiaries and affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and investment and other activities for their own account or the account of others. In addition, the Issuer, the Guarantor and any of their subsidiaries and affiliates, in connection with their other business activities, may possess or acquire material information about the

Underlying Stock. Such activities and information may involve or otherwise affect issuers of the Underlying Stock in a manner that may cause consequences adverse to the Certificate Holders or otherwise create conflicts of interests in connection with the issue of Certificates by the Issuer. Such actions and conflicts may include, without limitation, the exercise of voting power, the purchase and sale of securities, financial advisory relationships and exercise of creditor rights. The Issuer, the Guarantor and any of their subsidiaries and affiliates have no obligation to disclose such information about the Underlying Stock or such activities. The Issuer, the Guarantor and any of their subsidiaries and affiliates and their officers and directors may engage in any such activities without regard to the issue of Certificates by the Issuer or the effect that such activities may directly or indirectly have on any Certificate;

- (w) legal considerations which may restrict the possibility of certain investments:

Some investors' investment activities are subject to specific laws and regulations or laws and regulations currently being considered by various authorities. All potential investors must consult their own legal advisers to check whether and to what extent (i) they can legally purchase the Certificates (ii) the Certificates can be used as collateral security for various forms of borrowing (iii) if other restrictions apply to the purchase of Certificates or their use as collateral security. Financial institutions must consult their legal advisers or regulators to determine the appropriate treatment of the Certificates under any applicable risk-based capital or similar rules;

- (x) the credit rating of the Guarantor is an assessment of its ability to pay obligations, including those on the Certificates. Consequently, actual or anticipated declines in the credit rating of the Guarantor may affect the market value of the Certificates;

- (y) the Certificates are linked to the Underlying Stock and subject to the risk that the price of the Underlying Stock may rise. The following is a list of some of the significant risks associated with the Underlying Stock:

- Historical performance of the Underlying Stock does not give an indication of future performance of the Underlying Stock. It is impossible to predict whether the price of the Underlying Stock will fall or rise over the term of the Certificates; and
- The price of the Underlying Stock may be affected by the economic, financial and political events in one or more jurisdictions, including the stock exchange(s) or quotation system(s) on which the Underlying Stock may be traded;

- (z) the value of the Certificates depends on the Leverage Inverse Strategy performance built in the Certificate. The Calculation Agent will make the Leverage Inverse Strategy last closing level and a calculation tool available to the investors on a website;

- (aa) two or more risk factors may simultaneously have an effect on the value of a Certificate such that the effect of any individual risk factor may not be predicted. No assurance can be given as to the effect any combination of risk factors may have on the value of a Certificate;

- (bb) as the Certificates are represented by a global warrant certificate which will be deposited with The Central Depository (Pte) Limited ("**CDP**"):

- (i) investors should note that no definitive certificate will be issued in relation to the Certificates;
- (ii) there will be no register of Certificate Holders and each person who is for the time being shown in the records maintained by CDP as entitled to a particular number of Certificates by way of interest (to the extent of such number) in the global warrant

certificate in respect of those Certificates represented thereby shall be treated as the holder of such number of Certificates;

- (iii) investors will need to rely on any statements received from their brokers/custodians as evidence of their interest in the Certificates; and
 - (iv) notices to such Certificate Holders will be published on the web-site of the SGX-ST. Investors will need to check the web-site of the SGX-ST regularly and/or rely on their brokers/custodians to obtain such notices;
- (cc) the reform of HIBOR may adversely affect the value of the Certificates

The Hong Kong Inter-bank Offered Rate ("**HIBOR**") benchmark is referenced in the Leverage Inverse Strategy.

It is not possible to predict with certainty whether, and to what extent, HIBOR will continue to be supported going forwards. This may cause HIBOR to perform differently than they have done in the past, and may have other consequences which cannot be predicted. Such factors may have (without limitation) the following effects: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark and/or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on the Certificates.

In addition, the occurrence of a modification or cessation of HIBOR may cause adjustment of the Certificates which may include selecting one or more successor benchmarks and making related adjustments to the Certificates, including if applicable to reflect increased costs.

The Calculation Agent may make adjustments as it may determine appropriate if any of the following circumstances occurs or may occur: (1) HIBOR is materially changed or cancelled or (2)(i) the relevant authorisation, registration, recognition, endorsement, equivalence decision or approval in respect of the benchmark or the administrator or sponsor of the benchmark is not obtained, (ii) an application for authorisation, registration, recognition, endorsement, equivalence decision, approval or inclusion in any official register is rejected or (iii) any authorisation, registration, recognition, endorsement, equivalence decision or approval is suspended or inclusion in any official register is withdrawn.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by any of the international or national reforms in making any investment decision with respect to any Certificate;

- (dd) the US Foreign Account Tax Compliance Act ("**FATCA**") withholding risk:

FATCA generally imposes a 30 per cent. withholding tax on certain U.S.-source payments to certain non-US persons that do not provide certification of their compliance with IRS rules to disclose the identity of their US owners and account holders (if any) or establish a basis for exemption for such disclosure. The Issuer or an investor's broker or custodian may be subject to FATCA and, as a result, may be required to obtain certification from investors that they have complied with FATCA disclosure requirements or have established a basis for exemption from FATCA. If an investor does not provide the Issuer or the relevant broker or custodian with such certification, the Issuer and the Guarantor or other withholding agent could be required to withhold U.S. tax on U.S.-source income (if any) paid pursuant to the Certificates. In certain cases, the Issuer or the relevant broker or custodian could be required to close an account of an investor who does not comply with the FATCA certification procedures.

FATCA IS PARTICULARLY COMPLEX. EACH INVESTOR SHOULD CONSULT ITS OWN TAX ADVISER TO OBTAIN A MORE DETAILED EXPLANATION OF FATCA AND TO DETERMINE HOW THIS LEGISLATION MIGHT AFFECT EACH INVESTOR IN ITS PARTICULAR CIRCUMSTANCES;

(ee) U.S. withholding tax

The Issuer has determined that this Certificate is not linked to U.S. Underlying Equities within the meaning of applicable regulations under Section 871(m) of the United States Internal Revenue Code, as discussed in the accompanying Base Listing Document under “TAXATION—TAXATION IN THE UNITED STATES OF AMERICA—Section 871(m) of the U.S. Internal Revenue Code of 1986.” Accordingly, the Issuer expects that Section 871(m) will not apply to the Certificates. Such determination is not binding on the IRS, and the IRS may disagree with this determination. Section 871(m) is complex and its application may depend on a Certificate Holder's particular circumstances. Certificate Holders should consult with their own tax advisers regarding the potential application of Section 871(m) to the Certificates; and

(ff) risk factors relating to the BRRD

French and Luxembourg law and European legislation regarding the resolution of financial institutions may require the write-down or conversion to equity of the Certificates or other resolution measures if the Issuer or the Guarantor is deemed to meet the conditions for resolution.

Directive 2014/59/EU of the European Parliament and of the Council of the European Union dated 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (the “**BRRD**”) entered into force on 2 July 2014. The BRRD has been implemented into Luxembourg law by, among others, the Luxembourg act dated 18 December 2015 on the failure of credit institutions and certain investment firms, as amended (the “**BRR Act 2015**”). Under the BRR Act 2015, the competent authority is the Luxembourg financial sector supervisory authority (*Commission de surveillance du secteur financier*, the CSSF) and the resolution authority is the CSSF acting as resolution council (*conseil de résolution*).

Moreover, Regulation (EU) No. 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism (“**SRM**”) and a Single Resolution Fund (the “**SRM Regulation**”) has established a centralised power of resolution entrusted to a Single Resolution Board (the “**SRB**”) in cooperation with the national resolution authorities.

Since November 2014, the European Central Bank (“**ECB**”) has taken over the prudential supervision of significant credit institutions in the member states of the Eurozone under the Single Supervisory Mechanism (“**SSM**”). In addition, the SRM has been put in place to ensure that the resolution of credit institutions and certain investment firms across the Eurozone is harmonised. As mentioned above, the SRM is managed by the SRB. Under Article 5(1) of the SRM Regulation, the SRM has been granted those responsibilities and powers granted to the EU Member States’ resolution authorities under the BRRD for those credit institutions and certain investment firms subject to direct supervision by the ECB. The ability of the SRB to exercise these powers came into force at the beginning of 2016.

Societe Generale has been designated as a significant supervised entity for the purposes of Article 49(1) of Regulation (EU) No 468/2014 of the ECB of 16 April 2014 establishing the framework for cooperation within the SSM between the ECB and national competent authorities

and with national designated authorities (the “**SSM Regulation**”) and is consequently subject to the direct supervision of the ECB in the context of the SSM. This means that Societe Generale and SG Issuer (being covered by the consolidated prudential supervision of Societe Generale) are also subject to the SRM which came into force in 2015. The SRM Regulation mirrors the BRRD and, to a large part, refers to the BRRD so that the SRB is able to apply the same powers that would otherwise be available to the relevant national resolution authority.

The stated aim of the BRRD and the SRM Regulation is to provide for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and certain investment firms. The regime provided for by the BRRD is, among other things, stated to be needed to provide the resolution authority designated by each EU Member State (the “**Resolution Authority**”) with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution’s critical financial and economic functions while minimising the impact of an institution’s failure on the economy and financial system (including taxpayers’ exposure to losses).

Under the SRM Regulation, a centralised power of resolution is established and entrusted to the SRB acting in cooperation with the national resolution authorities. In accordance with the provisions of the SRM Regulation, when applicable, the SRB, has replaced the national resolution authorities designated under the BRRD with respect to all aspects relating to the decision-making process and the national resolution authorities designated under the BRRD continue to carry out activities relating to the implementation of resolution schemes adopted by the SRB. The provisions relating to the cooperation between the SRB and the national resolution authorities for the preparation of the institutions’ resolution plans have applied since 1 January 2015 and the SRM has been fully operational since 1 January 2016.

The SRB is the Resolution Authority for the Issuer and the Guarantor.

The powers provided to the Resolution Authority in the BRRD and the SRM Regulation include write-down/conversion powers to ensure that capital instruments (including subordinated debt instruments) and eligible liabilities (including senior debt instruments if junior instruments prove insufficient to absorb all losses) absorb losses of the issuing institution that is subject to resolution in accordance with a set order of priority (the “**Bail-in Power**”). The conditions for resolution under the SRM Regulation are deemed to be met when: (i) the Resolution Authority determines that the institution is failing or is likely to fail, (ii) there is no reasonable prospect that any measure other than a resolution measure would prevent the failure within a reasonable timeframe, and (iii) a resolution measure is necessary for the achievement of the resolution objectives (in particular, ensuring the continuity of critical functions, avoiding a significant adverse effect on the financial system, protecting public funds by minimizing reliance on extraordinary public financial support, and protecting client funds and assets) and winding up of the institution under normal insolvency proceedings would not meet those resolution objectives to the same extent.

The Resolution Authority could also, independently of a resolution measure or in combination with a resolution measure, fully or partially write-down or convert capital instruments (including subordinated debt instruments) into equity when it determines that the institution or its group will no longer be viable unless such write-down or conversion power is exercised or when the institution requires extraordinary public financial support (except when extraordinary public financial support is provided in Article 10 of the SRM Regulation). The terms and conditions of the Certificates contain provisions giving effect to the Bail-in Power in the context of resolution and write-down or conversion of capital instruments at the point of non-viability.

The Bail-in Power could result in the full (i.e., to zero) or partial write-down or conversion of the Certificates into ordinary shares or other instruments of ownership, or the variation of the terms of the Certificates (for example, the maturity and/or interest payable may be altered and/or a temporary suspension of payments may be ordered). Extraordinary public financial support should only be used as a last resort after having assessed and applied, to the maximum extent practicable, the resolution measures. No support will be available until a minimum amount of contribution to loss absorption and recapitalization of 8% of total liabilities including own funds has been made by shareholders, holders of capital instruments and other eligible liabilities through write-down, conversion or otherwise.

In addition to the Bail-in Power, the BRRD provides the Resolution Authority with broader powers to implement other resolution measures with respect to institutions that meet the conditions for resolution, which may include (without limitation) the sale of the institution's business, the creation of a bridge institution, the separation of assets, the replacement or substitution of the institution as obligor in respect of debt instruments, modifications to the terms of debt instruments (including altering the maturity and/or the amount of interest payable and/or imposing a temporary suspension on payments), removing management, appointing an interim administrator, and discontinuing the listing and admission to trading of financial instruments.

Before taking a resolution measure, including implementing the Bail-in Power, or exercising the power to write down or convert relevant capital instruments, the Resolution Authority must ensure that a fair, prudent and realistic valuation of the assets and liabilities of the institution is carried out by a person independent from any public authority.

The application of any measure under the BRRD and the SRM Regulation or any suggestion of such application with respect to the Issuer, the Guarantor or the Group could materially adversely affect the rights of Certificate Holders, the price or value of an investment in the Certificates and/or the ability of the Issuer or the Guarantor to satisfy its obligations under any Certificates, and as a result investors may lose their entire investment.

Moreover, if the Issuer's or the Guarantor's financial condition deteriorates, the existence of the Bail-in Power, the exercise of write-down/conversion powers or any other resolution tools by the Resolution Authority independently of a resolution measure or in combination with a resolution measure when it determines that the Issuer, the Guarantor or the Group will no longer be viable could cause the market price or value of the Certificates to decline more rapidly than would be the case in the absence of such powers.

Since 1 January 2016, EU credit institutions (such as Societe Generale) and certain investment firms have to meet, at all times, a minimum requirement for own funds and eligible liabilities ("**MREL**") pursuant to Article 12 of the SRM Regulation. The MREL, which is expressed as a percentage of the total liabilities and own funds of the institution, aims at preventing institutions from structuring their liabilities in a manner that impedes the effectiveness of the Bail-in Power in order to facilitate resolution.

The current regime will evolve as a result of the changes adopted by the EU legislators. On 7 June 2019, as part of the contemplated amendments to the so-called "EU Banking Package", the following legislative texts have been published in the Official Journal of the EU 14 May 2019:

- Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending the BRRD as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms (the "**BRRD II**"); and
- Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019 amending the SRM Regulation as regards the loss-absorbing and recapitalisation

capacity (“**TLAC**”) of credit institutions and investment firms (the “**SRM II Regulation**” and, together with the BRRD II, the “**EU Banking Package Reforms**”).

The EU Banking Package Reforms will introduce, among other things, the TLAC standard as implemented by the Financial Stability Board's TLAC Term Sheet (“**FSB TLAC Term Sheet**”), by adapting, among others, the existing regime relating to the specific MREL with aim of reducing risks in the banking sector and further reinforcing institutions’ ability to withstand potential shocks will strengthen the banking union and reduce risks in the financial system.

The TLAC will be implemented in accordance with the FSB TLAC Term Sheet, which impose a level of “Minimum TLAC” that will be determined individually for each global systemically important bank (“**G-SIB**”), such as Societe Generale, in an amount at least equal to (i) 16%, plus applicable buffers, of risk weight assets through January 1, 2022 and 18%, plus applicable buffers, thereafter and (ii) 6% of the Basel III leverage ratio denominator through January 1, 2022 and 6.75% thereafter (each of which could be extended by additional firm-specific requirements).

According to Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (the “**CRR**”), as amended by Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending the CRR as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements (the “**CRR II**”), EU G-SIBs, such as Societe Generale, will have to comply with TLAC requirements, on top of the MREL requirements, as from the entry into force of the CRR II. As such, G-SIBs, such as Societe Generale will have to comply at the same time with TLAC and MREL requirements.

Consequently, criteria for MREL-eligible liabilities will be closely aligned with those laid down in the CRR, as amended by the CRR II for the TLAC-eligible liabilities, but subject to the complementary adjustments and requirements introduced in the BRRD II. In particular, certain debt instruments with an embedded derivative component, such as certain structured notes, will be eligible, subject to certain conditions, to meet the MREL requirements to the extent that they have a fixed or increasing principal amount repayable at maturity that is known in advance while only an additional return is linked to that derivative component and depends on the performance of a reference asset.

The level of capital and eligible liabilities required under MREL will be set by the SRB for Societe Generale on an individual and/or consolidated basis based on certain criteria including systemic importance any may also be set for SG Issuer. Eligible liabilities may be senior or subordinated, provided, among other requirements, that they have a remaining maturity of at least one year and, if governed by non-EU law, they must be able to be written down or converted under that law (including through contractual provisions).

The scope of liabilities used to meet the MREL includes, in principle, all liabilities resulting from claims arising from ordinary unsecured creditors (non-subordinated liabilities) unless they do not meet specific eligibility criteria set out in the BRRD, as amended by the BRRD II. To enhance the resolvability of institutions and entities through an effective use of the bail-in tool, the SRB should be able to require that the MREL be met with own funds and other subordinated liabilities, in particular where there are clear indications that bailed-in creditors are likely to bear losses in resolution that would exceed the losses that they would incur under normal insolvency proceedings. Moreover the SRB should assess the need to require institutions and entities to meet the MREL with own funds and other subordinated liabilities where the amount of liabilities

excluded from the application of the bail-in tool reaches a certain threshold within a class of liabilities that includes MREL-eligible liabilities. Any subordination of debt instruments requested by the SRB for the MREL shall be without prejudice to the possibility to partly meet the TLAC requirements with non-subordinated debt instruments in accordance with the CRR, as amended by the CRR II, as permitted by the TLAC standard. Specific requirements apply to resolution groups with assets above EUR 100 billion (top-tier banks).

If the SRB finds that there could exist any obstacles to resolvability by the Issuer or the Guarantor and/or the Group, a higher MREL requirement could be imposed. Any failure by the Issuer or the Guarantor, as applicable, and/or the Group to comply with its MREL may have a material adverse effect on the Issuer's business, financial conditions and results of operations.

TERMS AND CONDITIONS OF THE CERTIFICATES

The following are the terms and conditions of the Certificates and should be read in conjunction with, and are qualified by reference to, the other information set out in this document and the Base Listing Document.

The Conditions are set out in the section headed “Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities” in the Base Listing Document. For the purposes of the Conditions, the following terms shall have the following meanings:

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| Certificates: | 12,500,000 European Style Cash Settled Short Certificates relating to the ordinary shares of Sunny Optical Technology (Group) Company Limited (the “ Underlying Stock ”) |
| ISIN: | LU2348853081 |
| Company: | Sunny Optical Technology (Group) Company Limited (RIC: 2382.HK) |
| Underlying Price ³ and Source: | HK\$103.1 (Reuters) |
| Calculation Agent: | Société Générale |
| Strike Level: | Zero |
| Daily Leverage: | -5x (within the Leverage Inverse Strategy as described below) |
| Notional Amount per Certificate: | SGD 0.80 |
| Management Fee (p.a.) ⁴ : | 0.40% |
| Gap Premium (p.a.) ⁵ : | 6.90%, is a hedging cost against extreme market movements overnight. |
| Stock Borrowing Cost ⁶ : | The annualised costs for borrowing stocks in order to take an inverse exposure on the Underlying Stock. |
| Rebalancing Cost ⁶ : | The transaction costs (if applicable), computed as a function of leverage and daily inverse performance of the Underlying Stock. |
| Launch Date: | 19 April 2022 |
| Closing Date: | 25 April 2022 |

³ These figures are calculated as at, and based on information available to the Issuer on or about 25 April 2022. The Issuer is not obliged, and undertakes no responsibility to any person, to update or inform any person of any changes to the figures after 25 April 2022.

⁴ Please note that the Management Fee is calculated on a 360-day basis and may be increased up to a maximum of 3% p.a. on giving one month's notice to investors. Any increase in the Management Fee will be announced on the SGXNET. Please refer to “Fees and Charges” below for further details of the fees and charges payable and the maximum of such fees as well as other ongoing expenses that may be borne by the Certificates.

⁵ Please note that the Gap Premium is calculated on a 360-day basis.

⁶ These costs are embedded within the Leverage Inverse Strategy. Please note that the Stock Borrowing Cost may be changed on giving 5 Business Days' notice to investors. Any change in the Stock Borrowing Cost will be announced on the SGXNET.

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| Expected Listing Date: | 26 April 2022 |
| Last Trading Date: | The date falling 5 Business Days immediately preceding the Expiry Date, currently being 17 April 2023 |
| Expiry Date: | 24 April 2023 (if the Expiry Date is not a Business Day, then the Expiry Date shall fall on the preceding Business Day and subject to adjustment of the Valuation Date upon the occurrence of Market Disruption Events as set out in the Conditions of the Certificates) |
| Board Lot: | 100 Certificates |
| Valuation Date: | 21 April 2023 or if such day is not an Exchange Business Day, the immediately preceding Exchange Business Day. |
| Exercise: | <p>The Certificates may only be exercised on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, in a Board Lot or integral multiples thereof. Certificate Holders shall not be required to deliver an exercise notice. Exercise of Certificates shall be determined by whether the Cash Settlement Amount (less any Exercise Expenses) is positive. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates shall be deemed to have been automatically exercised at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. The Cash Settlement Amount less the Exercise Expenses in respect of the Certificates shall be paid in the manner set out in Condition 4(c) of the Conditions. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, and Certificate Holders shall not be entitled to receive any payment from the Issuer in respect of the Certificates.</p> |
| Cash Settlement Amount: | <p>In respect of each Certificate, shall be an amount payable in the Settlement Currency equal to:</p> <p>Closing Level multiplied by the Notional Amount per Certificate</p> <p>Please refer to the “Information relating to the European Style Cash Settled Short Certificates on Single Equities” section on pages 43 to 58 of this document for examples and illustrations of the calculation of the Cash Settlement Amount.</p> |
| Hedging Fee Factor: | <p>In respect of each Certificate, shall be an amount calculated as: Product (for t from 2 to Valuation Date) of $(1 - \text{Management Fee} \times (\text{ACT}(t-1;t) \div 360)) \times (1 - \text{Gap Premium}(t-1) \times (\text{ACT}(t-1;t) \div 360))$, where:</p> <p>“$t$” refers to “Observation Date” which means each Underlying Stock Business Day (subject to Market Disruption Event) from (and including) the Underlying Stock Business Day immediately preceding</p> |

the Expected Listing Date to the Valuation Date; and

ACT (t-1;t) means the number of calendar days between the Underlying Stock Business Day immediately preceding the Observation Date (which is “t-1”) (included) and the Observation Date (which is “t”) (excluded).

If the Issuer determines, in its sole discretion, that on any Observation Date a Market Disruption Event has occurred, then that Observation Date shall be postponed until the first succeeding Underlying Stock Business Day on which there is no Market Disruption Event, unless there is a Market Disruption Event on each of the five Underlying Stock Business Days immediately following the original date that, but for the Market Disruption Event, would have been an Observation Date. In that case, that fifth Underlying Stock Business Day shall be deemed to be the Observation Date notwithstanding the Market Disruption Event and the Issuer shall determine, its good faith estimate of the level of the Leverage Inverse Strategy and the value of the Certificate on that fifth Underlying Stock Business Day in accordance with the formula for and method of calculation last in effect prior to the occurrence of the first Market Disruption Event taking into account, inter alia, the exchange traded or quoted price of the Underlying Stock and the potential increased cost of hedging by the Issuer as a result of the occurrence of the Market Disruption Event.

An “**Underlying Stock Business Day**” is a day on which The Stock Exchange of Hong Kong Limited (the “**HKEX**”) is open for dealings in Hong Kong during its normal trading hours and banks are open for business in Hong Kong.

Please refer to the “Information relating to the European Style Cash Settled Short Certificates on Single Equities” section on pages 43 to 58 of this document for examples and illustrations of the calculation of the Hedging Fee Factor.

Closing Level:

In respect of each Certificate, shall be an amount payable in the Settlement Currency equal to:

$$\left(\frac{\text{Final Reference Level} \times \text{Final Exchange Rate}}{\text{Initial Reference Level} \times \text{Initial Exchange Rate}} - \text{Strike Level} \right) \times \text{Hedging Fee Factor}$$

Initial Reference Level:

1,000

Final Reference Level:

The closing level of the Leverage Inverse Strategy (as described below) on the Valuation Date

The calculation of the closing level of the Leverage Inverse Strategy is set out in the “Specific Definitions relating to the Leverage Inverse Strategy” section on pages 20 to 26 below.

Initial Exchange Rate³:

0.1751

Final Exchange Rate:

The rate for the conversion of HKD to SGD as at 5:00pm (Singapore

Time) on the Valuation Date as shown on Reuters, provided that if the Reuters service ceases to display such information, as determined by the Issuer by reference to such source(s) as the Issuer may reasonably determine to be appropriate at such a time.

Air Bag Mechanism:

The “**Air Bag Mechanism**” refers to the mechanism built in the Leverage Inverse Strategy and which is designed to reduce the Leverage Inverse Strategy exposure to the Underlying Stock during extreme market conditions. If the Underlying Stock rises by 15% or more (“**Air Bag Trigger Price**”) during the trading day (which represents approximately 75% loss after a 5 times inverse leverage), the Air Bag Mechanism is triggered and the Leverage Inverse Strategy is adjusted intra-day. The Air Bag Mechanism reduces the impact on the Leverage Inverse Strategy if the Underlying Stock rises further, but will also maintain a reduced exposure to the Underlying Stock in the event the Underlying Stock starts to fall after the Air Bag Mechanism is triggered, thereby reducing its ability to recoup losses.

Trading of Certificates is suspended for at least 30 minutes after the Air Bag is triggered.

The Leverage Inverse Strategy is floored at 0 and the Certificates cannot be valued below zero.

Please refer to the “Extraordinary Strategy Adjustment for Performance Reasons (“Air Bag Mechanism”)” section on pages 24 to 26 below and the “Description of Air Bag Mechanism” section on pages 49 to 51 of this document for further information of the Air Bag Mechanism.

Adjustments and Extraordinary Events:

The Issuer has the right to make adjustments to the terms of the Certificates if certain events, including any capitalisation issue, rights issue, extraordinary distributions, merger, delisting, insolvency (as more specifically set out in the terms and conditions of the Certificates) occur in respect of the Underlying Stock. For the avoidance of doubt, no notice will be given if the Issuer determines that adjustments will not be made.

Underlying Stock Currency:

Hong Kong Dollar (“**HKD**”)

Settlement Currency:

Singapore Dollar (“**SGD**”)

Exercise Expenses:

Certificate Holders will be required to pay all charges which are incurred in respect of the exercise of the Certificates.

Relevant Stock Exchange for the Certificates:

The Singapore Exchange Securities Trading Limited (the “**SGX-ST**”)

Relevant Stock Exchange for the Underlying Stock:

HKEX

Business Day and Exchange

A “**Business Day**” is a day on which the SGX-ST is open for dealings in Singapore during its normal trading hours and banks are open for

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| Business Day: | business in Singapore. An “ Exchange Business Day ” is a day on which the SGX-ST and the HKEX are open for dealings in Singapore and Hong Kong respectively during its normal trading hours and banks are open for business in Singapore and Hong Kong. |
| Warrant Agent: | The Central Depository (Pte) Limited (“ CDP ”) |
| Clearing System: | CDP |
| Fees and Charges: | <p>Normal transaction and brokerage fees shall apply to the trading of the Certificates on the SGX-ST. Investors should note that they may be required to pay stamp taxes or other documentary charges in accordance with the laws and practices of the country where the Certificates are transferred. Investors who are in any doubt as to their tax position should consult their own independent tax advisers. In addition, investors should be aware that tax regulations and their application by the relevant taxation authorities change from time to time. Accordingly, it is not possible to predict the precise tax treatment which will apply at any given time.</p> <p>Investors holding position overnight would also be required to bear the Management Fee and Gap Premium, which are calculated daily and applied to the value of the Certificates, as well as certain costs embedded within the Leverage Inverse Strategy including the Stock Borrowing Cost and Rebalancing Cost. The Management Fee may be increased up to a maximum of 3% p.a. on giving one month’s notice to investors in accordance with the terms and conditions of the Certificates. Any increase in the Management Fee will be announced on the SGXNET.</p> |
| Further Information: | Please refer to the website at dlc.socgen.com for more information on the theoretical closing price of the Certificates on the previous trading day, the closing price of the Underlying Stock on the previous trading day, the Air Bag Trigger Price for each trading day and the Management Fee and Gap Premium. |

Specific Definitions relating to the Leverage Inverse Strategy

Description of the Leverage Inverse Strategy

The Leverage Inverse Strategy is designed to track a 5 times daily leveraged inverse exposure to the Underlying Stock.

At the end of each trading day of the Underlying Stock, the exposure of the Leverage Inverse Strategy to the Underlying Stock is reset within the Leverage Inverse Strategy in order to retain a daily leverage of 5 times the inverse performance of the Underlying Stock (excluding costs) regardless of the performance of the Underlying Stock on the preceding day. This mechanism is referred to as the Daily Reset.

The Leverage Inverse Strategy incorporates an air bag mechanism which is designed to reduce exposure to the Underlying Stock during extreme market conditions, as further described below.

Leverage Inverse Strategy Formula

LSL_t means, for any Observation Date(t), the Leverage Inverse Strategy Closing Level as of such day (t).

Subject to the occurrence of an Intraday Restrike Event, the **Leverage Inverse Strategy Closing Level** as of such Observation Date(t) is calculated in accordance with the following formulae:

On Observation Date(1):

$$LSL_1 = 1000$$

On each subsequent Observation Date(t):

$$LSL_t = \text{Max}[LSL_{t-1} \times (1 + LR_{t-1,t} - FC_{t-1,t} - SB_{t-1,t} - RC_{t-1,t}), 0]$$

LR_{t-1,t} means the Leveraged Return of the Underlying Stock between Observation Date(t-1) and Observation Date(t) closing prices, calculated as follows:

$$LR_{t-1,t} = \text{Leverage} \times \left(\frac{S_t}{S_{t-1} \times R_{factor_t}} - 1 \right)$$

FC_{t-1,t} means, the Funding Cost between Observation Date(t-1) (included) and Observation Date(t) (excluded) calculated as follows:

$$FC_{t-1,t} = (\text{Leverage} - 1) \times \frac{\text{Rate}_{t-1} \times \text{ACT}(t-1,t)}{\text{DayCountBasisRate}}$$

SB_{t-1,t} means the Stock Borrowing Cost between Observation Date(t-1) (included) and Observation Date(t) (excluded) calculated as follows :

$$SB_{t-1,t} = -\text{Leverage} \times \frac{\text{CB} \times \text{ACT}(t-1,t)}{\text{DayCountBasisRate}}$$

CB means the Cost of Borrowing applicable that is equal to 2.00%.

RC_{t-1,t} means the Rebalancing Cost of the Leverage Inverse Strategy on Observation Date (t), calculated as follows:

$$RC_{t-1,t} = \text{Leverage} \times (\text{Leverage} - 1) \times \left(\left| \frac{S_t}{S_{t-1} \times R_{factor_t}} - 1 \right| \right) \times \text{TC}$$

TC means the Transaction Costs applicable (including Stamp Duty and any other applicable taxes, levies and costs which may be levied on the stock transactions on the Relevant Stock Exchange for the Underlying Stock by the applicable regulatory authorities from time to time) that are currently equal to :

0.13%

“Stamp Duty” refers to the applicable rate of stamp duty on the stock transactions in the jurisdiction of the Relevant Stock Exchange for the Underlying Stock, which may be changed by the applicable regulatory authorities from time to time.

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| Leverage | -5 |
| S_t | means, in respect of each Observation Date(t), the Closing Price of the Underlying Stock as of such Observation Date(t), subject to the adjustments and provisions of the Conditions. |
| $Rate_t$ | means, in respect of each Observation Date(t), the Overnight HKD Hong Kong Interbank Offered Rate (HIBOR) Fixing, as published on Reuters RIC HIKHDOND= or any successor page, being the rate as of day (t), provided that if any of such rate is not available, then that rate shall be determined by reference to the latest available rate that was published on the relevant Reuters page. Upon the occurrence or likely occurrence, as determined by the Calculation Agent, of modification, the permanent or indefinite cancellation or cessation in the provision of HIBOR, or a regulator or other official sector entity prohibits the use of HIBOR, the Calculation Agent may make adjustments as it may determine appropriate to account for the relevant event or circumstance, including but not limited to using any alternative rates from such date, with or without retroactive effect as the Calculation Agent may in its sole and absolute discretion determine. |
| $Rfactor_t$ | <p>means, in the event Observation Date (t) is an ex-dividend date of the Underlying Stock, an amount determined by the Calculation Agent, subject to the adjustments and provisions of the Conditions, according to the following formula :</p> $Rfactor_t = 1 - \frac{Div_t}{S_{t-1}}$ <p>where</p> <p>Div_t is the dividend to be paid out in respect of the Underlying Stock and the relevant ex-dividend date which shall be considered gross of any applicable withholding taxes.</p> |
| ACT(t-1,t) | ACT (t-1;t) means the number of calendar days between the Underlying Stock Business Day immediately preceding the Observation Date (which is "t-1") (included) and the Observation Date (which is "t") (excluded). |
| DayCountBasisRate | 365 |
| Benchmark Fallback | upon the occurrence or likely occurrence, as determined by the Calculation Agent, of a Reference Rate Event, the Calculation Agent may make adjustments as it may determine appropriate to account for the relevant event or circumstance, including but not limited to using any alternative rates from such date, with or without retroactive effect as the Calculation Agent may in its sole and absolute discretion determine. |
| Reference Rate Event | <p>means, in respect of the Reference Rate any of the following has occurred or will occur:</p> <p>(i) a Reference Rate Cessation;</p> |

(ii) an Administrator/Benchmark Event; or

(iii) a Reference Rate is, with respect to over-the-counter derivatives transactions which reference such Reference Rate, the subject of any market-wide development formally agreed upon by the International Swaps and Derivative Association (ISDA) or the Asia Securities Industry & Financial Markets Association (ASIFMA), pursuant to which such Reference Rate is, on a specified date, replaced with a risk-free rate (or near risk-free rate) established in order to comply with the recommendations in the Financial Stability Board's paper titled "Reforming Major Interest Rate Benchmarks" dated 22 July 2014.

Reference Rate Cessation

means, for a Reference Rate, the occurrence of one or more of the following events:

(i) a public statement or publication of information by or on behalf of the administrator of the Reference Rate announcing that it has ceased or will cease to provide the Reference Rate permanently or indefinitely, provided that, at the time of the statement or publication, there is no successor administrator that will continue to provide the Reference Rate;

(ii) a public statement or publication of information by the regulatory supervisor for the administrator of the Reference Rate, the central bank for the currency of the Reference Rate, an insolvency official with jurisdiction over the administrator for the Reference Rate, a resolution authority with jurisdiction over the administrator for the Reference Rate or a court or an entity with similar insolvency or resolution authority over the administrator for the Reference Rate, which states that the administrator of the Reference Rate has ceased or will cease to provide the Reference Rate permanently or indefinitely, provided that, at the time of the statement or publication, there is no successor administrator that will continue to provide the Reference Rate; or

(iii) in respect of a Reference Rate, a public statement or publication of information by the regulatory supervisor for the administrator of such Reference Rate announcing that (a) the regulatory supervisor has determined that such Reference Rate is no longer, or as of a specified future date will no longer be, representative of the underlying market and economic reality that such Reference Rate is intended to measure and that representativeness will not be restored and (b) it is being made in the awareness that the statement or publication will engage certain contractual triggers for fallbacks activated by pre-cessation announcements by such supervisor (howsoever described) in contracts;

Administrator/Benchmark Event

means, for a Reference Rate, any authorisation, registration, recognition, endorsement, equivalence decision, approval or inclusion in any official register in respect of the Reference Rate or the administrator or sponsor of the Benchmark has not been, or will not be, obtained or has been, or will be, rejected, refused, suspended or withdrawn by the relevant competent authority or other relevant official body, in each case with the effect that either the Issuer, the Calculation Agent or any other entity is not, or will not be, permitted under any applicable law or

regulation to use the Reference Rate to perform its or their respective obligations under the Certificates.

Reference Rate(s) means the rate(s) used in the Leverage Inverse Strategy Formula, for example SORA, SOFR and US Federal Funds Effective Rate.

Extraordinary Strategy Adjustment for Performance Reasons (“Air Bag Mechanism”)

Extraordinary Strategy Adjustment for Performance Reasons If the Calculation Agent determines that an Intraday Restrike Event has occurred during an Observation Date(t) (the **Intraday Restrike Date**, noted hereafter **IRD**), an adjustment (an **Extraordinary Strategy Adjustment for Performance Reasons**) shall take place during such Observation Date(t) in accordance with the following provisions.

(1) Provided the last Intraday Restrike Observation Period as of such Intraday Restrike Date does not end on the TimeReferenceClosing, the Leverage Inverse Strategy Closing Level on the Intraday Restrike Date (LSL_{IRD}) should be computed as follows :

$$LSL_{IRD} = \text{Max}[ILSL_{IR(n)} \times (1 + ILR_{IR(n),IR(C)} - IRC_{IR(n),IR(C)}), 0]$$

(2) If the last Intraday Restrike Event Observation Period on the relevant Intraday Restrike Date ends on the TimeReferenceClosing:

$$LSL_{IRD} = \text{Max}[ILSL_{IR(n)}, 0]$$

$ILSL_{IR(k)}$ means, in respect of $IR(k)$, the Intraday Leverage Inverse Strategy Level in accordance with the following provisions :

(1) for $k = 1$:

$$ILSL_{IR(1)} = \text{Max}[LSL_{IRD-1} \times (1 + ILR_{IR(0),IR(1)} - FC_{IRD-1,IRD} - SB_{IRD-1,IRD} - IRC_{IR(0),IR(1)}), 0]$$

(2) for $k > 1$:

$$ILSL_{IR(k)} = \text{Max}[ILSL_{IR(k-1)} \times (1 + ILR_{IR(k-1),IR(k)} - IRC_{IR(k-1),IR(k)}), 0]$$

$ILR_{IR(k-1),IR(k)}$ means the Intraday Leveraged Return between $IR(k-1)$ and $IR(k)$, calculated as follows :

$$ILR_{IR(k-1),IR(k)} = \text{Leverage} \times \left(\frac{IS_{IR(k)}}{IS_{IR(k-1)}} - 1 \right)$$

$IRC_{IR(k-1),IR(k)}$ means the Intraday Rebalancing Cost of the Leverage Inverse Strategy in respect of $IR(k)$ on a given Intraday Restrike Date, calculated as follows :

$$IRC_{IR(k-1),IR(k)} = \text{Leverage} \times (\text{Leverage} - 1) \times \left(\left| \frac{IS_{IR(k)}}{IS_{IR(k-1)}} - 1 \right| \right) \times TC$$

$IS_{IR(k)}$ means the Underlying Stock Price in respect of $IR(k)$ computed as follows :

(1) for $k=0$

$$IS_{IR(0)} = S_{IRD-1} \times Rfactor_{IRD}$$

(2) for $k=1$ to n

means in respect of $IR(k)$, the highest price of the Underlying Stock during the respective Intraday Restrike Observation Period

(3) with respect to $IR(C)$

$$IS_{IR(C)} = S_{IRD}$$

In each case, subject to the adjustments and provisions of the Conditions.

$IR(k)$ For $k=0$, means the scheduled close for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto) on the Observation Date immediately preceding the relevant Intraday Restrike Date;

For $k=1$ to n , means the k^{th} Intraday Restrike Event on the relevant Intraday Restrike Date.

$IR(C)$ means the scheduled close for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto) on the relevant Intraday Restrike Date.

n means the number of Intraday Restrike Events that occurred on the relevant Intraday Restrike Date.

Intraday Restrike Event means in respect of an Observation Date(t) :

(1) provided no Intraday Restrike Event has previously occurred on such Observation Date (t), the increase at any Calculation Time of the Underlying Stock price by 15% or more compared with the relevant Underlying Stock Price $IS_{IR(0)}$ as of such Calculation Time.

(2) if k Intraday Restrike Events have occurred on the relevant Intraday Restrike Date, the increase at any Calculation Time of the Underlying Stock price by 15% or more compared with the relevant Underlying Stock Price $IS_{IR(k)}$ as of such Calculation Time.

Calculation Time means any time between the TimeReferenceOpening and the TimeReferenceClosing, provided that the relevant data is available to enable the Calculation Agent to determine the Leverage Inverse Strategy Level.

TimeReferenceOpening means the scheduled opening time for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto).

TimeReferenceClosing means the scheduled closing time for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto).

Intraday Restrike Event Observation Period means in respect of an Intraday Restrike Event, the period starting on and excluding the Intraday Restrike Event Time and finishing on and including the sooner between (1) the time falling 15 minutes after the Intraday Restrike Event Time and (2) the TimeReferenceClosing.

Where, during such period, the Calculation Agent determines that (1) the trading in the Underlying Stock is disrupted or subject to suspension or limitation or (2) the Relevant Stock Exchange for the Underlying Stock is not open for continuous trading, the Intraday Restrike Event Observation Period will be

extended to the extent necessary until (1) the trading in the Underlying Stock is no longer disrupted, suspended or limited and (2) the Relevant Stock Exchange for the Underlying Stock is open for continuous trading.

Intraday Restrike Event Time means in respect of an Intraday Restrike Event, the Calculation Time on which such event occurs.

The Conditions set out in the section headed “Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities” in the Base Listing Document are set out below. This section is qualified in its entirety by reference to the detailed information appearing elsewhere in this document which shall, to the extent so specified or to the extent inconsistent with the relevant Conditions set out below, replace or modify the relevant Conditions for the purpose of the Certificates.

TERMS AND CONDITIONS OF THE EUROPEAN STYLE CASH SETTLED LONG/SHORT CERTIFICATES ON SINGLE EQUITIES

1. Form, Status and Guarantee, Transfer and Title

- (a) *Form.* The Certificates (which expression shall, unless the context otherwise requires, include any further certificates issued pursuant to Condition 11) are issued subject to and with the benefit of:-
- (i) a master instrument by way of deed poll (the “**Master Instrument**”) dated 18 June 2021, made by SG Issuer (the “**Issuer**”) and Société Générale (the “**Guarantor**”); and
 - (ii) a warrant agent agreement (the “**Master Warrant Agent Agreement**” or “**Warrant Agent Agreement**”) dated any time before or on the Closing Date, made between the Issuer and the Warrant Agent for the Certificates.

Copies of the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement are available for inspection at the specified office of the Warrant Agent.

The holders of the Certificates (the “**Certificate Holders**”) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement.

- (b) *Status and Guarantee.* The Certificates constitute direct, general and unsecured obligations of the Issuer and rank, and will rank, equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer (save for statutorily preferred exceptions). The Certificates provide for cash settlement on exercise. The Certificates do not entitle Certificate Holders to the delivery of any Underlying Stock, are not secured by the Underlying Stock and do not entitle Certificate Holders to any interest in any Underlying Stock.

The due and punctual payment of any amounts due by the Issuer in respect of the Certificates issued by the Issuer is unconditionally and irrevocably guaranteed by the Guarantor as provided in the Guarantee (each such amount payable under the Guarantee, a “**Guarantee Obligation**”).

The Guarantee Obligations will constitute direct, unconditional, unsecured and unsubordinated obligations of the Guarantor ranking as senior preferred obligations as provided for in Article L. 613-30-3 I 3° of the French Code *Monétaire et Financier* (the “**Code**”).

Such Guarantee Obligations rank and will rank equally and rateably without any preference or priority among themselves and:

- (i) *pari passu* with all other direct, unconditional, unsecured and unsubordinated obligations of the Guarantor outstanding as of the date of the entry into force of the law no. 2016-1691 (the “**Law**”) on 11 December 2016;
- (ii) *pari passu* with all other present or future direct, unconditional, unsecured and senior preferred obligations (as provided for in Article L. 613-30-3 I 3° of the Code) of the Guarantor issued after the date of the entry into force of the Law on 11 December 2016;
- (iii) junior to all present or future claims of the Guarantor benefiting from the statutorily preferred exceptions; and
- (iv) senior to all present and future senior non-preferred obligations (as provided for in Article L.613-30-3 I 4° of the Code) of the Guarantor.

In the event of the failure of the Issuer to promptly perform its obligations to any Certificate Holder under the terms of the Certificates, such Certificate Holder may, but is not obliged to, give written notice to the Guarantor at Société Générale, Tour Société Générale, 75886 Paris Cedex 18, France marked for the attention of SEGL/JUR/OMF - Market Transactions & Financing.

- (c) **Transfer.** The Certificates are represented by a global warrant certificate (“**Global Warrant**”) which will be deposited with The Central Depository (Pte) Limited (“**CDP**”). Certificates in definitive form will not be issued. Transfers of Certificates may be effected only in Board Lots or integral multiples thereof. All transactions in (including transfers of) Certificates, in the open market or otherwise, must be effected through a securities account with CDP. Title will pass upon registration of the transfer in the records maintained by CDP.
- (d) **Title.** Each person who is for the time being shown in the records maintained by CDP as entitled to a particular number of Certificates shall be treated by the Issuer, the Guarantor and the Warrant Agent as the holder and absolute owner of such number of Certificates, notwithstanding any notice to the contrary. The expression “**Certificate Holder**” shall be construed accordingly.
- (e) **Bail-In.** By the acquisition of Certificates, each Certificate Holder (which, for the purposes of this Condition, includes any current or future holder of a beneficial interest in the Certificates) acknowledges, accepts, consents and agrees:
 - (i) to be bound by the effect of the exercise of the Bail-In Power (as defined below) by the Relevant Resolution Authority (as defined below) on the Issuer’s liabilities under the Certificates, which may include and result in any of the following, or some combination thereof:
 - (A) the reduction of all, or a portion, of the Amounts Due (as defined below), on a permanent basis;
 - (B) the conversion of all, or a portion, of the Amounts Due into shares, other securities or other obligations of the Issuer or the Guarantor or another person (and the issue to the Certificate Holder of such shares, securities or obligations), including by means of an amendment, modification or variation of the Conditions of the Certificates, in which case the Certificate Holder agrees to accept in lieu of its rights under the Certificates any such shares, other securities or other obligations of the Issuer or the Guarantor or another person;

- (C) the cancellation of the Certificates; and/or
- (D) the amendment or alteration of the expiration of the Certificates or amendment of the amounts payable on the Certificates, or the date on which the amounts become payable, including by suspending payment for a temporary period; and

that terms of the Certificates are subject to, and may be varied, if necessary, to give effect to the exercise of the Bail-In Power by the Relevant Resolution Authority or the regulator,

(the “**Statutory Bail-In**”);

- (ii) if the Relevant Resolution Authority exercises its Bail-In Power on liabilities of the Guarantor, pursuant to Article L.613-30-3-I-3 of the French Monetary and Financial Code (the “**M&F Code**”):

- (A) ranking:
 - (1) junior to liabilities of the Guarantor benefitting from statutorily preferred exceptions pursuant to Article L.613-30-3-I 1° and 2 of the M&F Code;
 - (2) *pari passu* with liabilities of the Guarantor as defined in Article L.613-30-3-I-3 of the M&F Code; and
 - (3) senior to liabilities of the Guarantor as defined in Article L.613-30-3-I-4 of the M&F Code; and
- (B) which are not *titres non structurés* as defined under Article R.613-28 of the M&F Code, and
- (C) which are not or are no longer eligible to be taken into account for the purposes of the MREL (as defined below) ratio of the Guarantor

and such exercise of the Bail-In Power results in the write-down or cancellation of all, or a portion of, the principal amount of, or the outstanding amount payable in respect of, and/or interest on, such liabilities, and/or the conversion of all, or a portion, of the principal amount of, or the outstanding amount payable in respect of, or interest on, such liabilities into shares or other securities or other obligations of the Guarantor or another person, including by means of variation to their terms and conditions in order to give effect to such exercise of Bail-In Power, then the Issuer’s obligations under the Certificates will be limited to (i) payment of the amount as reduced or cancelled that would be recoverable by the Certificate Holders and/or (ii) the delivery or the payment of value of the shares or other securities or other obligations of the Guarantor or another person that would be paid or delivered to the Certificate Holders as if, in either case, the Certificates had been directly issued by the Guarantor itself, and as if any Amount Due under the Certificates had accordingly been directly subject to the exercise of the Bail-In Power (the “**Contractual Bail-in**”).

No repayment or payment of the Amounts Due will become due and payable or be paid after the exercise of the Statutory Bail-In with respect to the Issuer or the Guarantor unless, at the time such repayment or payment, respectively, is scheduled to become due, such repayment or payment would be permitted to be made by the Issuer or the Guarantor under the applicable laws and regulations in effect in France or Luxembourg

and the European Union applicable to the Issuer or the Guarantor or other members of its group.

No repayment or payment of the Amounts Due will become due and payable or be paid under the Certificates issued by SG Issuer after implementation of the Contractual Bail-in.

Upon the exercise of the Statutory Bail-in or upon implementation of the Contractual Bail-in with respect to the Certificates, the Issuer or the Guarantor will provide a written notice to the Certificate Holders in accordance with Condition 9 as soon as practicable regarding such exercise of the Statutory Bail-in or implementation of the Contractual Bail-in. Any delay or failure by the Issuer or the Guarantor to give notice shall not affect the validity and enforceability of the Statutory Bail-in or Contractual Bail-in nor the effects on the Certificates described above.

Neither a cancellation of the Certificates, a reduction, in part or in full, of the Amounts Due, the conversion thereof into another security or obligation of the Issuer or the Guarantor or another person, as a result of the exercise of the Statutory Bail-in or the implementation of the Contractual Bail-in with respect to the Certificates will be an event of default or otherwise constitute non-performance of a contractual obligation, or entitle the Certificate Holder to any remedies (including equitable remedies) which are hereby expressly waived.

The matters set forth in this Condition shall be exhaustive on the foregoing matters to the exclusion of any other agreements, arrangements or understandings between the Issuer, the Guarantor and each Certificate Holder. No expenses necessary for the procedures under this Condition, including, but not limited to, those incurred by the Issuer and the Guarantor, shall be borne by any Certificate Holder.

For the purposes of this Condition:

“Amounts Due” means any amounts due by the Issuer under the Certificates.

“Bail-In Power” means any statutory cancellation, write-down and/or conversion power existing from time to time under any laws, regulations, rules or requirements relating to the resolution of banks, banking group companies, credit institutions and/or investment firms, including but not limited to any such laws, regulations, rules or requirements that are implemented, adopted or enacted within the context of a European Union directive or regulation of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms, or any other applicable laws or regulations, as amended, or otherwise, pursuant to which obligations of a bank, banking group company, credit institution or investment firm or any of its affiliates can be reduced, cancelled and/or converted into shares or other securities or obligations of the obligor or any other person.

“MREL” means the Minimum Requirement for own funds and Eligible Liabilities as defined in Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (as amended from time to time).

“Relevant Resolution Authority” means any authority with the ability to exercise the Bail-in Power on Societe Generale or SG Issuer as the case may be.

2. Certificate Rights and Exercise Expenses

- (a) **Certificate Rights.** Every Certificate entitles each Certificate Holder, upon due exercise and on compliance with Condition 4, to payment by the Issuer of the Cash Settlement Amount (as defined below) (if any) in the manner set out in Condition 4.

The “**Cash Settlement Amount**”, in respect of each Certificate, shall be an amount payable in the Settlement Currency equal to the Closing Level multiplied by the Notional Amount per Certificate.

The “**Closing Level**”, in respect of each Certificate, shall be an amount payable in the Settlement Currency equal to:

$$\left(\frac{\text{Final Reference Level} \times \text{Final Exchange Rate}}{\text{Initial Reference Level} \times \text{Initial Exchange Rate}} - \text{Strike Level} \right) \times \text{Hedging Fee Factor}$$

If the Issuer determines, in its sole discretion, that on the Valuation Date or any Observation Date a Market Disruption Event has occurred, then that Valuation Date or Observation Date shall be postponed until the first succeeding Exchange Business Day or Underlying Stock Business Day, as the case may be, on which there is no Market Disruption Event, unless there is a Market Disruption Event on each of the five Exchange Business Days or Underlying Stock Business Days, as the case may be, immediately following the original date that, but for the Market Disruption Event, would have been a Valuation Date or an Observation Date. In that case:-

- (i) that fifth Exchange Business Day or Underlying Stock Business Day, as the case may be, shall be deemed to be the Valuation Date or the Observation Date notwithstanding the Market Disruption Event; and
- (ii) the Issuer shall determine the Final Reference Level or the relevant closing level on the basis of its good faith estimate of the Final Reference Level or the relevant closing level that would have prevailed on that fifth Exchange Business Day or Underlying Stock Business Day, as the case may be, but for the Market Disruption Event.

“**Market Disruption Event**” means the occurrence or existence of (i) any suspension of trading on the Relevant Stock Exchange of the Underlying Stock requested by the Company if that suspension is, in the determination of the Issuer, material, (ii) any suspension of or limitation imposed on trading (including but not limited to unforeseen circumstances such as by reason of movements in price exceeding limits permitted by the Relevant Stock Exchange or any act of God, war, riot, public disorder, explosion, terrorism or otherwise) on the Relevant Stock Exchange in the Underlying Stock if that suspension or limitation is, in the determination of the Issuer, material, or (iii) the closing of the Relevant Stock Exchange or a disruption to trading on the Relevant Stock Exchange if that disruption is, in the determination of the Issuer, material as a result of the occurrence of any act of God, war, riot, public disorder, explosion or terrorism.

- (b) **Exercise Expenses.** Certificate Holders will be required to pay all charges which are incurred in respect of the exercise of the Certificates (the “**Exercise Expenses**”). An amount equivalent to the Exercise Expenses will be deducted by the Issuer from the Cash Settlement Amount in accordance with Condition 4. Notwithstanding the foregoing, the Certificate Holders shall account to the Issuer on demand for any Exercise Expenses to the extent that they were not or could not be deducted from the Cash Settlement Amount prior to the date of payment of the Cash Settlement Amount

to the Certificate Holders in accordance with Condition 4.

- (c) **No Rights.** The purchase of Certificates does not confer on the Certificate Holders any right (whether in respect of voting, dividend or other distributions in respect of the Underlying Stock or otherwise) which the holder of an Underlying Stock may have.

3. **Expiry Date**

Unless automatically exercised in accordance with Condition 4(b), the Certificates shall be deemed to expire at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day (as defined below), the immediately preceding Business Day.

4. **Exercise of Certificates**

- (a) **Exercise.** Certificates may only be exercised on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, in accordance with Condition 4(b).
- (b) **Automatic Exercise.** Certificate Holders shall not be required to deliver an exercise notice. Exercise of Certificates shall be determined by whether the Cash Settlement Amount (less any Exercise Expenses) is positive. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates shall be deemed to have been automatically exercised at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. The Cash Settlement Amount less the Exercise Expenses in respect of the Certificates shall be paid in the manner set out in Condition 4(c) below. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, and Certificate Holders shall not be entitled to receive any payment from the Issuer in respect of the Certificates.
- (c) **Settlement.** In respect of Certificates which are automatically exercised in accordance with Condition 4(b), the Issuer will pay to the relevant Certificate Holder the Cash Settlement Amount (if any) in the Settlement Currency. The aggregate Cash Settlement Amount (less any Exercise Expenses) shall be despatched as soon as practicable and no later than five Business Days following the Expiry Date by way of crossed cheque or other payment in immediately available funds drawn in favour of the Certificate Holder only (or, in the case of joint Certificate Holders, the first-named Certificate Holder) appearing in the records maintained by CDP. Any payment made pursuant to this Condition 4(c) shall be delivered at the risk and expense of the Certificate Holder and posted to the Certificate Holder's address appearing in the records maintained by CDP (or, in the case of joint Certificate Holders, to the address of the first-named Certificate Holder appearing in the records maintained by CDP). If the Cash Settlement Amount is equal to or less than the determined Exercise Expenses, no amount is payable.
- (d) **CDP not liable.** CDP shall not be liable to any Certificate Holder with respect to any action taken or omitted to be taken by the Issuer or the Warrant Agent in connection with the exercise of the Certificates or otherwise pursuant to or in connection with these Conditions.
- (e) **Business Day.** In these Conditions, a "**Business Day**" shall be a day on which the SGX-ST is open for dealings in Singapore during its normal trading hours and banks are open for business in Singapore.

5. Warrant Agent

- (a) *Warrant Agent.* The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Warrant Agent and to appoint another Warrant Agent provided that it will at all times maintain a Warrant Agent which, so long as the Certificates are listed on the SGX-ST, shall be in Singapore. Notice of any such termination or appointment and of any change in the specified office of the Warrant Agent will be given to the Certificate Holders in accordance with Condition 9.
- (b) *Agent of Issuer.* The Warrant Agent will be acting as agent of the Issuer and will not assume any obligation or duty to or any relationship of agency or trust for the Certificate Holders. All determinations and calculations by the Warrant Agent under these Conditions shall (save in the case of manifest error) be final and binding on the Issuer and the Certificate Holders.

6. Adjustments

- (a) *Potential Adjustment Event.* Following the declaration by a Company of the terms of any Potential Adjustment Event (as defined below), the Issuer will determine whether such Potential Adjustment Event has a dilutive or concentrative or other effect on the theoretical value of the Underlying Stock and, if so, will (i) make the corresponding adjustment, if any, to any one or more of the Conditions as the Issuer determines appropriate to account for that dilutive or concentrative or other effect, and (ii) determine the effective date of that adjustment. The Issuer may, but need not, determine the appropriate adjustment by reference to the adjustment in respect of such Potential Adjustment Event made by an exchange on which options or futures contracts on the Underlying Stock are traded.
- (b) *Definitions.* **"Potential Adjustment Event"** means any of the following:
 - (i) a subdivision, consolidation, reclassification or other restructuring of the Underlying Stock (excluding a Merger Event) or a free distribution or dividend of any such Underlying Stock to existing holders by way of bonus, capitalisation or similar issue;
 - (ii) a distribution or dividend to existing holders of the Underlying Stock of (1) such Underlying Stock, or (2) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Company equally or proportionately with such payments to holders of such Underlying Stock, or (3) share capital or other securities of another issuer acquired by the Company as a result of a "spin-off" or other similar transaction, or (4) any other type of securities, rights or warrants or other assets, in any case for payment (in cash or otherwise) at less than the prevailing market price as determined by the Issuer;
 - (iii) an extraordinary dividend;
 - (iv) a call by the Company in respect of the Underlying Stock that is not fully paid;
 - (v) a repurchase by the Company of the Underlying Stock whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise;
 - (vi) with respect to a Company an event that results in any shareholder rights

pursuant to a shareholder rights agreement or other plan or arrangement of the type commonly referred to as a “poison pill” being distributed, or becoming separated from shares of common stock or other shares of the capital stock of such Company (provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights); or

- (vii) any other event that may have, in the opinion of the Issuer, a dilutive or concentrative or other effect on the theoretical value of the Underlying Stock.
- (c) *Merger Event, Tender Offer, Nationalisation and Insolvency.* If a Merger Event, Tender Offer, Nationalisation or Insolvency occurs in relation to the Underlying Stock, the Issuer may take any action described below:
- (i) determine the appropriate adjustment, if any, to be made to any one or more of the Conditions to account for the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, and determine the effective date of that adjustment. The Issuer may, but need not, determine the appropriate adjustment by reference to the adjustment in respect of the Merger Event, Tender Offer, Nationalisation or Insolvency made by an options exchange to options on the Underlying Stock traded on that options exchange;
 - (ii) cancel the Certificates by giving notice to the Certificate Holders in accordance with Condition 9. If the Certificates are so cancelled, the Issuer will pay an amount to each Certificate Holder in respect of each Certificate held by such Certificate Holder which amount shall be the fair market value of a Certificate taking into account the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, less the cost to the Issuer and/or any of its affiliates of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its reasonable discretion. Payment will be made in such manner as shall be notified to the Certificate Holders in accordance with Condition 9; or
 - (iii) following any adjustment to the settlement terms of options on the Underlying Stock on such exchange(s) or trading system(s) or quotation system(s) as the Issuer in its reasonable discretion shall select (the “**Option Reference Source**”) make a corresponding adjustment to any one or more of the Conditions, which adjustment will be effective as of the date determined by the Issuer to be the effective date of the corresponding adjustment made by the Option Reference Source. If options on the Underlying Stock are not traded on the Option Reference Source, the Issuer will make such adjustment, if any, to any one or more of the Conditions as the Issuer determines appropriate, with reference to the rules and precedents (if any) set by the Option Reference Source, to account for the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, that in the determination of the Issuer would have given rise to an adjustment by the Option Reference Source if such options were so traded.

Once the Issuer determines that its proposed course of action in connection with a Merger Event, Tender Offer, Nationalisation or Insolvency, it shall give notice to the Certificate Holders in accordance with Condition 9 stating the occurrence of the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, giving details thereof and the action proposed to be taken in relation thereto. Certificate Holders should be aware that due to the nature of such events, the Issuer will not make an

immediate determination of its proposed course of action or adjustment upon the announcement or occurrence of a Merger Event, Tender Offer, Nationalisation or Insolvency.

- (d) *Definitions.* “**Insolvency**” means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting a Company (i) all the Underlying Stock of that Company is required to be transferred to a trustee, liquidator or other similar official or (ii) holders of the Underlying Stock of that Company become legally prohibited from transferring them. “**Merger Date**” means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Issuer. “**Merger Event**” means, in respect of the Underlying Stock, any (i) reclassification or change of such Underlying Stock that results in a transfer of or an irrevocable commitment to transfer all of such Underlying Stock outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of a Company with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Company is the continuing entity and which does not result in reclassification or change of all of such Underlying Stock outstanding), (iii) takeover offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Underlying Stock of the Company that results in a transfer of or an irrevocable commitment to transfer all such Underlying Stock (other than such Underlying Stock owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the Company or its subsidiaries with or into another entity in which the Company is the continuing entity and which does not result in a reclassification or change of all such Underlying Stock outstanding but results in the outstanding Underlying Stock (other than Underlying Stock owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding Underlying Stock immediately following such event, in each case if the Merger Date is on or before the Valuation Date. “**Nationalisation**” means that all the Underlying Stock or all or substantially all of the assets of a Company are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof. “**Tender Offer**” means a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10 per cent. and less than 100 per cent. of the outstanding voting shares of the Company, as determined by the Issuer, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Issuer deems relevant.
- (e) *Other Adjustments.* Except as provided in this Condition 6 and Conditions 10 and 12, adjustments will not be made in any other circumstances, subject to the right reserved by the Issuer (such right to be exercised in the Issuer's sole discretion and without any obligation whatsoever) to make such adjustments and amendments as it believes appropriate in circumstances where an event or events occur which it believes in its sole discretion (and notwithstanding any prior adjustment made pursuant to the above) should, in the context of the issue of the Certificates and the obligations of the Issuer, give rise to such adjustment or, as the case may be, amendment provided that such adjustment or, as the case may be, amendment is considered by the Issuer not to be materially prejudicial to the Certificate Holders generally (without considering the

circumstances of any individual Certificate Holder or the tax or other consequences of such adjustment or amendment in any particular jurisdiction).

- (f) *Notice of Adjustments.* All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Certificate Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Condition 9. For the avoidance of doubt, no notice will be given if the Issuer determines that adjustments will not be made.

7. Purchases

The Issuer, the Guarantor or any of their respective subsidiaries may at any time purchase Certificates at any price in the open market or by tender or by private treaty. Any Certificates so purchased may be held or resold or surrendered for cancellation.

8. Meetings of Certificate Holders; Modification

- (a) *Meetings of Certificate Holders.* The Master Warrant Agent Agreement or Warrant Agent Agreement contains provisions for convening meetings of the Certificate Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Master Warrant Agent Agreement or Warrant Agent Agreement) of a modification of the provisions of the Certificates or of the Master Warrant Agent Agreement or Warrant Agent Agreement.

At least 21 days' notice (exclusive of the day on which the notice is given and of the day on which the meeting is held) specifying the date, time and place of the meeting shall be given to the Certificate Holders.

Such a meeting may be convened by the Issuer or by Certificate Holders holding not less than ten per cent. of the Certificates for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Certificates for the time being remaining unexercised, or at any adjourned meeting, two or more persons being or representing Certificate Holders whatever the number of Certificates so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Certificate Holders who, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Certificate Holders shall be binding on all the Certificate Holders whether or not they are present at the meeting. Resolutions can be passed in writing if passed unanimously.

- (b) *Modification.* The Issuer may, without the consent of the Certificate Holders, effect (i) any modification of the provisions of the Certificates or the Master Instrument which is not materially prejudicial to the interests of the Certificate Holders or (ii) any modification of the provisions of the Certificates or the Master Instrument which is of a formal, minor or technical nature, which is made to correct an obvious error or which is necessary in order to comply with mandatory provisions of Singapore law. Any such modification shall be binding on the Certificate Holders and shall be notified to them by the Warrant Agent before the date such modification becomes effective or as soon as practicable thereafter in accordance with Condition 9.

9. Notices

- (a) *Documents.* All cheques and other documents required or permitted by these Conditions to be sent to a Certificate Holder or to which a Certificate Holder is entitled or which the Issuer shall have agreed to deliver to a Certificate Holder may be delivered by hand or sent by post addressed to the Certificate Holder at his address appearing in the records maintained by CDP or, in the case of joint Certificate Holders, addressed to the joint holder first named at his address appearing in the records maintained by CDP, and airmail post shall be used if that address is not in Singapore. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Certificate Holder.
- (b) *Notices.* All notices to Certificate Holders will be validly given if published in English on the web-site of the SGX-ST. Such notices shall be deemed to have been given on the date of the first such publication. If publication on the web-site of the SGX-ST is not practicable, notice will be given in such other manner as the Issuer may determine. The Issuer shall, at least one month prior to the expiry of any Certificate, give notice of the date of expiry of such Certificate in the manner prescribed above.

10. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator (including a provisional liquidator) or receiver or judicial manager or trustee or administrator or analogous person under Singapore or other applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised Certificates will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator (including a provisional liquidator) or receiver or judicial manager or trustee or administrator or analogous person under Singapore or other applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law. In the event of the voluntary liquidation of the Company, the Issuer shall make such adjustments or amendments as it reasonably believes are appropriate in the circumstances.

11. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Certificate Holders, to create and issue further certificates so as to form a single series with the Certificates, subject to the approval of the SGX-ST.

12. Delisting

- (a) *Delisting.* If at any time, the Underlying Stock ceases to be listed on the Relevant Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments and amendments to the rights attaching to the Certificates as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Certificate Holders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Certificate Holder or the tax or other consequences that may result in any particular jurisdiction).
- (b) *Issuer's Determination.* The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Certificate Holders save in the case of manifest error. Notice of any adjustments or

amendments shall be given to the Certificate Holders in accordance with Condition 9 as soon as practicable after they are determined.

13. Early Termination

- (a) *Early Termination for Illegality and Force Majeure, etc.* If the Issuer determines that a Regulatory Event (as defined below) has occurred and, for reasons beyond its control, the performance of its obligations under the Certificates has become illegal or impractical in whole or in part for any reason, or the Issuer determines that, for reasons beyond its control, it is no longer legal or practical for it to maintain its hedging arrangements with respect to the Certificates for any reason, the Issuer may in its discretion and without obligation terminate the Certificates early in accordance with Condition 13(d).

Should any one or more of the provisions contained in the Conditions be or become invalid, the validity of the remaining provisions shall not in any way be affected thereby.

For the purposes of this Condition:

“Regulatory Event” means, following the occurrence of a Change in Law (as defined below) with respect to the Issuer and/or Société Générale as Guarantor or in any other capacity (including without limitation as hedging counterparty of the Issuer, market maker of the Certificates or direct or indirect shareholder or sponsor of the Issuer) or any of its affiliates involved in the issuer of the Certificates (hereafter the **“Relevant Affiliates”** and each of the Issuer, Société Générale and the Relevant Affiliates, a **“Relevant Entity”**) that, after the Certificates have been issued, (i) any Relevant Entity would incur a materially increased (as compared with circumstances existing prior to such event) amount of tax, duty, liability, penalty, expense, fee, cost or regulatory capital charge however defined or collateral requirements for performing its obligations under the Certificates or hedging the Issuer’s obligations under the Certificates, including, without limitation, due to clearing requirements of, or the absence of, clearing of the transactions entered into in connection with the issue of, or hedging the Issuer’s obligation under, the Certificates, (ii) it is or will become for any Relevant Entity impracticable, impossible (in each case, after using commercially reasonable efforts), unlawful, illegal or otherwise prohibited or contrary, in whole or in part, under any law, regulation, rule, judgement, order or directive of any governmental, administrative or judicial authority, or power, applicable to such Relevant Entity (a) to hold, acquire, issue, reissue, substitute, maintain, settle, or as the case may be, guarantee, the Certificates, (b) to acquire, hold, sponsor or dispose of any asset(s) (or any interest thereof) of any other transaction(s) such Relevant Entity may use in connection with the issue of the Certificates or to hedge the Issuer’s obligations under the Certificates, (c) to perform obligations in connection with, the Certificates or any contractual arrangement entered into between the Issuer and Société Générale or any Relevant Affiliate (including without limitation to hedge the Issuer’s obligations under the Certificates) or (d) to hold, acquire, maintain, increase, substitute or redeem all or a substantial part of its direct or indirect shareholding in the Issuer’s capital or the capital of any Relevant Affiliate or to directly or indirectly sponsor the Issuer or any Relevant Affiliate, or (iii) there is or may be a material adverse effect on a Relevant Entity in connection with the issue of the Certificates.

“Change in law” means (i) the adoption, enactment, promulgation, execution or ratification of any applicable new law, regulation or rule (including, without limitation, any applicable tax law, regulation or rule) after the Certificates have been issued, (ii)

the implementation or application of any applicable law, regulation or rule (including, without limitation, any applicable tax law, regulation or rule) already in force when the Certificates have been issued but in respect of which the manner of its implementation or application was not known or unclear at the time, or (iii) the change of any applicable law, regulation or rule existing when the Certificates are issued, or the change in the interpretation or application or practice relating thereto, existing when the Certificates are issued of any applicable law, regulation or rule, by any competent court, tribunal, regulatory authority or any other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any additional or alternative court, tribunal, authority or entity, to that existing when the Certificates are issued).

- (b) *Early Termination for Holding Limit Event.* The Issuer may in its discretion and without obligation terminate the Certificates early in accordance with Condition 13(d) where a Holding Limit Event (as defined below) occurs.

For the purposes of this Condition:

“Holding Limit Event” means, assuming the investor is the Issuer and/or any of its affiliates, the Issuer together with its affiliates, in aggregate hold, an interest in the Underlying Stock, constituting or likely to constitute (directly or indirectly) ownership, control or the power to vote a percentage of any class of voting securities of the Underlying Stock, of the Underlying Stock in excess of a percentage permitted or advisable, as determined by the Issuer, for the purpose of its compliance with the Bank Holding Company Act of 1956 as amended by Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Volcker Rule), including any requests, regulations, rules, guidelines or directives made by the relevant governmental authority under, or issued by the relevant governmental authority in connection with, such statutes.

- (c) *Early Termination for other reasons.* The Issuer reserves the right (such right to be exercised in the Issuer's sole and unfettered discretion and without any obligation whatsoever) to terminate the Certificates in accordance with Condition 13(d) where an event or events occur which it believes in its sole discretion should, in the context of the issue of the Certificates and the obligations of the Issuer, give rise to such termination provided that such termination (i) is considered by the Issuer not to be materially prejudicial to the interests of Certificate Holders generally (without considering the circumstances of any individual Certificate Holder or the tax or other consequences of such termination in any particular jurisdiction); or (ii) is otherwise considered by the Issuer to be appropriate and such termination is approved by the SGX-ST.
- (d) *Termination.* If the Issuer terminates the Certificates early, then the Issuer will give notice to the Certificate Holders in accordance with Condition 9. The Issuer will, if and to the extent permitted by applicable law, pay an amount to each Certificate Holder in respect of each Certificate held by such holder equal to the fair market value of a Certificate notwithstanding such illegality, impracticality or the relevant event less the cost to the Issuer of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion. Payment will be made in such manner as shall be notified to the Certificate Holders in accordance with Condition 9.

14. Substitution of the Issuer

The Issuer may be replaced by the Guarantor or any subsidiary of the Guarantor as principal obligor in respect of the Certificates without the consent of the relevant Certificate Holders. If the Issuer determines that it shall be replaced by the Guarantor or any subsidiary of the Guarantor (the “**Substituted Obligor**”), it shall give at least 90 days’ notice (exclusive of the day on which the notice is given and of the day on which the substitution is effected) specifying the date of the substitution, in accordance with Condition 9, to the Certificate Holders of such event and, immediately on the expiry of such notice, the Substituted Obligor shall become the principal obligor in place of the Issuer and the Certificate Holders shall thereupon cease to have any rights or claims whatsoever against the Issuer.

Upon any such substitution, all references to the Issuer in the Conditions and all agreements relating to the Certificates will be to the Substituted Obligor and the Certificates will be modified as required, and the Certificate Holders will be notified of the modified terms and conditions of such Certificates in accordance with Condition 9.

For the purposes of this Condition, it is expressly agreed that by subscribing to, acquiring or otherwise purchasing or holding the Certificates, the Certificate Holders are expressly deemed to have consented to the substitution of the Issuer by the Substituted Obligor and to the release of the Issuer from any and all obligations in respect of the Certificates and all agreements relating thereto and are expressly deemed to have accepted such substitution and the consequences thereof.

15. Governing Law

The Certificates, the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement will be governed by and construed in accordance with Singapore law. The Issuer and the Guarantor and each Certificate Holder (by its purchase of the Certificates) shall be deemed to have submitted for all purposes in connection with the Certificates, the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement to the non-exclusive jurisdiction of the courts of Singapore. The Guarantee shall be governed by and construed in accordance with Singapore law.

16. Prescription

Claims against the Issuer for payment of any amount in respect of the Certificates will become void unless made within six years of the Expiry Date and, thereafter, any sums payable in respect of such Certificates shall be forfeited and shall revert to the Issuer.

17. Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore

Unless otherwise provided in the Global Warrant, the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement, a person who is not a party to any contracts made pursuant to the Global Warrant, the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement has no rights under the Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore to enforce any terms of such contracts. Except as expressly provided herein, the consent of any third party is not required for any subsequent agreement by the parties hereto to amend or vary (including any release or compromise of any liability) or terminate such contracts.

SUMMARY OF THE ISSUE

The following is a summary of the issue and should be read in conjunction with, and is qualified by reference to, the other information set out in this document and the Base Listing Document. Terms used in this Summary are defined in the Conditions.

| | |
|--------------------------------|---|
| Issuer: | SG Issuer |
| Company: | Sunny Optical Technology (Group) Company Limited |
| The Certificates: | European Style Cash Settled Short Certificates relating to the Underlying Stock |
| Number: | 12,500,000 Certificates |
| Form: | The Certificates will be issued subject to, and with the benefit of, a master instrument by way of deed poll dated 18 June 2021 (the “ Master Instrument ”) and executed by the Issuer and the Guarantor and a master warrant agent agreement dated 29 May 2017 (the “ Master Warrant Agent Agreement ”) and made between the Issuer, the Guarantor and the Warrant Agent. |
| Cash Settlement Amount: | In respect of each Certificate, is the amount (if positive) equal to: Notional Amount per Certificate x Closing Level |
| Denominations: | Certificates are represented by a global warrant in respect of all the Certificates. |
| Exercise: | The Certificates may only be exercised on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, in a Board Lot or integral multiples thereof. Certificate Holders will not be required to deliver an exercise notice. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates will be deemed to have been automatically exercised at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. The Cash Settlement Amount less the Exercise Expenses in respect of the Certificates shall be paid in the manner set out in Condition 4(c) of the Conditions. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, and Certificate Holders shall not be entitled to receive any payment from the Issuer in respect of the Certificates. |
| Exercise and Trading Currency: | SGD |
| Board Lot: | 100 Certificates |
| Transfers of Certificates: | Certificates may only be transferred in Board Lots (or integral multiples |

thereof). All transfers in Certificates, in the open market or otherwise, must be effected through a securities account with CDP. Title will pass upon registration of the transfer in the records of CDP.

- Listing: Application has been made to the SGX-ST for permission to deal in and for quotation of the Certificates and the SGX-ST has agreed in principle to grant permission to deal in and for quotation of the Certificates. Issue of the Certificates is conditional on such listing being granted. It is expected that dealings in the Certificates on the SGX-ST will commence on or about 26 April 2022.
- Governing Law: The laws of Singapore
- Warrant Agent: The Central Depository (Pte) Limited
11 North Buona Vista Drive
#06-07 The Metropolis Tower 2
Singapore 138589
- Further Issues: Further issues which will form a single series with the Certificates will be permitted, subject to the approval of the SGX-ST.

The above summary is qualified in its entirety by reference to the detailed information appearing elsewhere in this document and the Base Listing Document.

INFORMATION RELATING TO THE EUROPEAN STYLE CASH SETTLED SHORT CERTIFICATES ON SINGLE EQUITIES

What are European Style Cash Settled Short Certificates on Single Equities?

European style cash settled short certificates on single equities (the “**Certificates**”) are structured products relating to the Underlying Stock and the return on a Certificate is linked to the performance of the Leverage Inverse Strategy.

A) Cash Settlement Amount Payable upon the Exercise of the Certificates at Expiry

Upon the exercise of the Certificates at expiry, the Certificate Holders would be paid a Cash Settlement Amount in respect of each Certificate.

The Cash Settlement Amount, in respect of each Certificate, shall be an amount payable in the Settlement Currency equal to the Closing Level multiplied by the Notional Amount per Certificate.

The Closing Level, in respect of each Certificate, shall be an amount payable in the Settlement Currency equal to (1) divided by (2) less (3) subject to any adjustments such as (4), where:

- (1) is the Final Reference Level multiplied by the Final Exchange Rate;
- (2) is the Initial Reference Level multiplied by the Initial Exchange Rate;
- (3) is the Strike Level; and
- (4) is the Hedging Fee Factor.

If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates shall be deemed to have been automatically exercised and investors will receive a Cash Settlement Amount. If the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired. Please refer to the section headed “Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities” for further details on the calculation of the Cash Settlement Amount.

The Certificates are only suitable for investors who believe that the price of the Underlying Stock will decrease and are seeking short-term leveraged inverse exposure to the Underlying Stock.

B) Trading the Certificates before Expiry

If the Certificate Holders want to cash out their investments in the Certificates before the expiry of the Certificates, they may sell the Certificates in the secondary market during the life of the Certificates, and would be subject to the following fees and charges:

- (i) For Certificate Holders who trade the Certificates intraday: shall pay normal transaction and brokerage fees for the trading of the Certificates on the SGX-ST, and may be required to pay stamp taxes or other documentary charges in accordance with the laws and practices of the country where the Certificates are transferred; and
- (ii) For Certificate Holders who hold the Certificates overnight: in addition to the normal transaction and brokerage fees and applicable stamp taxes, would also be required to bear the Management Fee and Gap Premium as well as certain costs embedded within the Leverage Inverse Strategy including the Stock Borrowing Cost and Rebalancing Cost.

Illustration of the Calculation of Hedging Fee Factor

| | | |
|--------------------|---|---------------------------|
| Hedging Fee Factor | = | Product of the Daily Fees |
|--------------------|---|---------------------------|

| | | | |
|------------|---|---|--|
| Daily Fees | = | Daily Management Fee Adjustment | |
| | | 1 – Management Fee x ACT (t-1;t) / 360 | |
| | | x | |
| | | Daily Gap Premium Adjustment | |
| | | 1 – Gap Premium (t-1) x ACT (t-1;t) / 360 | |

Illustration of the Calculation of Cash Settlement Amount

Cash Settlement Amount = Final Value of Certificates – Strike Level (zero)

| | | | | | | | | |
|-----------------------------|-----------------|-------------------|---|---|---|--|---|--|
| Value of Certificates | = | t ⁷ =0 | x | t=1 | x | t=2 | x ... | t=i |
| | | Notional Amount | | Leverage Inverse Strategy daily performance ⁸ | | Leverage Inverse Strategy daily performance | | Leverage Inverse Strategy Daily performance |
| Value of Certificates | = | t=0 | x | Product of the daily Leverage Inverse Strategy Performance | | x | Product of the Daily Fees (Hedging Fee Factor) | |
| | | Notional Amount | | Leverage Inverse Strategy daily performance | Leverage Inverse Strategy daily performance | | Daily Fees x Daily Fees | |
| Final Value of Certificates | = | t=0 | x | Final Reference Level x Final Exchange Rate ÷ Initial Reference Level x Initial Exchange Rate | | x | Hedging Fee Factor | |
| | Notional Amount | | | | | | | |

Illustration of the applicable fees and charges for an intraday trading scenario

Hedging Fee is implemented overnight in the price of the Certificate. As a consequence, when trading intraday, investors will not bear any Hedging Fee.

Investors will only support bid/ask costs, which are the difference between the price at which the Designated Market Maker purchases (bid) and sells (ask) the Certificate at any point of time.

⁷ "t" refers to "Observation Date" which means each Underlying Stock Business Day (subject to Market Disruption Event) from (and including) the Underlying Stock Business Day immediately preceding the Expected Listing Date to the Valuation Date.

⁸ Leverage Inverse Strategy daily performance is computed as the Leverage Inverse Strategy Closing Level on Business Day (t) divided by the Leverage Inverse Strategy Closing Level on Business Day (t-1).

Example of Calculation of Hedging Fee Factor and Cash Settlement Amount

The example is purely hypothetical. We include the example to illustrate how the Certificates work, and you MUST NOT rely on them as any indication of the actual return or what the payout on the Certificates might actually be. The example also assumes a product which expires 16 days after listing date, to illustrate the daily calculation of price, costs and fees from listing date to expiry date.

Assuming an investor purchases the following Certificates at the Issue Price:

| | |
|----------------------------------|---|
| Underlying Stock: | Ordinary shares of Sunny Optical Technology (Group) Company Limited |
| Expected Listing Date: | 03/07/2018 |
| Expiry Date: | 18/07/2018 |
| Initial Reference Level: | 1,000 |
| Initial Exchange Rate: | 1 |
| Final Reference Level: | 1,200 |
| Final Exchange Rate: | 1 |
| Issue Price: | 0.80 SGD |
| Notional Amount per Certificate: | 0.80 SGD |
| Management Fee (p.a.): | 0.40% |
| Gap Premium (p.a.): | 6.90% |
| Strike Level: | Zero |

Hedging Fee Factor

Hedging Fee Factor on the n^{th} Underlying Stock Business Day after issuance of Certificate ("HFF (n)") is calculated as follows:

$$\text{HFF}(0) = 100\%$$

On Next Calendar Day (assuming it is an Underlying Stock Business Day):

$$\text{HFF}(1) = \text{HFF}(0) \times \left(1 - \text{Management Fee} \times \frac{\text{ACT}(t-1; t)}{360}\right) \times \left(1 - \text{Gap Premium} \times \frac{\text{ACT}(t-1; t)}{360}\right)$$

$$\text{HFF}(1) = 100\% \times \left(1 - 0.40\% \times \frac{1}{360}\right) \times \left(1 - 6.90\% \times \frac{1}{360}\right)$$

$$\text{HFF}(1) = 100\% \times 99.9989\% \times 99.9808\% \approx 99.9797\%$$

Assuming 2nd Underlying Stock Business Day falls 3 Calendar Days after 1st Underlying Stock Business Day:

$$\text{HFF (2)} = \text{HFF (1)} \times \left(1 - \text{Management Fee} \times \frac{\text{ACT (t-1; t)}}{360}\right) \times \left(1 - \text{Gap Premium} \times \frac{\text{ACT (t-1; t)}}{360}\right)$$

$$\text{HFF (2)} = 99.9797\% \times \left(1 - 0.40\% \times \frac{3}{360}\right) \times \left(1 - 6.90\% \times \frac{3}{360}\right)$$

$$\text{HFF (2)} = 99.9797\% \times 99.9967\% \times 99.9425\% \approx 99.9189\%$$

The same principle applies to the following Underlying Stock Business Days:

$$\text{HFF (n)} = \text{HFF (n-1)} \times \left(1 - \text{Management Fee} \times \frac{\text{ACT (t-1; t)}}{360}\right) \times \left(1 - \text{Gap Premium} \times \frac{\text{ACT (t-1; t)}}{360}\right)$$

In this example, the Hedging Fee Factor as of the Valuation Date would be equal to 99.6962% as illustrated below:

| Date | HFF |
|-----------|-----------|
| 3/7/2018 | 100.0000% |
| 4/7/2018 | 99.9797% |
| 5/7/2018 | 99.9594% |
| 6/7/2018 | 99.9392% |
| 9/7/2018 | 99.8784% |
| 10/7/2018 | 99.8581% |
| 11/7/2018 | 99.8379% |
| 12/7/2018 | 99.8176% |
| 13/7/2018 | 99.7974% |
| 16/7/2018 | 99.7367% |
| 17/7/2018 | 99.7165% |
| 18/7/2018 | 99.6962% |

Cash Settlement Amount

In this example, the Closing Level and the Cash Settlement Amount would be computed as follows:

$$\begin{aligned} \text{Closing Level} &= [(\text{Final Reference Level} \times \text{Final Exchange Rate}) / (\text{Initial Reference Level} \times \text{Initial Exchange Rate}) - \text{Strike Level}] \times \text{Hedging Fee Factor} \\ &= [(1200 \times 1) / (1000 \times 1) - 0] \times 99.6962\% \\ &= 119.64\% \end{aligned}$$

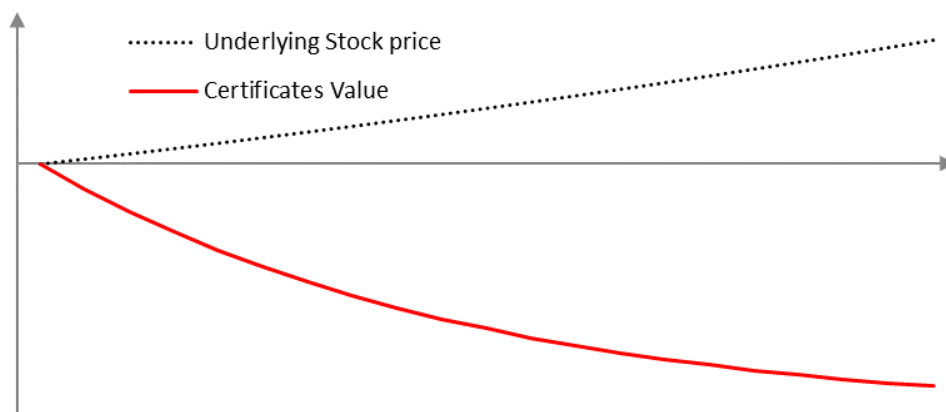
$$\begin{aligned} \text{Cash Settlement Amount} &= \text{Closing Level} \times \text{Notional Amount per Certificate} \\ &= 119.64\% \times 0.80 \text{ SGD} \\ &= \mathbf{0.957 \text{ SGD}} \end{aligned}$$

Illustration on how returns and losses can occur under different scenarios

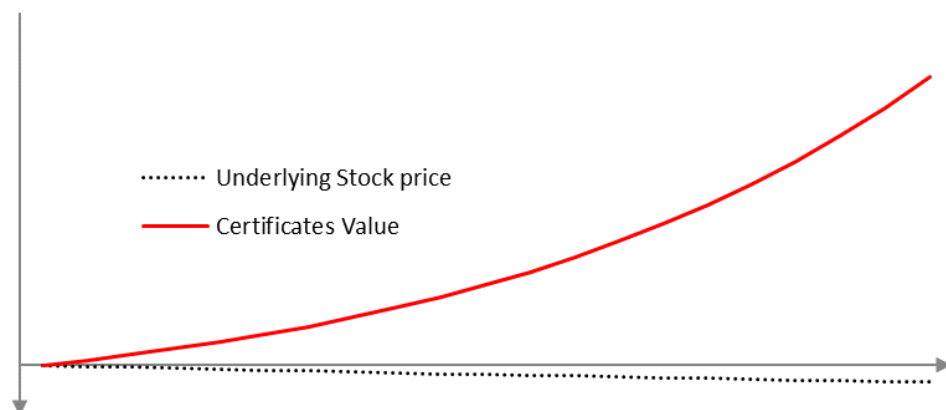
The examples are purely hypothetical and do not take fees and charges payable by investors into consideration. The examples highlight the effect of the Underlying Stock performance on the value of the Certificates and do not take into account the possible influence of fees, exchange rates, dividends, or any other market parameters.

1. Illustrative examples

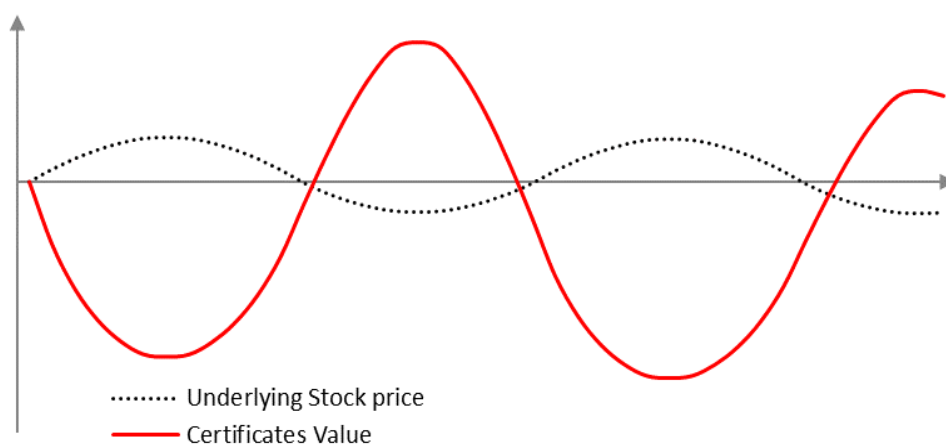
Scenario 1 – Upward Trend



Scenario 2 – Downward Trend



Scenario 3 – Volatile Market



2. Numerical Examples

Scenario 1 – Upward Trend

| Underlying Stock | | | | | | |
|---------------------|----------|----------|----------|----------|----------|----------|
| | Day 0 | Day 1 | Day 2 | Day 3 | Day 4 | Day 5 |
| Daily return | | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% |
| Value at end of day | 10,000.0 | 10,200.0 | 10,404.0 | 10,612.1 | 10,824.3 | 11,040.8 |
| Accumulated Return | | 2.00% | 4.04% | 6.12% | 8.24% | 10.41% |

| Value of the Certificates | | | | | | |
|---------------------------|-------|---------|---------|---------|---------|---------|
| | Day 0 | Day 1 | Day 2 | Day 3 | Day 4 | Day 5 |
| Daily return | | -10.0% | -10.0% | -10.0% | -10.0% | -10.0% |
| Price at end of day | 0.8 | 0.72 | 0.65 | 0.58 | 0.52 | 0.47 |
| Accumulated Return | | -10.00% | -19.00% | -27.10% | -34.39% | -40.95% |

Scenario 2 – Downward Trend

| Underlying Stock | | | | | | |
|---------------------|----------|---------|---------|---------|---------|---------|
| | Day 0 | Day 1 | Day 2 | Day 3 | Day 4 | Day 5 |
| Daily return | | -2.0% | -2.0% | -2.0% | -2.0% | -2.0% |
| Value at end of day | 10,000.0 | 9,800.0 | 9,604.0 | 9,411.9 | 9,223.7 | 9,039.2 |
| Accumulated Return | | -2.00% | -3.96% | -5.88% | -7.76% | -9.61% |

| Value of the Certificates | | | | | | |
|---------------------------|-------|--------|--------|--------|--------|--------|
| | Day 0 | Day 1 | Day 2 | Day 3 | Day 4 | Day 5 |
| Daily return | | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% |
| Price at end of day | 0.8 | 0.88 | 0.97 | 1.06 | 1.17 | 1.29 |
| Accumulated Return | | 10.00% | 21.00% | 33.10% | 46.41% | 61.05% |

Scenario 3 – Volatile Market

| Underlying Stock | | | | | | |
|---------------------|----------|----------|---------|----------|---------|----------|
| | Day 0 | Day 1 | Day 2 | Day 3 | Day 4 | Day 5 |
| Daily return | | 2.0% | -2.0% | 2.0% | -2.0% | 2.0% |
| Value at end of day | 10,000.0 | 10,200.0 | 9,996.0 | 10,195.9 | 9,992.0 | 10,191.8 |
| Accumulated Return | | 2.00% | -0.04% | 1.96% | -0.08% | 1.92% |

| Value of the Certificates | | | | | | |
|---------------------------|-------|---------|--------|---------|--------|---------|
| | Day 0 | Day 1 | Day 2 | Day 3 | Day 4 | Day 5 |
| Daily return | | -10.0% | 10.0% | -10.0% | 10.0% | -10.0% |
| Price at end of day | 0.8 | 0.72 | 0.79 | 0.71 | 0.78 | 0.71 |
| Accumulated Return | | -10.00% | -1.00% | -10.90% | -1.99% | -11.79% |

Description of Air Bag Mechanism

The Certificates integrate an “Air Bag Mechanism” which is designed to reduce exposure to the Underlying Stock during extreme market conditions.

When the Air Bag triggers, a 30-minute period starts. This period is divided into two sub-periods:

- Observation Period : during 15 minutes after the Air Bag trigger, the price of the Underlying Stock is observed and its maximum price is recorded; and
- Reset Period: after 15 minutes, the Leverage Inverse Strategy is reset using the maximum price of the Underlying Stock during the Observation Period as the New Observed Price. The New Observed Price replaces the last closing price of the Underlying Stock in order to compute the performance of the Leverage Inverse Strategy, 30 minutes after the Air Bag trigger.

Trading of Certificates is suspended for at least 30 minutes after the Air Bag is triggered and does not take into account the mid-day break. Investors cannot sell or purchase any Certificates during this period.

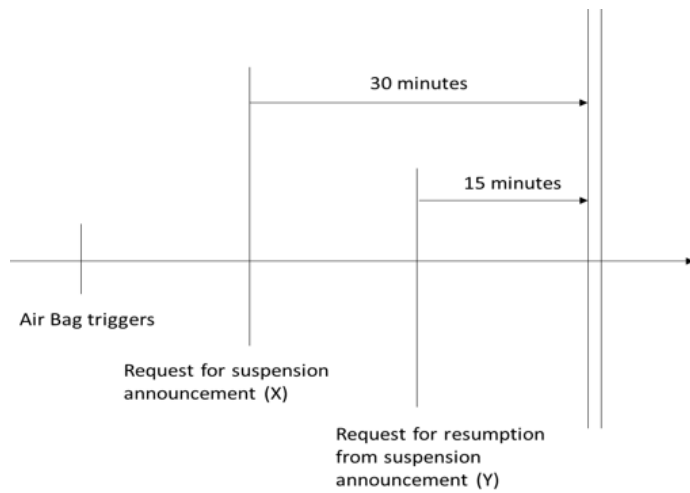
The performance of the Leverage Inverse Strategy will be the inverse of the Underlying Stock.

Air Bag Mechanism timeline

| Air Bag Trigger | Observation Period | Resumption of Trading |
|---|--|--|
| More than 45 minutes before Market Close | First 15 minutes after Air Bag Trigger | Trading resumes the same day between 30 and 45 minutes after Air Bag Trigger |
| Less than 45 minutes before Market Close and more than 15 minutes before Market Close | | Next trading day at Market Open |
| 15 minutes or less than 15 minutes before Market Close | From Air Bag Trigger to Market Close | |

With **Market Close** defined as:

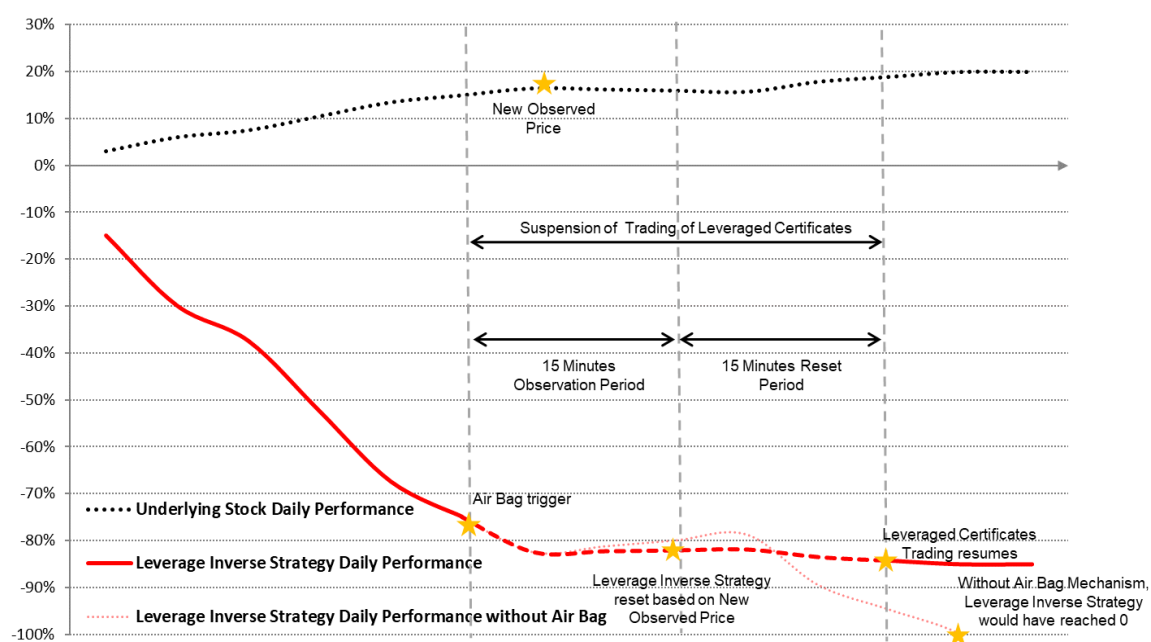
- Underlying Stock closing time with respect to the Observation Period
- The sooner between Underlying Stock closing time and SGX closing time with respect to the Resumption of Trading



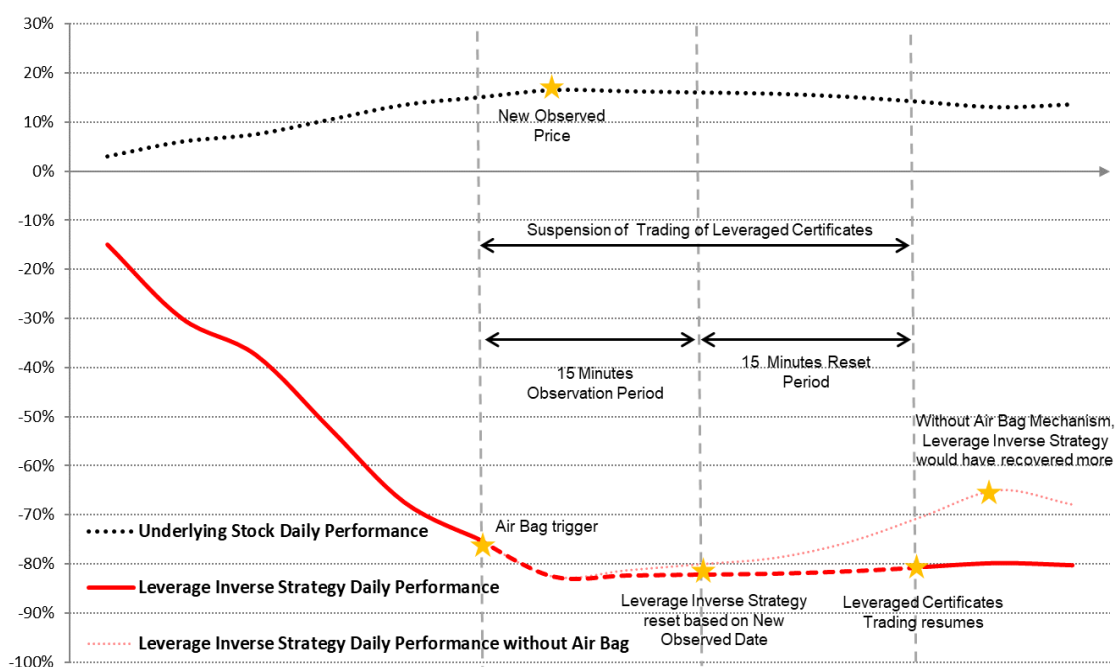
- The later between $X+30$ minutes or $Y+15$ minutes will be the earliest time the Certificates can be resumed, the next quarter-of-an-hour of which will be the scheduled resumption time of the Certificates
- If the scheduled resumption time of the Certificates is at or later than the scheduled closing time of the underlying asset, the Certificates will resume at 9 a.m. on the next SGX-ST trading day

Illustrative examples of the Air Bag Mechanism⁹

Scenario 1 – Upward Trend after Air Bag trigger



Scenario 2 – Downward Trend after Air Bag trigger



⁹ The illustrative examples are not exhaustive.

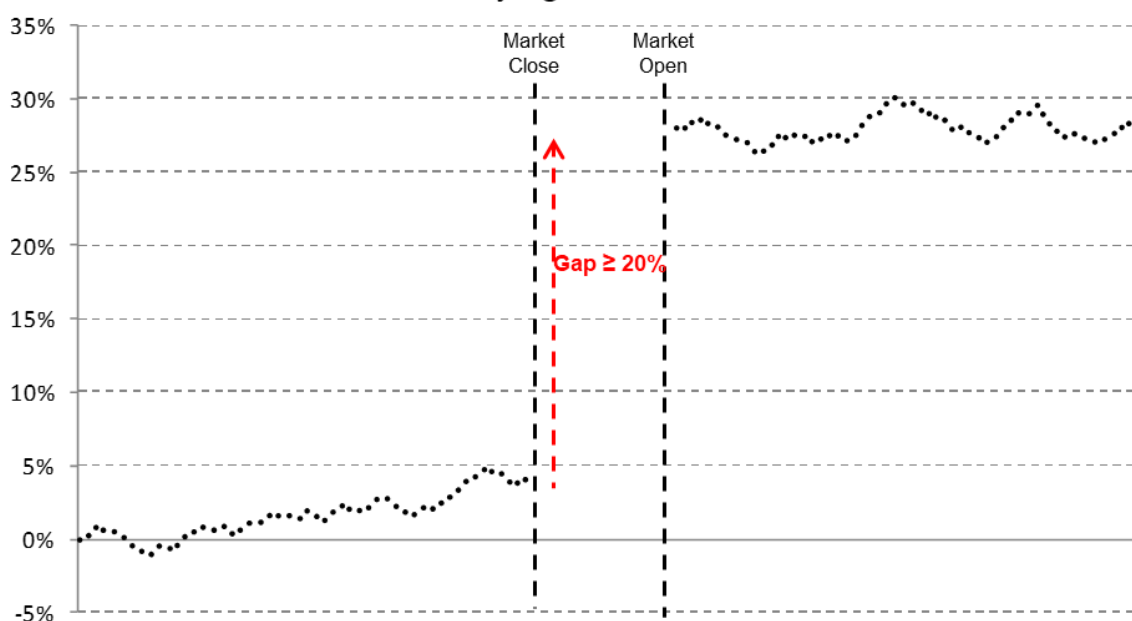
Scenarios where the investor may lose the entire value of the investment

The scenarios below are purely hypothetical and do not take fees and charges payable by investors into consideration. The scenarios highlight cases where the Certificates may lose 100% of their value.

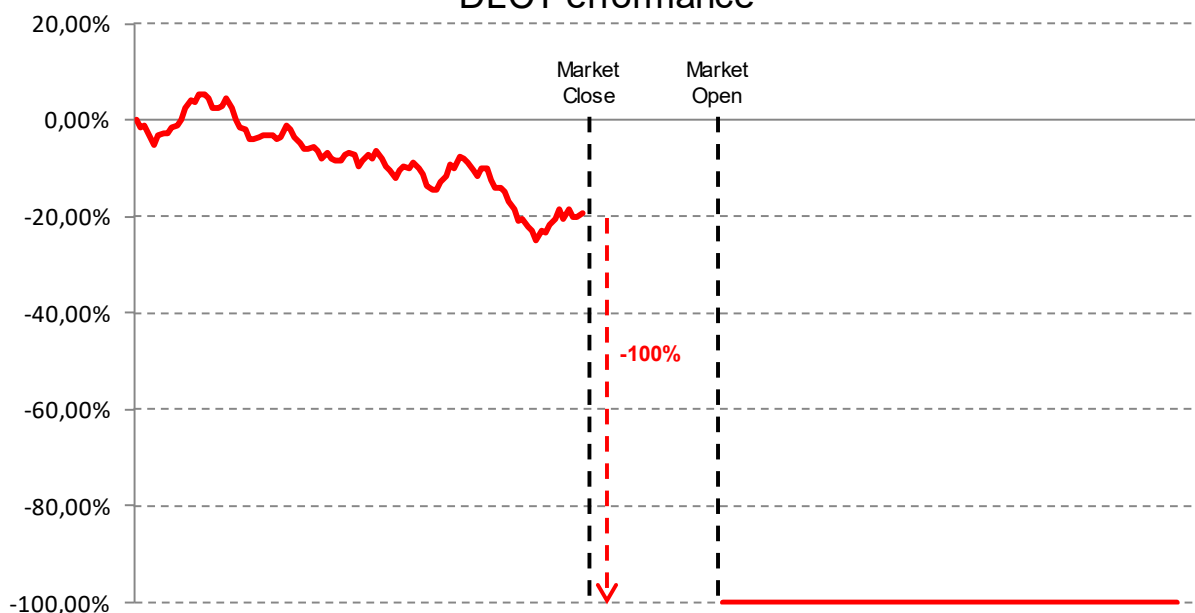
Scenario 1 – Overnight rise of the Underlying Stock

On any business day, the opening price of the Underlying Stock may be higher or lower than the closing price on the previous day. The difference between the previous closing price and the opening price of the Underlying Stock is termed a “gap”. If the opening price of the Underlying Stock is 20% or more above the previous day closing price, the Air Bag Mechanism would only be triggered when the market opens the following day, and the Certificates would lose their entire value in such event.

Underlying Stock Performance

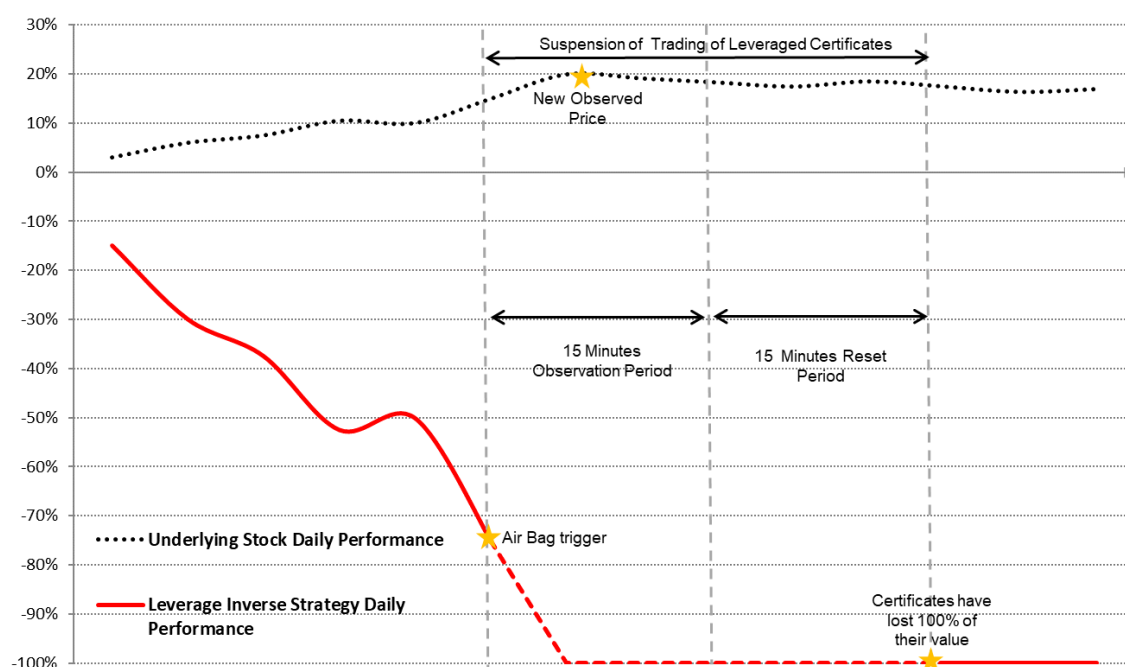


DLC Performance



Scenario 2 – Sharp intraday rise of the Underlying Stock

Although the Air Bag Mechanism is designed to reduce the exposure to the Underlying Stock during extreme market conditions, the Certificate can lose 100% of its value in the event the price of the Underlying Stock rises by 20% or more within the 15 minutes Observation Period compared to the reference price, being: (i) if air bag has not been previously triggered on the same day, the previous closing price of the Underlying Stock, or (ii) if one or more air bag have been previously triggered on the same day, the latest New Observed Price. The Certificates would lose their entire value in such event.



Examples and illustrations of adjustments due to certain corporate actions

The examples are purely hypothetical and do not take fees and charges payable by investors into consideration. The examples highlight the effect of corporate actions on the value of the Certificates and do not take into account the possible influence of fees, exchange rates, or any other market parameters.

In the case of any corporate action on the Underlying Stock, the Calculation Agent will, as soon as reasonably practical after it becomes aware of such event, determine whether such corporate action has a dilutive or concentrative effect on the theoretical value of the Underlying Stock, and if so, will (a) calculate the corresponding adjustment, if any, to be made to the elements relating to the Underlying Stock which are used to determine any settlement or payment terms under the Certificates and/or adjust at its discretion any other terms of the Certificates as it determines appropriate to preserve the economic equivalent of the obligations of the Issuer under the Certificates and (b) determine the effective date of such adjustment.

Notwithstanding the foregoing, in the event Observation Date (t) is an ex-date with respect to a corporate action related to the Underlying Stock, the Calculation Agent may, in its sole and absolute discretion, replace the $Rfactor_t$ with respect to such Observation Date (t) by an amount computed according to the following generic formula :

$$Rfactor_t = \left[1 - \frac{Div_t + DivExc_t - M \times R}{S_{t-1}} \right] \times \frac{1}{1 + M}$$

This formula is provided for indicative purposes and the Calculation Agent may determine that this formula is not appropriate for certain corporate actions and may apply a different formula instead.

Such adjustment of $Rfactor_t$ would affect the Leveraged Return, the Rebalancing Cost, and the Underlying Reference Price used to determine the Intraday Restrike Event. The Air Bag mechanism would not be triggered if the stock price rises by 15% exclusively because of the dilutive effect of a corporate action.

Where:

$DivExc_t$ is the amount received as an Extraordinary Dividend by a holder of existing Shares for each Share held prior to the Extraordinary Dividend, net of any applicable withholding taxes.

M is the number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe or to receive (positive amount) or the number of existing Shares redeemed or canceled per existing Share (negative amount), as the case may be, resulting from the corporate action.

R is the subscription price per Share (positive amount) or the redemption price per Share (negative amount) including any dividends or other benefits forgone to be subscribe to or to receive (as applicable), or to redeem a Share.

1. Stock split

Assuming the Underlying Stock is subject to a 1 to 2 stock split (i.e. 1 new Share for every 1 existing share):

$$S_{t-1} = \$100$$

$$S_t = \$51$$

$$Div_t = \$0$$

$$DivExc_t = \$0$$

M = 1 (i.e. 1 new Shares for 1 existing Share)

R = \$0 (no subscription price / redemption price)

$$Rfactor_t = \left[1 - \frac{0 + 0 - 2 \times 0}{100} \right] \times \frac{1}{1 + 1} = 50\%$$

As a consequence:

$$LR_{t-1,t} = \text{Leverage} \times \left(\frac{S_t}{S_{t-1} \times Rfactor_t} - 1 \right) = -5 \times \left(\frac{51}{100 \times 50\%} - 1 \right) = -10\%$$

| S_{t-1} | $S_{t-1} \times Rfactor_t$ | S_t | Adjusted Underlying Stock Performance |
|-----------|----------------------------|-------|---------------------------------------|
| 100 | 50 | 51 | 2% |

| Value of the Certificate (t-1) | Value of the Certificate (t) | Certificates' performance (excluding any cost and fees) |
|--------------------------------|------------------------------|---|
| 0.80 | 0.72 | -10% |

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to \$57.5, which is 15% above \$50, the Underlying Stock Reference Price.

2. Share Consolidation

Assuming the Underlying Stock is subject to a 2 to 1 share consolidation (i.e. 1 Share canceled for every 2 existing Shares):

$$S_{t-1} = \$100$$

$$S_t = \$202$$

$$\text{Div}_t = \$0$$

$$\text{DivExc}_t = \$0$$

M = -0.5 (i.e. 0.5 Shares canceled for each 1 existing Share)

R = \$0 (no subscription price / redemption price)

$$Rfactor_t = \left[1 - \frac{0 + 0 - (-0.5) \times 0}{100} \right] \times \frac{1}{1 + (-0.5)} = 200\%$$

As a consequence:

$$LR_{t-1,t} = \text{Leverage} \times \left(\frac{S_t}{S_{t-1} \times Rfactor_t} - 1 \right) = -5 \times \left(\frac{202}{100 \times 200\%} - 1 \right) = -5\%$$

| S_{t-1} | $S_{t-1} \times Rfactor_t$ | S_t | Adjusted Underlying Stock Performance |
|-----------|----------------------------|-------|---------------------------------------|
| 100 | 200 | 202 | 1% |

| Value of the Certificate (t-1) | Value of the Certificate (t) | Certificates' performance (excluding any cost and fees) |
|--------------------------------|------------------------------|---|
| 0.80 | 0.76 | -5% |

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to \$230, which is 15% above \$200, the Underlying Stock Reference Price.

3. Rights Issues

Assuming there is a rights issue with respect to the Underlying Stock, with a right to receive 1 new Share for every 2 existing Shares, for a subscription price of \$40.

$$S_{t-1} = \$100$$

$$S_t = \$84$$

$$Div_t = \$0$$

$$DivExc_t = \$0$$

$$R = \$40 \text{ (i.e. subscription price of \$40)}$$

$$M = 0.5 \text{ (i.e. 1 new share for every 2 existing shares)}$$

$$Rfactor_t = \left[1 - \frac{0 + 0 - 0.5 \times 40}{100} \right] \times \frac{1}{1 + 0.5} = 80\%$$

As a consequence:

$$LR_{t-1,t} = \text{Leverage} \times \left(\frac{S_t}{S_{t-1} \times Rfactor_t} - 1 \right) = -5 \times \left(\frac{84}{100 \times 80\%} - 1 \right) = -25\%$$

| S_{t-1} | $S_{t-1} \times Rfactor_t$ | S_t | Adjusted Underlying Stock Performance |
|-----------|----------------------------|-------|---------------------------------------|
| 100 | 80 | 84 | 5% |

| Value of the Certificate (t-1) | Value of the Certificate (t) | Certificates' performance (excluding any cost and fees) |
|--------------------------------|------------------------------|---|
| 0.80 | 0.60 | -25% |

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to \$92, which is 15% above \$80, the Underlying Stock Reference Price.

4. Bonus Issues

Assuming there is a bonus issue with respect to the Underlying Stock, where shareholders receive 1 bonus share for 5 existing shares:

$$S_{t-1} = \$100$$

$$S_t = \$85$$

$$\text{Div}_t = \$0$$

$$\text{DivExc}_t = \$0$$

$$R = \$0$$

$$M = 0.2 \text{ (i.e. 1 new share for 5 existing shares)}$$

$$Rfactor_t = \left[1 - \frac{0 + 0 - 0.2 \times 0}{100} \right] \times \frac{1}{1 + 0.2} = 83.33\%$$

As a consequence:

$$LR_{t-1,t} = \text{Leverage} \times \left(\frac{S_t}{S_{t-1} \times Rfactor_t} - 1 \right) = -5 \times \left(\frac{85}{100 \times 83.33\%} - 1 \right) = -10\%$$

| S_{t-1} | $S_{t-1} \times Rfactor_t$ | S_t | Adjusted Underlying Stock Performance |
|-----------|----------------------------|-------|---------------------------------------|
| 100 | 83.33 | 85 | 2% |

| Value of the Certificate (t-1) | Value of the Certificate (t) | Certificates' performance (excluding any cost and fees) |
|--------------------------------|------------------------------|---|
| 0.80 | 0.72 | -10% |

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to \$95.83, which is 15% above \$83.33, the Underlying Stock Reference Price.

5. Extraordinary Dividend

Assuming there is an extraordinary dividend of \$20 (net of taxes) paid in respect of each stock.

$$S_{t-1} = \$100$$

$$S_t = \$84$$

$$\text{Div}_t = \$0$$

$$\text{DivExc}_t = \$20$$

$$R = \$0$$

$$M = 0$$

$$Rfactor_t = \left[1 - \frac{0 + 20 - 0 \times 0}{100} \right] \times \frac{1}{1 + 0} = 80\%$$

As a consequence:

$$LR_{t-1,t} = \text{Leverage} \times \left(\frac{S_t}{S_{t-1} \times Rfactor_t} - 1 \right) = -5 \times \left(\frac{84}{100 \times 80\%} - 1 \right) = -25\%$$

| S_{t-1} | $S_{t-1} \times Rfactor_t$ | S_t | Adjusted Underlying Stock Performance |
|-----------|----------------------------|-------|--|
| 100 | 80 | 84 | 5% |

| Value of the Certificate (t-1) | Value of the Certificate (t) | Certificates' performance (excluding any cost and fees) |
|--------------------------------|------------------------------|--|
| 0.80 | 0.60 | -25% |

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to \$92, which is 15% above \$80, the Underlying Stock Reference Price.

INFORMATION RELATING TO THE COMPANY

All information contained in this document regarding the Company, including, without limitation, its financial information, is derived from publicly available information which appears on the web-site of Hong Kong Exchanges and Clearing Limited (the “HKExCL”) at <http://www.hkex.com.hk> and/or the Company’s web-site at <http://www.sunnyoptical.com/en/default.html>. The Issuer has not independently verified any of such information.

Sunny Optical Technology (Group) Company Limited (the “**Company**”) (SEHK stock code: 2382) is a leading company in integrated optical device manufacturers and an optical imaging system solution provider. The Company went public in 2007 and is listed on the Main Board of the Hong Kong Stock Exchange.

The Company has strong capabilities in R&D and manufacturing. With great reputation among its customers worldwide, the company has extended its market in forty countries and regions and has become the most important supplier to many Tier 1 customers domestically and internationally. The company has also gained significant global market share in compact module camera, lens sets for mobile devices and automotive lenses.

The Company has five production sites in Yangtze River Delta, Pearl River Delta, Bohai Bay and Central Plain Areas, respectively. There are also R&D center and local customer support offices in North America, Japan, South Korea, Singapore, and Taiwan.

The Company is one of a few enterprises inside China that have first-class design capability and mass production capacity for integrated products combining optics, mechanics electronics and software technology. Therefore, it has established its leadership in special coating technology in lens production, aspherical optics auto-focus and zooming, development in chalcogenide glass material, embedded software, 3D scanning and imaging, 3D ultra-precision vibration measuring, trace element analysis, ultra-high pixel camera modules design and manufacturing.

Supported by its high ranking in optoelectronic industry, the Company also promotes its “Famous Co-Star” strategy with commitment to achieve high tech, high value and high efficiency. Now it is focus on transformation and upgrading production, profit and operation models in order to advance its production base with advantages in value, system integration and brand name.

The information set out in Appendix I of this document relates to the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2021 and has been extracted and reproduced from an announcement by the Company dated 22 March 2022 in relation to the same. Further information relating to the Company may be located on the web-site of the HKExCL at <http://www.hkex.com.hk>.

INFORMATION RELATING TO THE DESIGNATED MARKET MAKER

Société Générale has been appointed the designated market maker (“**DMM**”) for the Certificates. The DMM will provide competitive buy and sell quotes for the Certificates continuously during the trading hours of the SGX-ST on the following basis:

- (a) Maximum bid and offer spread : (i) when the best bid price of the Certificate is S\$10 and below: 10 ticks or S\$0.20 whichever is greater; and
(ii) when the best bid price of the Certificate is above S\$10: 5% of the best bid price of the Certificate.
- (b) Minimum quantity subject to bid and offer spread : 10,000 Certificates
- (c) Last Trading Day for Market Making : The date falling 5 Exchange Business Days immediately preceding the Expiry Date

In addition, the DMM may not provide a quotation in the following circumstances:

- (i) during the pre-market opening and five minutes following the opening of the SGX-ST on any trading day;
- (ii) if the Certificates are valueless (where the Issuer’s bid price is below the minimum bid size for such securities as prescribed by the SGX-ST);
- (iii) before the Relevant Stock Exchange for the Underlying Stock has opened and after the Relevant Stock Exchange for the Underlying Stock has closed on any trading day;
- (iv) when trading in the Underlying Stock is suspended or limited in a material way for any reason, for the avoidance of doubt, the DMM is not obliged to provide quotations for the Certificates at any time when the Underlying Stock is not negotiated/traded for any reason;
- (v) where the Certificates are suspended from trading for any reason;
- (vi) market disruption events, including, without limitation, any suspension of or limitation imposed on trading (including but not limited to unforeseen circumstances such as by reason of movements in price exceeding limits permitted by the SGX-ST or any act of God, war, riot, public disorder, explosion, terrorism or otherwise) in the Underlying Stock;
- (vii) where the Issuer or the DMM faces technical problems affecting the ability of the DMM to provide bids and offer quotations;
- (viii) where the ability of the Issuer to source a hedge or unwind an existing hedge, as determined by the Issuer in good faith, is materially affected by the prevailing market conditions, and the Issuer informs the SGX-ST of its inability to do so as soon as practicable;
- (ix) in cases where the Issuer has no Certificates to sell, then the DMM will only provide the bid price;
- (x) if the stock market experiences exceptional price movement and volatility;

- (xi) when it is a public holiday in Singapore and/or Hong Kong and/or the SGX-ST and/or the HKEX are not open for dealings; and
- (xii) during the suspension of trading of Certificates after an Air Bag Mechanism has been triggered.

The last trading day on which the DMM will provide competitive quotations for the Certificates would be the fifth Exchange Business Day immediately preceding the Expiry Date.

SUPPLEMENTAL INFORMATION RELATING TO THE GUARANTOR

The information set out in Appendix II of this document is a reproduction of the press release dated 10 February 2022 containing the Guarantor's consolidated financial results for the fourth quarter ended 31 December 2021.

SUPPLEMENTAL GENERAL INFORMATION

The information set out herein is supplemental to, and should be read in conjunction with, the information set out on page 105 of the Base Listing Document.

1. Save as disclosed in this document and the Base Listing Document, neither the Issuer nor the Guarantor is involved in any legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer or the Guarantor is aware) which may have or have had in the previous 12 months a significant effect on the financial position of the Issuer or the Guarantor in the context of the issuance of the Certificates.
2. Settlement of trades done on a normal “ready basis” on the SGX-ST generally take place on the second Business Day following the transaction. Dealing in the Certificates will take place in Board Lots in Singapore dollars. For further details on the transfer of Certificates and their exercise, please refer to the section headed “Summary of the Issue” above.
3. It is not the current intention of the Issuer to apply for a listing of the Certificates on any stock exchange other than the SGX-ST.
4. Save as disclosed in the Base Listing Document and herein, there has been no material adverse change in the financial position or prospects of the Issuer since 31 December 2020 or the Guarantor since 31 December 2021, in the context of the issuance of Certificates hereunder.
5. The following contracts, relating to the issue of the Certificates, have been or will be entered into by the Issuer and/or the Guarantor and may be material to the issue of the Certificates:
 - (a) the Guarantee;
 - (b) the Master Instrument; and
 - (c) the Master Warrant Agent Agreement.

None of the directors of the Issuer and the Guarantor has any direct or indirect interest in any of the above contracts.

6. The Auditors of the Issuer and the Guarantor have given and have not withdrawn their written agreement to the inclusion of the report, included herein, in the form and context in which it is included. Their report was not prepared exclusively for incorporation into this document.

The Auditors of the Issuer and the Guarantor have no shareholding in the Issuer or the Guarantor or any of its subsidiaries, nor do they have the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of the Issuer or the Guarantor or any of its subsidiaries.

7. The Certificates are not fully covered by the Underlying Stock held by Issuer or a trustee for and on behalf of the Issuer. The Issuer has appropriate risk management capabilities to manage the issue of the Certificates.
8. Société Générale, Singapore Branch, currently of 8 Marina Boulevard, #12-01 Marina Bay Financial Centre Tower 1, Singapore 018981, has been authorised to accept, on behalf of the Issuer and the Guarantor, service of process and any other notices required to be served on the Issuer or the Guarantor. Any notices required to be served on the Issuer or the Guarantor should be sent to Société Générale at the above address for the attention of Société Générale Legal Department.

9. Copies of the following documents may be inspected during usual business hours on any weekday (Saturdays, Sundays and holidays excepted) at the offices of Société Générale, Singapore Branch at 8 Marina Boulevard, #12-01 Marina Bay Financial Centre Tower 1, Singapore 018981, during the period of 14 days from the date of this document:
- (a) the Memorandum and Articles of Association of the Issuer and the Constitutional Documents of the Guarantor;
 - (b) the latest financial reports (including the notes thereto) of the Issuer;
 - (c) the latest financial reports (including the notes thereto) of the Guarantor;
 - (d) the consent letters from the Auditors to the Issuer and the Guarantor referred to in paragraph 6 above;
 - (e) the Base Listing Document;
 - (f) this document; and
 - (g) the Guarantee.

PLACING AND SALE

General

No action has been or will be taken by the Issuer that would permit a public offering of the Certificates or possession or distribution of any offering material in relation to the Certificates in any jurisdiction where action for that purpose is required. No offers, sales or deliveries of any Certificates, or distribution of any offering material relating to the Certificates may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws or regulations and will not impose any obligation on the Issuer. In the event that the Issuer contemplates a placing, placing fees may be payable in connection with the issue and the Issuer may at its discretion allow discounts to placees.

Each Certificate Holder undertakes that it will inform any subsequent purchaser of the terms and conditions of the Certificates and all such subsequent purchasers as may purchase such securities from time to time shall be deemed to be a Certificate Holder for the purposes of the Certificates and shall be bound by the terms and conditions of the Certificates.

Singapore

This document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Certificates may not be circulated or distributed, nor may Certificates be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than pursuant to, and in accordance with the conditions of, any applicable provision of the Securities and Futures Act, Chapter 289 of Singapore.

Hong Kong

Each dealer has represented and agreed, and each further dealer appointed in respect of the Certificates and each other purchaser will be required to represent and agree, that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Certificates (except for Certificates which are a "structured product" as defined in the Securities and Futures Ordinance (Cap.571) of Hong Kong ("SFO")) other than (i) to "professional investors" as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus", as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong ("CWUMPO") or which do not constitute an offer to the public within the meaning of the CWUMPO; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Certificates, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

European Economic Area

Each dealer represents and agrees, and each further dealer appointed in respect of the Certificates will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell, or otherwise make available any Certificates which are the subject of the offering as contemplated by this document to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression “**retail investor**” means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or
 - (ii) a customer within the meaning of Directive 2016/97/EU (as amended, the Insurance Distribution Directive), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended and superseded, the Prospectus Regulation); and
- (b) the expression “**offer**” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe for the Certificates.

United Kingdom

Each dealer represents and agrees, and each further dealer appointed in respect of the Certificates will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Certificates which are the subject of the offering as contemplated by this document to any retail investor in the United Kingdom. For the purposes of this provision:

- (a) the expression “**retail investor**” means a person who is one (or more) of the following:
 - (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”); or
 - (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act, as amended (the “**FSMA**”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or
 - (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA; and
- (b) the expression an “**offer**” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe for the Certificates.

Each dealer further represents and agrees, and each further dealer appointed in respect of the Certificates will be required to further represent and agree, that:

- (a) in respect to Certificates having a maturity of less than one year: (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and (ii) it has not offered or sold and will not offer or

sell any Certificates other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Certificates would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Certificates in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Certificates in, from or otherwise involving the United Kingdom.

United States

The Certificates and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) or any state securities law, and trading in the Certificates has not been approved by the United States Commodity Futures Trading Commission (the “**CFTC**”) under the United States Commodity Exchange Act of 1936, as amended (the “**Commodity Exchange Act**”) and the Issuer will not be registered as an investment company under the United States Investment Company Act of 1940, as amended, and the rules and regulations thereunder. None of the Securities and Exchange Commission, any state securities commission or regulatory authority or any other United States, French or other regulatory authority has approved or disapproved of the Certificates or the Guarantee or passed upon the accuracy or adequacy of this document. Accordingly, Certificates, or interests therein, may not at any time be offered, sold, resold, traded, pledged, exercised, redeemed, transferred or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, nor may any U.S. person at any time trade, own, hold or maintain a position in the Certificates or any interests therein. In addition, in the absence of relief from the CFTC, offers, sales, re-sales, trades, pledges, exercises, redemptions, transfers or deliveries of Certificates, or interests therein, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, may constitute a violation of United States law governing commodities trading and commodity pools. Consequently, any offer, sale, resale, trade, pledge, exercise, redemption, transfer or delivery made, directly or indirectly, within the United States or to, or for the account or benefit of, a U.S. person will not be recognised.

Each dealer has represented and agreed, and each further dealer will be required to represent and agree, that it has not and will not at any time offer, sell, resell, trade, pledge, exercise, redeem, transfer or deliver, directly or indirectly, Certificates in the United States or to, or for the account or benefit of, any U.S. person or to others for offer, sale, resale, trade, pledge, exercise, redeem, transfer or delivery, directly or indirectly, in the United States or to, or for the account or benefit of, any such U.S. person. Any person purchasing Certificates of any tranches must agree with the relevant dealer or the seller of such Certificates that (i) it will not at any time offer, sell, resell, trade, pledge, exercise, redeem, transfer or deliver, directly or indirectly, any Certificates in the United States or to, or for the account or benefit of, any U.S. person or to others for offer, sale, resale, trade, pledge, exercise, redemption, transfer or delivery, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person, and (ii) it is not purchasing any Certificates for the account or benefit of any U.S. person.

Exercise or otherwise redemption of Certificates will be conditional upon certification that each person exercising or otherwise redeeming a Certificate is not a U.S. person or in the United States and that the Certificate is not being exercised or otherwise redeemed on behalf of a U.S. person. No

payment will be made to accounts of holders of the Certificates located in the United States.

As used in the preceding paragraphs, the term “**United States**” includes the territories, the possessions and all other areas subject to the jurisdiction of the United States of America, and the term “**U.S. person**” means any person who is (i) a U.S. person as defined under Regulation S under the Securities Act, (ii) a U.S. person as defined in paragraph 7701(a)(30) of the Internal Revenue Code of 1986, or (iii) a person who comes within any definition of U.S. person for the purposes of the United States Commodity Exchange Act of 1936, as amended (the “CEA”) or any rules thereunder of the CFTC (the “**CFTC Rules**”), guidance or order proposed or issued under the CEA (for the avoidance of doubt, any person who is not a “Non-United States person” defined under CFTC Rule 4.7(a)(1)(iv), but excluding, for purposes of subsection (D) thereof, the exception for qualified eligible persons who are not “Non-United States persons”, shall be considered a U.S. person).

APPENDIX I

REPRODUCTION OF THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 OF SUNNY OPTICAL TECHNOLOGY (GROUP) COMPANY LIMITED AND ITS SUBSIDIARIES

The information set out below is a reproduction of the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2021 and has been extracted and reproduced from an announcement by the Company dated 22 March 2022 in relation to the same.

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SUNNY OPTICAL TECHNOLOGY (GROUP) COMPANY LIMITED

舜宇光學科技（集團）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2382.HK)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

RESULT HIGHLIGHTS

Despite the rapid-changing market landscape, fierce industrial competition and the repeated pandemic, the Group still recorded a solid performance in 2021.

For the year ended 31 December 2021, the revenue of the Group was approximately RMB37,496.9 million, representing a slight decrease of approximately 1.3% as compared to that of last year.

For the year ended 31 December 2021, the gross profit of the Group was approximately RMB8,736.2 million, representing an increase of approximately 0.4% as compared to that of last year. The gross profit margin was approximately 23.3% (2020: approximately 22.9%).

For the year ended 31 December 2021, the net profit of the Group was approximately RMB5,055.9 million, representing an increase of approximately 2.3% as compared to that of last year. The net profit margin was approximately 13.5% (2020: approximately 13.0%).

For the year ended 31 December 2021, the profit for the year attributable to owners of the Company was approximately RMB4,988.0 million, representing an increase of approximately 2.4% as compared to that of last year.

For the year ended 31 December 2021, the basic earnings per share was approximately RMB456.52 cents, representing an increase of approximately 2.4% as compared to that of last year.

The board (the “**Board**”) of directors (the “**Directors**”, each a “**Director**”) has proposed final dividends of approximately RMB0.910 (equivalent to HKD1.118) per share for the year ended 31 December 2021.

FINANCIAL RESULTS

The Board of Sunny Optical Technology (Group) Company Limited (the “**Company**”) is pleased to present the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2021, together with the comparative figures for the year of 2020 as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2021

| | NOTES | 2021 <i>RMB'000</i> | 2020 <i>RMB'000</i> |
|---|-------|------------------------|------------------------|
| Revenue | 3, 4 | 37,496,852 | 38,001,765 |
| Cost of sales | | (28,760,659) | (29,303,890) |
| Gross profit | | 8,736,193 | 8,697,875 |
| Other income | 5(A) | 689,949 | 510,390 |
| Other gains and losses | 5(B) | 99,065 | 187,257 |
| Impairment losses under expected credit loss (“ECL”) model, net of reversal | | (5,182) | 12,218 |
| Selling and distribution expenses | | (274,105) | (313,478) |
| Research and development expenditure | | (2,642,196) | (2,499,090) |
| Administrative expenses | | (757,592) | (718,568) |
| Share of results of associates | | 19,007 | 20 |
| Finance costs | 6 | (230,252) | (233,740) |
| Profit before tax | | 5,634,887 | 5,642,884 |
| Income tax expense | 7 | (578,972) | (702,630) |
| Profit for the year | 8 | 5,055,915 | 4,940,254 |
| Other comprehensive income (expense) | | | |
| <i>Item that will not be reclassified to profit or loss:</i> | | | |
| Fair value gain on investments in equity instruments at fair value through other comprehensive income (“FVTOCI”), net of income tax | | 2,808 | 18,977 |
| <i>Item that may be reclassified subsequently to profit or loss:</i> | | | |
| Exchange differences arising on translation from foreign operations | | (4,271) | (41,606) |
| Other comprehensive expense for the year | | (1,463) | (22,629) |
| Total comprehensive income for the year | | 5,054,452 | 4,917,625 |
| Profit for the year attributable to: | | | |
| Owners of the Company | | 4,988,007 | 4,871,793 |
| Non-controlling interests | | 67,908 | 68,461 |
| | | 5,055,915 | 4,940,254 |
| Total comprehensive income for the year attributable to: | | | |
| Owners of the Company | | 4,987,488 | 4,849,009 |
| Non-controlling interests | | 66,964 | 68,616 |
| | | 5,054,452 | 4,917,625 |
| Earnings per share – Basic (RMB cents) | 10 | 456.52 | 445.78 |
| – Diluted (RMB cents) | 10 | 455.93 | 445.14 |

Consolidated Statement of Financial Position
At 31 December 2021

| | NOTES | 31/12/2021 <i>RMB'000</i> | 31/12/2020 <i>RMB'000</i> |
|---|-------|-------------------------------------|-------------------------------------|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 11 | 8,303,229 | 7,513,193 |
| Right-of-use assets | | 504,684 | 480,005 |
| Investment properties | | 40,380 | 40,907 |
| Intangible assets | | 306,926 | 363,137 |
| Interests in associates | | 201,641 | 1,953 |
| Deferred tax assets | 12 | 255,651 | 207,332 |
| Deposits paid for acquisition of property, plant and equipment | | 471,595 | 359,086 |
| Equity instruments at FVTOCI | 13 | 178,762 | 134,609 |
| Financial assets at fair value through profit or loss ("FVTPL") | 15 | 19,518 | 206,236 |
| Time deposits | 17 | 500,000 | 500,000 |
| Goodwill | | 2,119 | 2,119 |
| | | 10,784,505 | 9,808,577 |
| CURRENT ASSETS | | | |
| Inventories | 18 | 5,481,858 | 5,783,071 |
| Trade and other receivables and prepayment | 19 | 7,448,385 | 8,212,025 |
| Derivative financial assets | 16 | 27,237 | 21,307 |
| Financial assets at FVTPL | 15 | 8,314,143 | 8,480,186 |
| Debt instruments at amortised cost | 14 | – | 52,823 |
| Amount due from a related party | | 327 | – |
| Pledged bank deposits | 17 | 18,292 | 3,438 |
| Short term fixed deposits | 17 | 1,093,914 | 234,917 |
| Bank balances and cash | 17 | 5,605,179 | 2,841,771 |
| | | 27,989,335 | 25,629,538 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 20 | 9,868,687 | 10,733,364 |
| Amounts due to related parties | | 6,934 | 6,996 |
| Derivative financial liabilities | 16 | 40,446 | 101,888 |
| Contract liabilities | | 178,101 | 131,191 |
| Tax payable | | 188,022 | 314,804 |
| Bank borrowings – current portion | 21 | 1,538,897 | 2,070,611 |
| Lease liabilities – current portion | | 46,271 | 43,580 |
| Deferred income – current portion | | 6,099 | 8,695 |
| | | 11,873,457 | 13,411,129 |
| NET CURRENT ASSETS | | 16,115,878 | 12,218,409 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 26,900,383 | 22,026,986 |

| | <u>NOTES</u> | <u>31/12/2021</u> <i>RMB'000</i> | <u>31/12/2020</u> <i>RMB'000</i> |
|--|--------------|--|--|
| NON-CURRENT LIABILITIES | | | |
| Deferred tax liabilities | 12 | 1,015,890 | 888,809 |
| Derivative financial liabilities | 16 | 5,057 | 4,782 |
| Long term payables | 20 | 172,044 | 245,636 |
| Bank borrowings – non-current portion | 21 | 700,000 | – |
| Lease liabilities – non-current portion | | 107,999 | 96,899 |
| Deferred income – non-current portion | | 188,504 | 68,855 |
| Bonds payable | 22 | 3,815,623 | 3,895,888 |
| | | <u>6,005,117</u> | <u>5,200,869</u> |
| NET ASSETS | | <u>20,895,266</u> | <u>16,826,117</u> |
| CAPITAL AND RESERVES | | | |
| Share capital | 23 | 105,163 | 105,163 |
| Reserves | | <u>20,482,909</u> | <u>16,492,061</u> |
| Equity attributable to owners of the Company | | 20,588,072 | 16,597,224 |
| Non-controlling interests | | <u>307,194</u> | <u>228,893</u> |
| TOTAL EQUITY | | <u>20,895,266</u> | <u>16,826,117</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL INFORMATION

Sunny Optical Technology (Group) Company Limited (the “**Company**”) was incorporated in the Cayman Islands on 21 September 2006 as an exempted company under the Companies Act Chapter 22 (Law 3 of 1961 as consolidated and revised, formerly known as Companies Law) of the Cayman Islands and its shares have been listed on the Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) with effect from 15 June 2007. Its ultimate holding and parent company is Sun Xu Limited, a private limited company incorporated in the British Virgin Islands. Its ultimate controlling party is Mr. Wang Wenjian, also a Director of the Company. The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section of the annual report.

The Company is an investment holding company. The Company and its subsidiaries (collectively the “**Group**”) are principally engaged in the business of designing, researching and developing, manufacturing and selling of optical and optical related products and scientific instruments.

The consolidated financial statements are presented in Renminbi (“**RMB**”), which is also the functional currency of the Company.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

| | |
|---|---|
| Amendment to HKFRS 16 | <i>Covid-19-Related Rent Concessions</i> |
| Amendments to HKFRS 9, HKAS 39 HKFRS 7, HKFRS 4 and HKFRS 16 | <i>Interest Rate Benchmark Reform – Phase 2</i> |

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the “**Committee**”) of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

| | |
|---|---|
| HKFRS 17 | <i>Insurance Contracts and the related Amendments</i> ³ |
| Amendments to HKFRS 3 | <i>Reference to the Conceptual Framework</i> ² |
| Amendments to HKFRS 10 and HKAS 28 | <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴ |
| Amendment to HKFRS 16 | <i>Covid-19-Related Rent Concessions beyond 30 June 2021</i> ¹ |
| Amendments to HKAS 1 | <i>Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)</i> ³ |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | <i>Disclosure of Accounting Policies</i> ³ |
| Amendments to HKAS 8 | <i>Definition of Accounting Estimates</i> ³ |
| Amendments to HKAS 12 | <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> ³ |
| Amendments to HKAS 16 | <i>Property, Plant and Equipment – Proceeds before Intended Use</i> ² |
| Amendments to HKAS 37 | <i>Onerous Contracts – Cost of Fulfilling a Contract</i> ² |
| Amendments to HKFRSs | <i>Annual Improvements to HKFRSs 2018-2020</i> ² |

- ¹ Effective for annual periods beginning on or after 1 April 2021.
² Effective for annual periods beginning on or after 1 January 2022.
³ Effective for annual periods beginning on or after 1 January 2023.
⁴ Effective for annual periods beginning on or after a date to be determined.

The Directors of the Company anticipate that the application of all the new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE

(i) Disaggregation of revenue from contracts with customers

| For the year ended 31 December 2021 | | | |
|--|-----------------------|----------------------------|------------------------|
| | Optical Components | Optoelectronic Products | Optical Instruments |
| | RMB'000 | RMB'000 | RMB'000 |
| Types of goods | | | |
| Sales of optical and related components | 8,776,030 | 28,333,519 | 387,303 |
| Total | 8,776,030 | 28,333,519 | 387,303 |
| Geographical markets | | | |
| People's Republic of China (the "PRC" or "China") | 4,944,126 | 23,666,093 | 270,171 |
| Asia (except China) | 2,078,974 | 4,495,319 | 38,204 |
| Europe | 1,046,409 | 3,459 | 29,099 |
| North America | 678,102 | 113,843 | 47,742 |
| Others | 28,419 | 54,805 | 2,087 |
| Total | 8,776,030 | 28,333,519 | 387,303 |
| Timing of revenue recognition | | | |
| At a point in time | 8,776,030 | 28,333,519 | 387,303 |
| For the year ended 31 December 2020 | | | |
| | Optical Components | Optoelectronic Products | Optical Instruments |
| | RMB'000 | RMB'000 | RMB'000 |
| Types of goods | | | |
| Sales of optical and related components | 9,181,097 | 28,494,260 | 326,408 |
| Total | 9,181,097 | 28,494,260 | 326,408 |
| Geographical markets | | | |
| China | 5,441,334 | 25,899,773 | 237,073 |
| Asia (except China) | 2,177,165 | 2,492,908 | 25,418 |
| Europe | 939,207 | 12,873 | 14,014 |
| North America | 603,906 | 60,718 | 48,518 |
| Others | 19,485 | 27,988 | 1,385 |
| Total | 9,181,097 | 28,494,260 | 326,408 |
| Timing of revenue recognition | | | |
| At a point in time | 9,181,097 | 28,494,260 | 326,408 |

(ii) Performance obligations for contracts with customers

The Group sells optical and optical-related products directly to customers. For sales of optical components, optoelectronic products and optical instruments, revenue is recognised when control of the goods has transferred, being when customer acceptance has been obtained, which is the point of time when the customer has the ability to direct the use of these products and obtain substantially all of the remaining benefits of these products. The credit term granted to customers is average 90 days. The transaction price received by the Group is recognised as a contract liability for sales in which revenue has yet been recognised.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The Group's contracts have an original expected duration of one year or less, as permitted under HKFRS 15, the transaction price allocated to the remaining performance obligations is not disclosed.

4. OPERATING SEGMENTS

Information reported to the Board, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on types of goods delivered because the Board has chosen to organise the Group among different major products. No operating segments identified by chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's operating segments under HKFRS 8 *Operating Segments* are as follows:

1. Optical Components
2. Optoelectronic Products
3. Optical Instruments

Segment revenues and results

The following is an analysis of the Group's revenue and results by operating and reportable segments.

For the year ended 31 December 2021

| | Optical Components | Optoelectronic Products | Optical Instruments | Segment Total | Eliminations | Total |
|--------------------------------|-----------------------|----------------------------|------------------------|-------------------|--------------------|-------------------|
| | <u>RMB'000</u> | <u>RMB'000</u> | <u>RMB'000</u> | <u>RMB'000</u> | <u>RMB'000</u> | <u>RMB'000</u> |
| REVENUE | | | | | | |
| External sales | 8,776,030 | 28,333,519 | 387,303 | 37,496,852 | – | 37,496,852 |
| Inter-segment sales | <u>2,927,700</u> | <u>12,519</u> | <u>90,889</u> | <u>3,031,108</u> | <u>(3,031,108)</u> | <u>–</u> |
| Total | <u>11,703,730</u> | <u>28,346,038</u> | <u>478,192</u> | <u>40,527,960</u> | <u>(3,031,108)</u> | <u>37,496,852</u> |
| Segment profit | <u>2,674,903</u> | <u>3,027,049</u> | <u>99,604</u> | <u>5,801,556</u> | <u>–</u> | <u>5,801,556</u> |
| Share of results of associates | | | | | | 19,007 |
| Unallocated income | | | | | | 74,959 |
| Unallocated expenses | | | | | | <u>(260,635)</u> |
| Profit before tax | | | | | | <u>5,634,887</u> |

For the year ended 31 December 2020

| | Optical Components | Optoelectronic Products | Optical Instruments | Segment Total | Eliminations | Total |
|--------------------------------|-----------------------|----------------------------|------------------------|-------------------|--------------------|-------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| REVENUE | | | | | | |
| External sales | 9,181,097 | 28,494,260 | 326,408 | 38,001,765 | – | 38,001,765 |
| Inter-segment sales | 2,324,546 | 23,202 | 115,272 | 2,463,020 | (2,463,020) | – |
| Total | <u>11,505,643</u> | <u>28,517,462</u> | <u>441,680</u> | <u>40,464,785</u> | <u>(2,463,020)</u> | <u>38,001,765</u> |
| Segment profit | <u>3,086,783</u> | <u>2,598,882</u> | <u>65,856</u> | <u>5,751,521</u> | <u>–</u> | <u>5,751,521</u> |
| Share of results of associates | | | | | | 20 |
| Unallocated income | | | | | | 29,772 |
| Unallocated expenses | | | | | | <u>(138,429)</u> |
| Profit before tax | | | | | | <u>5,642,884</u> |

Inter-segment sales are charged at prevailing market rates.

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 2. Segment profit represents the profit earned by each segment without allocation of income and expense of unallocated subsidiaries and central administration costs including Directors' emoluments, share of results of associates and finance costs. There were asymmetrical allocations to operating segments because the Group allocates interest income, government grants, depreciation and amortisation and gain or loss on disposal of property, plant and equipment to each segment without allocating the related bank balances, deferred income, property, plant and equipment and intangible assets to those segments. This is the measure reported to the Board for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segments:

As at 31 December 2021

| | Optical Components <i>RMB'000</i> | Optoelectronic Products <i>RMB'000</i> | Optical Instruments <i>RMB'000</i> | Total <i>RMB'000</i> |
|---------------------------|---|--|--|-------------------------|
| <i>Assets</i> | | | | |
| Trade receivables | 1,878,514 | 3,690,969 | 65,169 | 5,634,652 |
| Bill receivables | 616,115 | 387,528 | 5,993 | 1,009,636 |
| Inventories | 1,854,941 | 3,532,694 | 94,223 | 5,481,858 |
| Total segment assets | <u>4,349,570</u> | <u>7,611,191</u> | <u>165,385</u> | <u>12,126,146</u> |
| Unallocated assets | | | | <u>26,647,694</u> |
| Consolidated assets | | | | <u>38,773,840</u> |
| <i>Liabilities</i> | | | | |
| Trade payables | 2,085,218 | 3,741,727 | 104,278 | 5,931,223 |
| Note payables | 530,292 | 1,267,054 | 23,938 | 1,821,284 |
| Total segment liabilities | <u>2,615,510</u> | <u>5,008,781</u> | <u>128,216</u> | <u>7,752,507</u> |
| Unallocated liabilities | | | | <u>10,126,067</u> |
| Consolidated liabilities | | | | <u>17,878,574</u> |

As at 31 December 2020

| | Optical Components <i>RMB'000</i> | Optoelectronic Products <i>RMB'000</i> | Optical Instruments <i>RMB'000</i> | Total <i>RMB'000</i> |
|---------------------------|---|--|--|-------------------------|
| <i>Assets</i> | | | | |
| Trade receivables | 2,367,013 | 4,368,886 | 56,344 | 6,792,243 |
| Bill receivables | 658,226 | 88,041 | 10,263 | 756,530 |
| Inventories | 1,559,605 | 4,155,765 | 67,701 | 5,783,071 |
| Total segment assets | <u>4,584,844</u> | <u>8,612,692</u> | <u>134,308</u> | <u>13,331,844</u> |
| Unallocated assets | | | | <u>22,106,271</u> |
| Consolidated assets | | | | <u>35,438,115</u> |
| <i>Liabilities</i> | | | | |
| Trade payables | 2,318,329 | 4,752,353 | 88,693 | 7,159,375 |
| Note payables | 135,048 | 1,177,220 | 23,708 | 1,335,976 |
| Total segment liabilities | <u>2,453,377</u> | <u>5,929,573</u> | <u>112,401</u> | <u>8,495,351</u> |
| Unallocated liabilities | | | | <u>10,116,647</u> |
| Consolidated liabilities | | | | <u>18,611,998</u> |

For the purposes of monitoring segment performance and allocating resources between segments:

- Trade receivables, bill receivables and inventories are allocated to the respective operating and reportable segments. All other assets are unallocated assets, which are not regularly reported to the Board.
- Trade payables and note payables are allocated to the respective operating and reportable segments. All other liabilities are unallocated liabilities, which are not regularly reported to the Board.

Other segment information

For the year ended 31 December 2021

| | Optical Components | Optoelectronic Products | Optical Instruments | Unallocated | Consolidated total |
|---|-----------------------|----------------------------|------------------------|----------------|-----------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Amounts included in the measure of segment profit or loss: | | | | | |
| Depreciation and amortisation | 957,606 | 781,873 | 18,283 | 1,994 | 1,759,756 |
| Impairment losses on trade receivables | | | | | |
| recognised (reversed) in profit or loss | 1,778 | (2,881) | 6,285 | – | 5,182 |
| (Gain) loss on disposal of property, plant and equipment | (6,822) | 8,178 | (6) | – | 1,350 |
| Share award scheme expense | 94,336 | 73,018 | 15,450 | 5,474 | 188,278 |
| Interest income from bank and financial instruments | (24,096) | (365,327) | (7,596) | (7,131) | (404,150) |
| Allowance (reversed) for inventories | (27,710) | 163,887 | (3,803) | – | 132,374 |

Amounts regularly provided to the chief operating decision maker but not included in the measure of segment assets:

| | | | | | |
|---|------------------|----------------|--------------|------------|------------------|
| Addition to property, plant and equipment | <u>1,596,179</u> | <u>896,012</u> | <u>6,099</u> | <u>162</u> | <u>2,498,452</u> |
|---|------------------|----------------|--------------|------------|------------------|

For the year ended 31 December 2020

| | Optical Components | Optoelectronic Products | Optical Instruments | Unallocated | Consolidated total |
|---|-----------------------|----------------------------|------------------------|----------------|-----------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Amounts included in the measure of segment profit or loss: | | | | | |
| Depreciation and amortisation | 792,709 | 812,377 | 20,682 | 2,517 | 1,628,285 |
| Impairment losses on trade receivables | | | | | |
| reversed in profit or loss | (6,320) | (4,658) | (1,240) | – | (12,218) |
| Loss (gain) on disposal of property, plant and equipment | 2,408 | 8,755 | (7) | – | 11,156 |
| Share award scheme expense | 77,369 | 54,874 | 14,747 | 4,821 | 151,811 |
| Interest income from bank and financial instruments | (19,672) | (233,447) | (5,876) | (12,612) | (271,607) |
| Allowance for inventories | 22,657 | 218,367 | 4,650 | – | 245,674 |

Amounts regularly provided to the chief operating decision maker but not included in the measure of segment assets:

| | | | | | |
|---|------------------|----------------|--------------|-----------|------------------|
| Addition to property, plant and equipment | <u>1,597,434</u> | <u>930,988</u> | <u>9,229</u> | <u>64</u> | <u>2,537,715</u> |
|---|------------------|----------------|--------------|-----------|------------------|

Revenue from major products

The following is an analysis of the Group's revenue from its major products:

| | 2021 | 2020 |
|--|-------------------|-------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Handset related products | 29,597,845 | 32,119,027 |
| Vehicle related products | 2,960,628 | 2,511,766 |
| Augmented reality (“AR”)/virtual reality (“VR”) related products | 1,344,637 | 596,237 |
| Digital camera related products | 1,004,258 | 592,186 |
| Other lens sets | 490,446 | 473,348 |
| Optical instruments | 273,734 | 204,974 |
| Other spherical lens and plane products | 142,255 | 164,946 |
| Digital video lens | 15,593 | 29,423 |
| Other products | 1,667,456 | 1,309,858 |
| | 37,496,852 | 38,001,765 |

Geographical information

The Group's operations are mainly located in China, Vietnam, Korea, Japan, India and the United States.

The Group's revenue from continuing operations from external customers is presented based on the locations of goods physically delivered and information about the Group's non-current assets by the geographical location of the assets are detailed below:

| | Revenue from external customers | | Non-current assets | |
|---------------------|------------------------------------|-------------------|--------------------|------------------|
| | 2021 | 2020 | 31/12/2021 | 31/12/2020 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| China | 28,880,390 | 31,578,180 | 8,969,717 | 8,516,376 |
| Asia (except China) | 6,612,497 | 4,695,491 | 656,476 | 238,324 |
| Europe | 1,078,967 | 966,094 | 128 | 179 |
| North America | 839,687 | 713,142 | 493 | 1,449 |
| Others | 85,311 | 48,858 | – | – |
| | 37,496,852 | 38,001,765 | 9,626,814 | 8,756,328 |

Note: Non-current assets excluded interests in associates, deferred tax assets, financial assets at FVTPL, equity instruments at FVTOCI, time deposits and goodwill.

Information about major customers

Revenues from the following customers contributed over 10% of the total sales of the Group:

| | 2021 | 2020 |
|---|----------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Customer A, revenue mainly from Optoelectronic and related Products | 7,664,838 | 8,881,539 |
| Customer B, revenue mainly from Optoelectronic and related Products | 5,811,013 | N/A* |
| Customer C, revenue mainly from Optoelectronic and related Products | 4,946,670 | N/A* |
| Customer D, revenue mainly from Optoelectronic and related Products | N/A* | 10,064,270 |

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

5(A). OTHER INCOME

| | 2021 | 2020 |
|---|-----------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Government grants | 212,314 | 141,810 |
| Interest income from time deposits, short term fixed deposits, pledged bank deposits and bank balances | 97,112 | 47,230 |
| Interest income from debt instruments | 4,400 | 9,335 |
| Investment income from unlisted financial products at FVTPL | 302,638 | 215,042 |
| Interest income from small loan services | 7,833 | 7,049 |
| Income from sales of moulds | 16,467 | 24,148 |
| Income from sales of scrap materials | 30,753 | 24,344 |
| Others | 18,432 | 41,432 |
| Total | 689,949 | 510,390 |

5(B). OTHER GAINS AND LOSSES

| | 2021 | 2020 |
|--|-----------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Loss on disposal of property, plant and equipment | (1,350) | (11,156) |
| Loss on disposal of a subsidiary | – | (1,673) |
| Net foreign exchange gain | 33,950 | 225,506 |
| Gain (loss) on changes in fair value of derivative financial instruments, net | 67,097 | (111,002) |
| (Loss) gain on changes in fair value of equity investments at FVTPL | (8,151) | 32,773 |
| Gain on changes in fair value of debt instruments and fund investments at FVTPL | 6,382 | 53,470 |
| Others | 1,137 | (661) |
| Total | 99,065 | 187,257 |

6. FINANCE COSTS

| | 2021 | 2020 |
|---|-----------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Interests on bank borrowings | 62,490 | 54,737 |
| Interests on bonds payable | 153,970 | 164,282 |
| Interest on long term payables related to intangible assets | 6,203 | 7,158 |
| Interest on lease liabilities | 7,589 | 7,563 |
| Total | 230,252 | 233,740 |

7. INCOME TAX EXPENSE

| | 2021 | 2020 |
|--------------------------------|----------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Current tax: | | |
| PRC Enterprise Income Tax | 447,809 | 540,600 |
| Withholding tax expense | 46,792 | 24,000 |
| Other jurisdictions | 9,717 | 18,075 |
| | 504,318 | 582,675 |
| Over provision in prior years: | | |
| PRC Enterprises Income Tax | (3,612) | (4,515) |
| Deferred tax (Note 12): | | |
| Current year | 78,266 | 124,470 |
| | 578,972 | 702,630 |

Under the Law of the PRC Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards, except as described below:

- (i) Ningbo Sunny Infrared Technologies Co., Ltd. (“**Sunny Infrared Optics**”) and Yuyao Sunny Optical Intelligence Technology Co., Ltd. (“**Sunny Optical Intelligence (Yuyao)**”), domestic limited liability companies, were approved as Hi-Tech Enterprises and entitled to a preferential tax rate of 15% with the expiry date on 31 December 2021.
- (ii) Ningbo Sunny Opotech Co., Ltd. (“**Sunny Opotech**”), Ningbo Sunny Automotive Optech Co., Ltd. (“**Sunny Automotive Optech**”), Sunny Optics (Zhongshan) Co., Ltd. (“**Sunny Zhongshan Optics**”), Ningbo Sunny Instruments Co., Ltd. (“**Sunny Instruments**”), Sunny Optical (Zhejiang) Research Institute Co., Ltd. (“**Sunny Research Institute**”) and Zhejiang Sunny SmartLead Technologies Co., Ltd. (“**Sunny SmartLead**”), domestic limited liability companies, were approved as Hi-Tech Enterprises and entitled to a preferential tax rate of 15% with the expiry date on 31 December 2022.
- (iii) Zhejiang Sunny Optics Co., Ltd. (“**Sunny Zhejiang Optics**”), Xinyang Sunny Optics Co., Ltd. (“**Sunny Xinyang Optics**”) and Ningbo Sunny Intelligent Technology Co., Ltd. (“**Sunny Intelligent Technology**”), domestic limited liability companies, were approved as Hi-Tech Enterprises and entitled to a preferential tax rate of 15% with the expiry date on 31 December 2023.
- (iv) Zhejiang Sunny Optical Intelligence Technology Co., Ltd. (“**Sunny Optical Intelligence**”), a domestic limited liability company, was recognised as Software Enterprise and entitled preferential policies of full exemption from enterprise income taxation for the first two years till 31 December 2018 and reduction half for the subsequent three years till 31 December 2021.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The income tax charge for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

| | 2021 | 2020 |
|--|-----------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Profit before tax | 5,634,887 | 5,642,884 |
| Tax at the PRC EIT tax rate of 25% | 1,408,722 | 1,410,721 |
| Tax effect of share of results of associates | (4,752) | (5) |
| Tax effect of expenses not deductible for tax purpose | 8,949 | 5,793 |
| Tax effect of allowance granted under share award scheme in the PRC | (21,859) | (14,437) |
| Tax effect of preferential tax rates for certain subsidiaries (Note a) | (337,501) | (372,942) |
| Tax effect of additional tax deduction of research and development expenses (Note b) | (573,148) | (385,378) |
| Tax effect of tax losses not recognised | 64,542 | 28,315 |
| Tax effect of deductible temporary differences not recognised | (3,745) | – |
| Utilisation of tax losses not previously recognised | (13,431) | (8,991) |
| Deferred tax provided for withholding tax on income derived in the PRC | 65,436 | 49,205 |
| Tax effect of different tax rates of subsidiaries operating in other jurisdictions | (10,629) | (5,136) |
| Over provision in prior years | (3,612) | (4,515) |
| Income tax expense for the year | 578,972 | 702,630 |

Details of deferred taxation and unrecognised temporary difference are disclosed in Note 12.

Notes:

- (a) For the PRC subsidiaries which were approved as Hi-Tech Enterprises or Software Enterprise, they are entitled to a preferential tax rate of 15% or preferential policies of full exemption from or half reduction of enterprise income tax.
- (b) In August 2018, Caishui 2018 No. 99 “Notice on Increasing the Pre-tax Deduction Ratio of Research and Development Expenses” was released, according to which certain PRC subsidiaries are entitled to an additional 75% tax deduction on eligible research and development expenses incurred by them for the both years ended 31 December 2021 and 2020.

In March 2021, the Ministry of Finance and the State Administration of Taxation released No. 13 announcement of 2021 named “Announcement on Further Improving the Policy on Pre-tax Deduction of Research and Development Expenses”, according to which certain PRC subsidiaries engaged in manufacturing industry are entitled to an additional 100% tax deduction on eligible research and development expenses incurred by them for the year ended 31 December 2021.

8. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

| | 2021 | 2020 |
|---|------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Directors' emoluments | 16,159 | 16,169 |
| Other staff's salaries and allowances | 2,518,548 | 1,963,313 |
| Other staff's discretionary bonuses | 217,220 | 474,763 |
| Other staff's contribution to retirement benefit scheme | 319,894 | 219,448 |
| Other staff's share award scheme expense | 178,746 | 142,279 |
| | 3,250,567 | 2,815,972 |
| Cost of inventories recognised as an expense | 23,807,323 | 24,741,675 |
| Auditor's remuneration | 4,666 | 4,209 |
| Depreciation of property, plant and equipment | 1,638,067 | 1,513,407 |
| Depreciation of investment properties | 4,633 | 4,391 |
| Depreciation of right-of-use assets | 60,845 | 54,285 |
| Amortisation of intangible assets | 56,211 | 56,202 |
| Allowance for inventories (included in cost of sales) | 132,374 | 245,674 |

9. DIVIDENDS

| | 2021 | 2020 |
|--|----------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Dividends for ordinary shareholders of the Company recognised as distribution during the year: | | |
| 2020 final dividends – RMB88.80 cents (2020: 2019 final dividends – RMB72.80 cents) per share | 974,003 | 798,507 |

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2021 of approximately RMB91.00 cents per share, equivalent to Hong Kong Dollar (“HKD”) 111.80 cents per share, amounting to a total of approximately RMB998,133,000 (2020: approximately RMB88.80 cents per share, equivalent to HKD105.70 cents per share, amounting to a total of approximately RMB974,003,000) has been proposed by the Directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting (“AGM”). The final dividends proposed after the end of reporting period has not been recognised as a liability at the end of reporting period.

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

| | <u>2021</u> | <u>2020</u> |
|---|-------------------------|------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| <u>Earnings</u> | | |
| Earnings for the purpose of basic and diluted earnings per share | <u>4,988,007</u> | <u>4,871,793</u> |
| | <u>2021</u> | <u>2020</u> |
| | <i>'000</i> | <i>'000</i> |
| <u>Number of shares</u> | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share (Note) | 1,092,612 | 1,092,870 |
| Effect of dilutive potential ordinary shares: | | |
| Restricted shares | <u>1,416</u> | <u>1,578</u> |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | <u>1,094,028</u> | <u>1,094,448</u> |

Note: The weighted average number of ordinary shares has been calculated taking into account the shares held by the Group under share award scheme.

11. PROPERTY, PLANT AND EQUIPMENT

| | Owned properties | Machinery and production equipment | Motor vehicles | Fixtures and office equipment | Construction in progress | Total |
|--|---------------------|---|-------------------|-------------------------------------|-----------------------------|------------------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| COST | | | | | | |
| At 1 January 2020 | 913,898 | 7,434,775 | 19,251 | 1,021,050 | 714,219 | 10,103,193 |
| Additions | 52,042 | 1,562,262 | 394 | 199,759 | 723,258 | 2,537,715 |
| Transfer | 345,576 | 204,541 | – | 34,353 | (584,470) | – |
| Disposals | (11,056) | (249,505) | – | (10,309) | – | (270,870) |
| Derecognised on disposal of a subsidiary | – | (849) | – | (303) | – | (1,152) |
| Exchange realignment | – | (2,786) | (110) | (1,892) | – | (4,788) |
| At 31 December 2020 and 1 January 2021 | 1,300,460 | 8,948,438 | 19,535 | 1,242,658 | 853,007 | 12,364,098 |
| Additions | 28,860 | 991,314 | 801 | 503,859 | 973,618 | 2,498,452 |
| Transfer | 405,942 | 391,986 | – | 101,482 | (899,410) | – |
| Transferred to investment properties | (8,418) | – | – | – | – | (8,418) |
| Disposals | (1,635) | (284,543) | (1,816) | (23,353) | – | (311,347) |
| Exchange realignment | (1,166) | (8,250) | (20) | (2,607) | – | (12,043) |
| At 31 December 2021 | 1,724,043 | 10,038,945 | 18,500 | 1,822,039 | 927,215 | 14,530,742 |
| ACCUMULATED DEPRECIATION AND IMPAIRMENT | | | | | | |
| At 1 January 2020 | 156,696 | 3,012,338 | 14,345 | 353,069 | – | 3,536,448 |
| Charge for the year | 45,504 | 1,287,297 | 1,810 | 178,796 | – | 1,513,407 |
| Eliminated on disposals | (9,504) | (179,036) | – | (9,066) | – | (197,606) |
| Derecognised on disposal of a subsidiary | – | (835) | – | (286) | – | (1,121) |
| Exchange realignment | – | (63) | (105) | (55) | – | (223) |
| At 31 December 2020 and 1 January 2021 | 192,696 | 4,119,701 | 16,050 | 522,458 | – | 4,850,905 |
| Charge for the year | 67,508 | 1,289,851 | 1,474 | 279,234 | – | 1,638,067 |
| Transferred to investment properties | (4,312) | – | – | – | – | (4,312) |
| Eliminated on disposals | (1,573) | (227,849) | (1,641) | (20,366) | – | (251,429) |
| Exchange realignment | (15) | (3,780) | (18) | (1,905) | – | (5,718) |
| At 31 December 2021 | 254,304 | 5,177,923 | 15,865 | 779,421 | – | 6,227,513 |
| CARRYING VALUES | | | | | | |
| At 31 December 2021 | <u>1,469,739</u> | <u>4,861,022</u> | <u>2,635</u> | <u>1,042,618</u> | <u>927,215</u> | <u>8,303,229</u> |
| At 31 December 2020 | <u>1,107,764</u> | <u>4,828,737</u> | <u>3,485</u> | <u>720,200</u> | <u>853,007</u> | <u>7,513,193</u> |

The above items of property, plant and equipment other than construction in progress are depreciated on a straight-line basis over their estimated useful lives as follows:

| | |
|------------------------------------|---------------|
| Owned properties | 20 years |
| Machinery and production equipment | 3 to 10 years |
| Motor vehicles | 4 to 5 years |
| Fixtures and office equipment | 3 to 10 years |

As at 31 December 2021, the Group has obtained the ownership certificates for all buildings and no buildings of the Group were pledged to secure bank borrowings granted.

The Directors of the Company considered no impairment loss on property, plant and equipment for the both years ended 31 December 2021 and 2020.

12. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

| | 31/12/2021 | 31/12/2020 |
|--------------------------|-------------------|------------|
| | RMB '000 | RMB '000 |
| Deferred tax assets | (255,651) | (207,332) |
| Deferred tax liabilities | 1,015,890 | 888,809 |
| | 760,239 | 681,477 |

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior years:

| | Withholding tax on undistributed profit from the PRC | Allowance for inventories and ECL provision | Deferred subsidy income | Accelerated depreciation | Accrued bonus | Others | Total |
|--|---|--|-------------------------------|-----------------------------|------------------|---------------|----------------|
| | RMB '000 | RMB '000 | RMB '000 | RMB '000 | RMB '000 | RMB '000 | RMB '000 |
| At 1 January 2020 | 120,532 | (57,385) | (9,865) | 541,622 | (56,112) | 14,866 | 553,658 |
| Charge (Credit) to profit or loss (Note 7) | 25,205 | (33,971) | 1,544 | 170,504 | (41,407) | 2,595 | 124,470 |
| Charge to other comprehensive income | - | - | - | - | - | 3,349 | 3,349 |
| At 31 December 2020 | 145,737 | (91,356) | (8,321) | 712,126 | (97,519) | 20,810 | 681,477 |
| Charge (Credit) to profit or loss (Note 7) | 11,634 | (20,576) | (18,358) | 97,876 | 1,778 | 5,912 | 78,266 |
| Charge to other comprehensive income | - | - | - | - | - | 496 | 496 |
| At 31 December 2021 | 157,371 | (111,932) | (26,679) | 810,002 | (95,741) | 27,218 | 760,239 |

As at 31 December 2021, the deferred tax liability amounting to RMB157,371,000 (31 December 2020: RMB145,737,000) was provided in respect of the temporary differences attributed to the PRC undistributed profits to the extent exceeding the investment plan which the Directors of the Company decided to distribute. The Group has determined that the remaining portion of the profits derived from those PRC operating subsidiaries will be retained by those subsidiaries and not distributed in the foreseeable future, since the Group is in a position to control the timing of the reversal of the temporary differences, and it is probable that such differences will not reverse nor be subject to withholding tax in the foreseeable future.

At the end of the reporting period, the Group had unused tax losses of approximately RMB682,828,000 (2020: RMB494,138,000) available for, offset against future profits. The tax losses arising from the PRC non high-tech subsidiaries of RMB144,435,000 (2020: RMB70,813,000) can be carried forward for maximum of five years and will expire during 2022 to 2026 (2020: 2021 to 2025) while the tax losses arising from the PRC high-tech subsidiaries of RMB473,504,000 (2020: RMB381,594,000) can be carried forward for maximum of ten years and will expire during 2022 to 2031 (2020: 2021 to 2030) according to Caishui 2018 No. 76. which has extended the expiration period from five years to ten years. Other tax losses may be carried forward indefinitely.

13. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | <u>31/12/2021</u> | <u>31/12/2020</u> |
|-----------------------------|-------------------|-------------------|
| | <u>RMB'000</u> | <u>RMB'000</u> |
| Unlisted equity investments | <u>178,762</u> | <u>134,609</u> |

The unlisted equity investments represent the Group's equity interests in private entities. The Directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance in the long run.

During the current year, the Group made a new equity investment measured as equity instruments at FVTOCI amounting to RMB40,849,000 (2020: RMB10,000) and the fair value gain in the amount of RMB2,808,000 (2020: RMB18,977,000), net off with the recognition of related deferred tax liabilities of RMB496,000 (2020: RMB3,349,000) was recognised in FVTOCI reserve.

14. DEBT INSTRUMENTS AT AMORTISED COST

During the current year, all debt instruments reached maturity and were redeemed accordingly.

As at 31 December 2021, the total carrying amount of the debt instruments is nil (31 December 2020: RMB52,823,000).

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 31/12/2021 | 31/12/2020 |
|--------------------------------------|------------------|------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Current assets | | |
| Fund investments (Note a) | 283,132 | 282,711 |
| Unlisted financial products (Note b) | 7,992,170 | 8,197,475 |
| Debt instruments (Note c) | 38,841 | – |
| | 8,314,143 | 8,480,186 |
| Non-current assets | | |
| Debt instruments (Note c) | – | 72,884 |
| Equity investments (Note d) | 19,518 | 133,352 |
| | 19,518 | 206,236 |

Notes:

(a) Fund investments

The Group entered into several contracts to purchase fund units (the “**Fund**”) with a financial institution, which were accounted for as financial assets at FVTPL on initial recognition. As at 31 December 2021, the fair value of the Fund is United State Dollar (“**USD**”) 44,408,000 (31 December 2020: USD43,328,000) per the investment statement of the financial institution, equivalent to RMB283,132,000 (31 December 2020: RMB282,711,000). The fair value gain in the amount of USD1,080,000, equivalent to RMB6,886,000 (2020: RMB22,199,000) was recognised in profit or loss in the current year.

(b) Unlisted financial products

During the current year, the Group entered into several contracts of unlisted financial products with banks. The unlisted financial products are managed by related banks in the PRC to invest principally in certain financial assets including bonds, trusts and cash funds, etc. The unlisted financial products have been accounted for financial assets at FVTPL on initial recognition of which the return of the unlisted financial products was determined by reference to the performance of the underlying government debt instruments and treasury notes and as at 31 December 2021 the expected return rate stated in the contracts ranges from 1.78% to 4.60% (31 December 2020: 2.15% to 3.95%) per annum.

In the opinion of the Directors of the Company, the fair value change of the unlisted financial products is insignificant in the current year.

(c) Debt instruments

During the current year, the Group disposed a debt instrument at the proceed of RMB32,427,000 (2020: RMB81,668,000). The remaining debt instruments will be redeemed in the coming year.

The loss on the fair value change of the remaining debt instruments amounting to RMB193,000 (2020: gain of RMB47,000) was recognised in the profit or loss in the current year.

(d) Equity investments

The Group’s equity investments in several partnership enterprises amounting of RMB19,518,000 (31 December 2020: RMB133,352,000) were classified as financial assets at FVTPL. Since 1 September 2021, the investment in 餘姚市陽明智行投資中心 (有限合夥) (“**V Fund**”) with the carrying amount of RMB74,641,000 was reclassified as interests in an associate. During the current year, a fair value loss of RMB8,151,000 (2020: gain of RMB32,773,000) was recognised in the profit or loss.

16. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

At the end of the reporting period, the Group held certain derivatives classified as held for trading and not under hedge accounting as follows:

| | Assets | | Liabilities | |
|------------------------------------|----------------|----------------|----------------|----------------|
| | 31/12/2021 | 31/12/2020 | 31/12/2021 | 31/12/2020 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Foreign currency forward contracts | 27,120 | 17,657 | 41,321 | 9,865 |
| Foreign currency options contracts | – | 3,650 | 4,087 | 96,805 |
| Foreign exchange swap contracts | 117 | – | 95 | – |
| Total | 27,237 | 21,307 | 45,503 | 106,670 |
| Less: current portion | | | | |
| Foreign currency forward contracts | 27,120 | 17,657 | 36,264 | 5,083 |
| Foreign currency options contracts | – | 3,650 | 4,087 | 96,805 |
| Foreign exchange swap contracts | 117 | – | 95 | – |
| | 27,237 | 21,307 | 40,446 | 101,888 |
| Non-current portion | – | – | 5,057 | 4,782 |

As at 31 December 2021, the Group had entered into the following foreign currency forward contracts, foreign currency options contracts and foreign exchange swap contracts:

Foreign currency forward contracts

The Group entered into several USD/RMB foreign currency forward contracts with banks in the PRC in order to manage the Group's foreign currency risk.

| | <u>Receiving currency</u> | <u>Selling currency</u> | <u>Maturity date</u> | <u>Weighted average forward exchange rate</u> |
|--------------------|---------------------------|-------------------------|------------------------------------|---|
| Contract Series W | USD33,750,000 | RMB233,051,625 | Semi-annually till 18 January 2023 | USD:RMB from 6.82 to 6.99 |
| Contract 5 | USD90,000,000 | RMB594,738,000 | 15 June 2022 | USD:RMB: 6.61 |
| Contract 6 | USD60,000,000 | RMB396,540,000 | 15 June 2022 | USD:RMB: 6.61 |
| Contract 7 | USD26,400,000 | RMB173,313,360 | 22 February 2022 | USD:RMB: 6.56 |
| Contract 8 | USD50,000,000 | RMB322,940,000 | 29 June 2022 | USD:RMB: 6.46 |
| Contract 9 | USD9,000,000 | RMB58,478,400 | 11 January 2022 | USD:RMB: 6.50 |
| Contract 10 | USD7,600,000 | RMB49,231,280 | 13 January 2022 | USD:RMB: 6.48 |
| Contract 11 | USD29,000,000 | RMB186,719,400 | 25 January 2022 | USD:RMB: 6.44 |
| Contract Series 12 | USD115,000,000 | RMB745,561,400 | Monthly till 27 June 2022 | USD:RMB from 6.46 to 6.55 |
| Contract Series 13 | USD50,000,000 | RMB327,996,000 | Monthly till 25 March 2022 | USD:RMB from 6.55 to 6.57 |
| Contract 14 | USD20,800,000 | RMB134,266,080 | 9 February 2022 | USD:RMB: 6.46 |

Foreign currency options contracts

The Group entered into several USD/RMB foreign currency options contracts with banks in the PRC in order to manage the Group's foreign currency risk.

The Group is required to transact with the banks for designated notional amount on each of the valuation dates specified within the respective contracts ("**Valuation Date**").

At each Valuation Date, the reference rate which represents the spot rate as specified within the respective contracts shall be compared against the strike rates (upper and lower)/barrier rate as specified within the respective contracts, and the Group may receive from/pay to the bank an amount as specified in the contracts if certain conditions specified within the respective contracts are met.

Extracts of details of foreign currency options contracts from the respective contracts outstanding as at 31 December 2021 are as follows:

| | Notional amount | Strike/barrier rates | Ending settlement date |
|------------|----------------------------|-----------------------------|-------------------------------|
| | <i>USD'000</i> | | |
| Contract G | 24,000 | USD:RMB at 1:6.4630 | 24 January 2022 |
| Contract H | 40,000 | USD:RMB at 1:6.3893 | 25 January 2022 |
| Contract I | 30,000 | USD:RMB at 1:6.5041 | 26 January 2022 |
| Contract J | 30,000 | USD:RMB at 1:6.4964 | 26 January 2022 |
| Contract K | 44,710 | USD:RMB at 1:6.3925 | 23 February 2022 |
| Contract L | 35,000 | USD:RMB at 1:6.4785 | 23 February 2022 |
| Contract M | 30,000 | USD:RMB at 1:6.4025 | 24 March 2022 |
| Contract N | 59,000 | USD:RMB at 1:6.4424 | 28 March 2022 |

Foreign exchange swap contracts

The Group entered into several Euro ("**EUR**")/USD and HKD/USD foreign exchange swap contracts with banks in the PRC in order to manage the Group's foreign currency risk.

| | Receiving currency | Selling currency | Maturity date | Strike Rate |
|------------|---------------------------|-------------------------|----------------------|--------------------|
| Contract A | USD30,038,473 | EUR26,442,039 | 7 January 2022 | EUR:USD: 1.14 |
| Contract B | USD30,000,000 | HKD233,928,000 | 1 June 2022 | USD:HKD: 7.80 |
| Contract C | USD30,000,000 | HKD233,967,000 | 28 June 2022 | USD:HKD: 7.80 |

The Group has entered certain derivative transactions that are covered by the International Swaps and Derivatives Association Master Agreements ("**ISDA Agreements**") signed with a bank. These derivative instruments are not offset in the consolidated statement of financial position as the ISDA Agreements are in place with a right of set off only in the event of default, insolvency or bankruptcy so that the Group currently has no legally enforceable right to set off the recognised amounts.

17. TIME DEPOSITS/PLEDGED BANK DEPOSITS/SHORT TERM FIXED DEPOSITS/BANK BALANCES AND CASH

During the year ended 31 December 2021, the Group deposited RMB500,000,000 time deposits with several banks in the PRC. These time deposits carry fixed interest rates ranging from 3.85% to 4.18% (31 December 2020: 3.85% to 4.18%) per annum. The remaining maturity period of these time deposits is more than one year and are therefore classified as non-current assets.

The Group pledged certain of its bank deposits to banks as security for letters of guarantee and the pledged bank deposits carry fixed interests rates ranging from 1.80% to 3.50% (31 December 2020: at 1.35%) per annum.

Short term fixed deposits carry fixed interest rates ranging from 1.20% to 1.90% (31 December 2020: 1.92% to 3.15%) per annum. Short term fixed deposits have original maturity dates less than one year and therefore classified as current assets.

Bank balances, which represent saving accounts and deposits, carry interest at market saving rates ranging from 0.30% to 1.70% (31 December 2020: at 0.30%) per annum.

18. INVENTORIES

| | 31/12/2021 | 31/12/2020 |
|------------------|------------------|------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Raw materials | 1,510,395 | 1,126,857 |
| Work in progress | 202,365 | 193,666 |
| Finished goods | 3,769,098 | 4,462,548 |
| | 5,481,858 | 5,783,071 |

19. TRADE AND OTHER RECEIVABLES AND PREPAYMENT

| | 31/12/2021 | 31/12/2020 |
|--|------------------|------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Current assets | | |
| Trade receivables | 5,730,277 | 6,888,146 |
| Less: allowance for ECL | (95,625) | (95,903) |
| | 5,634,652 | 6,792,243 |
| Bill receivables | 1,009,636 | 756,530 |
| Loan receivables (Note) | 142,829 | 164,998 |
| Other receivables and prepayment | | |
| Value added tax and other tax receivables | 119,284 | 92,948 |
| Advance to suppliers | 110,068 | 77,578 |
| Interest receivables | 130,416 | 54,277 |
| Prepaid expenses | 145,316 | 119,584 |
| Utilities deposits and prepayment | 41,429 | 75,561 |
| Advances to employees | 88,915 | 68,701 |
| Others | 25,840 | 9,605 |
| | 661,268 | 498,254 |
| Total trade and other receivables and prepayment | 7,448,385 | 8,212,025 |

Note: The Group provides fixed-rate loans with a term from one month to one year to local individuals and small enterprises in the PRC. All loans are either backed by guarantees and/or secured by collaterals.

The Group allows a credit period of average 90 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for credit loss presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates.

| | <u>31/12/2021</u> | <u>31/12/2020</u> |
|----------------|-------------------------|-------------------------|
| | <u>RMB'000</u> | <u>RMB'000</u> |
| Within 90 days | 5,540,795 | 6,599,719 |
| 91 to 180 days | 92,903 | 191,585 |
| Over 180 days | 954 | 939 |
| | <u>5,634,652</u> | <u>6,792,243</u> |

The credit period of bill receivables is 90 to 180 days. Aging of bill receivables based on the issue date at the end of the reporting period is as follows:

| | <u>31/12/2021</u> | <u>31/12/2020</u> |
|----------------|-------------------------|-----------------------|
| | <u>RMB'000</u> | <u>RMB'000</u> |
| Within 90 days | 927,195 | 647,049 |
| 91 to 180 days | 82,441 | 109,481 |
| | <u>1,009,636</u> | <u>756,530</u> |

All bills received by the Group are with a maturity period of less than one year.

As at 31 December 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB50,024,000 (31 December 2020: RMB31,818,000) which are past due as at the reporting date. Out of the past due balances, nil (31 December 2020: nil) has been past due 90 days or more.

20. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date and note payables presented based on the issue date at the end of reporting period.

| | <u>31/12/2021</u> | <u>31/12/2020</u> |
|--|-------------------------|--------------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Current liabilities | | |
| Trade payables | | |
| Within 90 days | 4,262,386 | 5,525,012 |
| 91 to 180 days | 742,744 | 829,036 |
| Over 180 days | 355 | 495 |
| Accrued purchases | 925,738 | 804,832 |
| | <u>5,931,223</u> | <u>7,159,375</u> |
| | | |
| Note payables | | |
| Within 90 days | 1,336,260 | 1,022,991 |
| 91 to 180 days | 385,024 | 312,985 |
| Over 180 days | 100,000 | — |
| | <u>1,821,284</u> | <u>1,335,976</u> |
| | | |
| Payables for purchase of property, plant and equipment | 267,891 | 182,910 |
| Staff salaries and welfare payables | 1,311,836 | 1,222,684 |
| Labor outsourcing payables | 139,747 | 168,504 |
| Payables for acquisition of patents | 40,913 | 45,651 |
| Value added tax payables and other tax payables | 113,297 | 341,112 |
| Commission payables | 19,493 | 32,471 |
| Interest payables | 64,473 | 65,878 |
| Rental and utilities payables | 58,346 | 50,808 |
| Others | 100,184 | 127,995 |
| | <u>2,116,180</u> | <u>2,238,013</u> |
| | <u>9,868,687</u> | <u>10,733,364</u> |
| Non-current liabilities | | |
| Long term payables | | |
| Payables for acquisition of patents | <u>172,044</u> | <u>245,636</u> |

The credit period on purchases of goods is up to 180 days (2020: 180 days) and the credit period for note payables is 90 days to 365 days (2020: 90 days to 180 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

21. BANK BORROWINGS

| | | |
|--|-------------------|----------------|
| Unsecured | 31/12/2021 | 31/12/2020 |
| | RMB'000 | RMB'000 |
| Guaranteed | 1,601,327 | 1,381,243 |
| Unguaranteed | 637,570 | 689,368 |
| | 2,238,897 | 2,070,611 |
| | 31/12/2021 | 31/12/2020 |
| | RMB'000 | RMB'000 |
| The carrying amounts of the above borrowings are repayable*: | | |
| Within one year | 1,538,897 | 2,070,611 |
| Within a period of more than one year but not exceeding two years | 700,000 | — |
| | 2,238,897 | 2,070,611 |

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The exposure of the Group's bank borrowings are as follows:

| | | |
|--------------------------|-------------------|----------------|
| | 31/12/2021 | 31/12/2020 |
| | RMB'000 | RMB'000 |
| Fixed-rate borrowings | 900,000 | 1,124,500 |
| Variable-rate borrowings | 1,338,897 | 946,111 |
| | 2,238,897 | 2,070,611 |

The range of effective interest rates per annum (which are equal to contractual interest rates) on the Group's bank borrowings are as follows:

| | | |
|--------------------------|--------------------|-------------|
| | 31/12/2021 | 31/12/2020 |
| Fixed-rate borrowings | 3.10% | 2.96% |
| Variable-rate borrowings | 0.60%-0.87% | 0.85%-1.14% |

The variable-rate borrowings as at 31 December 2021 and 31 December 2020 were denominated in USD which carried the floating-rates at London Inter-Bank Offer Rate ("LIBOR") plus a premium.

The Group's bank borrowings that are denominated in currency other than the functional currencies of the relevant group entities are set out below:

| | | |
|-----|-------------------|----------------|
| | 31/12/2021 | 31/12/2020 |
| | RMB'000 | RMB'000 |
| USD | 1,338,897 | 946,111 |

22. BONDS PAYABLE

On 16 January 2018, the Company issued unsecured bonds in the amount of USD600 million at the rate of 3.75% which will be due by 2023 to professional investors outside of the United States in accordance with Regulation S under the U.S. Securities Act. The issuance has been completed on 23 January 2018 and the listing of the bonds in the Hong Kong Stock Exchange became effective on 24 January 2018.

The Company had used all of the net proceeds from the bonds for funding capital expenditures, fulfilling working capital requirements, refinancing existing indebtedness and other general corporate purposes.

During the current year, interest expense of approximately RMB153,970,000 (2020: RMB164,282,000) was recognised in the consolidated statement of profit or loss and other comprehensive income.

23. SHARE CAPITAL

| | Number of shares | Amount | Equivalent to |
|---|-----------------------------|-------------------|----------------------|
| | | <i>HKD'000</i> | <i>RMB'000</i> |
| Authorised: | | | |
| Ordinary shares of HKD0.10 each at 31 December 2020 and 31 December 2021 | <u>100,000,000,000</u> | <u>10,000,000</u> | |
| Issued & fully paid: | | | |
| Ordinary shares of HKD0.10 each at 31 December 2020 and 31 December 2021 | <u>1,096,849,700</u> | <u>109,685</u> | <u>105,163</u> |

Scope of work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in the design, research and development (the “**R&D**”), manufacture and sales of optical and optical-related products. Such products include optical components (such as glass spherical and aspherical lenses, handset lens sets, vehicle lens sets, security surveillance lens sets and other various lens sets) (the “**Optical Components**”), optoelectronic products (such as handset camera modules, three dimensional (the “**3D**”) optoelectronic products, vehicle modules and other optoelectronic modules) (the “**Optoelectronic Products**”) and optical instruments (such as microscopes and intelligent inspection equipment) (the “**Optical Instruments**”). The Group focuses on the application fields of optoelectronic-related products, such as handsets, digital cameras, vehicle imaging and sensing systems, security surveillance systems, VR/AR and robots, which are combined with optical, electronic, algorithm and mechanical technologies.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2021, the Group’s revenue was approximately RMB37,496.9 million, representing a slight decrease of approximately 1.3% as compared to that of last year. The slight decrease in revenue was mainly attributable to the fact that the shipment volume of handset lens sets decreased as compared to that of last year, and the average selling prices of handset lens sets and handset camera modules decreased as compared to that of last year, which were affected by the downgraded specification and configuration of smartphone camera.

Revenue generated from the Optical Components business segment was approximately RMB8,776.1 million, representing a slight decrease of approximately 4.4% as compared to that of last year. The slight decrease in revenue was mainly attributable to the fact that the shipment volume of handset lens sets slightly decreased as compared to that of last year, and the average selling price of handset lens sets decreased as compared to that of last year, which was affected by the downgraded specification and configuration of smartphone camera.

Revenue generated from the Optoelectronic Products business segment was approximately RMB28,333.5 million, representing a slight decrease of approximately 0.6% as compared to that of last year. The slight decrease in revenue was mainly attributable to the fact that although the shipment volume of handset camera modules increased as compared to that of last year, the average selling price of handset camera modules decreased significantly as compared to that of last year, which was affected by the downgraded specification and configuration of smartphone camera and the change of customer structure, which offset the revenue growth brought by the increased shipment volume.

Revenue generated from the Optical Instruments business segment was approximately RMB387.3 million, representing an increase of approximately 18.7% as compared to that of last year. The increase in revenue was mainly attributable to the increased market demand for optical instruments applied to domestic industrial sector and the demand recovery of overall overseas market.

Gross Profit and Gross Profit Margin

The gross profit of the Group for the year ended 31 December 2021 was approximately RMB8,736.2 million, representing an increase of approximately 0.4% as compared to that of last year. The gross profit margin was approximately 23.3% (2020: approximately 22.9%), which was approximately 0.4 percentage point higher as compared to that of last year.

The gross profit margins of Optical Components business segment, Optoelectronic Products business segment and Optical Instruments business segment were approximately 39.5%, 13.7% and 45.1%, respectively (2020: approximately 42.8%, 12.6% and 39.2%, respectively).

Selling and Distribution Expenses

The selling and distribution expenses of the Group for the year ended 31 December 2021 were approximately RMB274.1 million, representing a decrease of approximately 12.6% as compared to that of last year. It accounted for approximately 0.7% of the Group's revenue during the year, as compared to approximately 0.8% of last year. The decrease in absolute amount was attributable to the continuous strengthening the expense management by the Group. The testing fees, property insurance premiums and other selling and distribution expenses have been decreased.

R&D Expenditure

The R&D expenditure of the Group for the year ended 31 December 2021 was approximately RMB2,642.2 million, representing an increase of approximately 5.7% as compared to that of last year. It accounted for approximately 7.0% of the Group's revenue during the year, as compared to approximately 6.6% of last year. The increase in absolute amount was attributable to the Group's continuous investments in the upgrade of existing products and the R&D of products related to the emerging businesses of the Group.

Administrative Expenses

The administrative expenses of the Group for the year ended 31 December 2021 were approximately RMB757.6 million, representing an increase of approximately 5.4% as compared to that of last year. It accounted for approximately 2.0% of the Group's revenue during the year, as compared to approximately 1.9% of last year. The increase in absolute amount was attributable to the increase in the headcount and remuneration of administrative staff, the grant of restricted shares and the informationization construction.

Income Tax Expense

The income tax expense of the Group for the year ended 31 December 2021 was approximately RMB579.0 million, representing a decrease of approximately 17.6% as compared to that of last year. The decrease in absolute amount was mainly attributable to the increase of additional tax deduction on eligible R&D expenditure. The Group's effective tax rate was approximately 10.3% during the year, as compared to approximately 12.5% of last year.

The tax rates applicable to the Group's subsidiaries in the PRC are shown as follows:

| Name of subsidiaries | Kind of legal entities | 2020 | 2021 | 2022 (Expected) | 2023 (Expected) |
|--|---|-------|--------------|--------------------|--------------------|
| **Zhejiang Sunny Optics Co., Ltd. ("Sunny Zhejiang Optics") | Limited liability company (Taiwan, Hong Kong or Macau joint venture) | 15.0% | 15.0% | 15.0% | 15.0% |
| **Ningbo Sunny Instruments Co., Ltd. ("Sunny Instruments") | Limited liability company (Taiwan, Hong Kong or Macau joint venture) | 15.0% | 15.0% | 15.0% | 15.0% |
| **Sunny Optics (Zhongshan) Co., Ltd. ("Sunny Zhongshan Optics") | Limited liability company (Taiwan, Hong Kong or Macau and domestic joint venture) | 15.0% | 15.0% | 15.0% | 15.0% |
| **Ningbo Sunny Opotech Co., Ltd. ("Sunny Opotech") | Limited liability company (Taiwan, Hong Kong or Macau and domestic joint venture) | 15.0% | 15.0% | 15.0% | 15.0% |
| **Ningbo Sunny Infrared Technologies Co., Ltd. ("Sunny Infrared Optics") | Limited liability company (investment by foreign investment company) | 15.0% | 15.0% | 15.0% | 15.0% |
| **Ningbo Sunny Automotive Optech Co., Ltd. ("Sunny Automotive Optech") | Limited liability company (legal person sole investment by foreign investment company) | 15.0% | 15.0% | 15.0% | 15.0% |
| **Xinyang Sunny Optics Co., Ltd. ("Sunny Xinyang Optics") | Limited liability company (investment by foreign investment company) | 15.0% | 15.0% | 15.0% | 15.0% |
| **Yuyao Sunny Optical Intelligence Technology Co., Ltd. ("Sunny Optical Intelligence (Yuyao)") | Limited liability company (legal person sole investment) | 15.0% | 15.0% | 15.0% | 15.0% |
| **Ningbo Sunny Intelligent Technology Co., Ltd. ("Sunny Intelligent Technology") | Limited liability company (legal person sole investment) | 25.0% | 15.0% | 15.0% | 15.0% |
| **Sunny Optical (Zhejiang) Research Institute Co., Ltd. ("Sunny Research Institute") | Limited liability company (legal person sole investment) | 15.0% | 15.0% | 15.0% | 15.0% |
| **Zhejiang Sunny SmartLead Technologies Co., Ltd. ("Sunny SmartLead") | Limited liability company (legal person sole investment) | 15.0% | 15.0% | 15.0% | 15.0% |
| Zhejiang Sunny Optical Intelligence Technology Co., Ltd. ("Sunny Optical Intelligence") | Limited liability company | 12.5% | 12.5% | 25.0% | 25.0% |
| Shanghai Sunny Yangming Precision Optics Co., Ltd. ("Sunny Shanghai Optics") | Limited liability company (legal person sole investment by foreign investment company) | 25.0% | 25.0% | 25.0% | 25.0% |
| Sunny Group Company Limited ("Sunny Group") | Limited liability company (legal person sole investment by foreign investment company) | 25.0% | 25.0% | 25.0% | 25.0% |

| Name of subsidiaries | Kind of legal entities | 2020 | 2021 | 2022 (Expected) | 2023 (Expected) |
|---|---|-------|--------------|--------------------|--------------------|
| ¹ Ningbo Mei Shan Bao Shui Gang Qu Sunxin Investment Partnership (Limited Partnership) (“ Ningbo Sunxin Investment ”) | Limited partnership company | N/A | N/A | N/A | N/A |
| Ningbo Mei Shan Bao Shui Gang Qu Sunyi Investment Co., Ltd. (“ Ningbo Sunyi Investment ”) | Limited liability company | 25.0% | 25.0% | 25.0% | 25.0% |
| Yuyao City Sunny Huitong Microcredit Co., Ltd. (“ Sunny Huitong ”) | Limited liability company (legal person sole investment) | 25.0% | 25.0% | 25.0% | 25.0% |
| Ningbo Sunny OmniLight Technology Co., Ltd. (“ Sunny OmniLight Technology ”) | Limited liability company (legal person sole investment) | 25.0% | 25.0% | 25.0% | 25.0% |
| Sunny Mobility Technologies (Ningbo) Co., Ltd. (“ Sunny Mobility ”) | Limited liability company (legal person sole investment) | 25.0% | 25.0% | 25.0% | 25.0% |
| Shanghai Wissen Automotive Sensing Technology Co., Ltd. (“ Shanghai Wissen ”) | Limited liability company (legal person sole investment) | 25.0% | 25.0% | 25.0% | 25.0% |
| Ningbo Yuanheng Supply Chain Management Co., Ltd. (“ Ningbo Yuanheng ”) | Limited liability company (legal person sole investment) | 25.0% | 25.0% | 25.0% | 25.0% |
| [@] Zhejiang Sunnyverse Technology Co., Ltd. (“ Sunnyverse Technology ”) | Limited liability company (joint venture invested by foreign investment company) | N/A | 25.0% | 25.0% | 25.0% |
| [@] Sunny OmniLight Technology (Shanghai) Co., Ltd. (“ Sunny OmniLight (Shanghai) ”) | Limited liability company (legal person sole investment by foreign investment company) | N/A | 25.0% | 25.0% | 25.0% |

Notes:

- * The companies were recognised as Hi-Tech Enterprises prior to the balance sheet date.
- + The companies have obtained Hi-Tech Enterprise Certification with the expiry dates on 31 December 2021, 31 December 2022 or 31 December 2023, respectively.
- The company was recognised as a Software Company prior to the balance sheet date, and is entitled to the preferential policies of full exemption from enterprise income tax for the first two years and 50% reduction for the subsequent three years.
- ¹ The partners of the company shall be liable for the income tax on their own as it is a limited partnership company.
- [@] The companies were established during the year.

Net Profit and Net Profit Margin

The net profit of the Group for the year ended 31 December 2021 was approximately RMB5,055.9 million, representing an increase of approximately 2.3% as compared to that of last year. The increase in net profit was mainly attributable to the increase in gross profit and the decrease in income tax expense. The net profit margin was approximately 13.5% (2020: approximately 13.0%).

Profit for the Year Attributable to Owners of the Company and Basic Earnings per Share

The profit for the year attributable to owners of the Company for the year ended 31 December 2021 was approximately RMB4,988.0 million, representing an increase of approximately 2.4% as compared to that of last year. The basic earnings per share for the year ended 31 December 2021 was approximately RMB456.52 cents, representing an increase of approximately 2.4% as compared to that of last year.

FINAL DIVIDENDS

For the year ended 31 December 2021, the Board proposed final dividends of approximately RMB0.910 (equivalent to HKD1.118) per share, with payout ratio of approximately 20.0% of the profit for the year attributable to owners of the Company. The final dividends, which will be payable on 23 June 2022, are subject to the approval of the shareholders of the Company at the forthcoming AGM to be held on 24 May 2022.

Details of final dividends for the year ended 31 December 2021 are set out in Note 9 of this announcement.

BUSINESS REVIEW

During the year under review, facing the rapid-changing market landscape, fierce industrial competition and the impact of the normalized pandemic, the Group maintained a leading position in the industry through the following aspects:

1. devoted in the R&D and application of new technologies, accelerated the iteration in the development of new products and new specifications, challenged and took the “commanding height” of the industry;
2. enhanced refined management, realised distinct division of duties and clear workflow under a common goal and thereby improved the quality of operation;
3. increased investments in new businesses, firmly grasped the development opportunities in the emerging markets and rapidly developed the growth points of new businesses; and
4. enhanced the internal incentive mechanism and further practised the core value of “Create Together”.

The establishment and improvement of the patent system is an important manifestation of the core capability of an enterprise. In order to advance technological innovation, further improve the market competitiveness and prevent operational risks effectively in intellectual property rights, the Group has established a professional intellectual property rights management team which actively formulated strategies on corporate patents and has been proactively formulating overall planning in relation to the patent layout. As at 31 December 2021, the Group had 2,971 granted patents, including 1,092 invention patents, 1,806 utility model patents and 73 exterior design patents. In addition, 3,970 patent applications are pending for approval.

OPTICAL COMPONENTS

For the year ended 31 December 2021, the revenue from the Optical Components business segment was approximately RMB8,776.1 million, representing a decrease of approximately 4.4% as compared to that of last year. This segment accounted for approximately 23.4% of the Group's total revenue, as compared to approximately 24.2% of last year.

During the year under review, the shipment volume of handset lens sets of the Group amounted to 1,439,545,000 units, representing a decrease of approximately 5.9% as compared to that of last year, with 6 pieces of plastic lens (“6P”) and above products accounting for approximately 25.6% of total shipment volume. Under the impact of the weak demand in the global smartphone market, the downgrade in specification of terminal configurations, the restrictions on the supply chain and other unfavorable factors, the shipment volume growth and the specification upgrade of handset lens sets of the Group were under certain pressures. Facing the unfavorable objective environment, the Group continued to promote the optimisation of the customer structure and enhance R&D and process and technological capabilities, thus continued to consolidate the global No. 1 position in terms of the market share amid fierce market competition. Meanwhile, the Group also proactively carried out the layout on product innovation to meet customers' demands. During the year under review, it completed the R&D of various high-specification handset lens sets, mainly including ultra-thin miniaturized head handset lens sets for foldable phones, 200-mega pixel ultra-large image size (1/1.22”) handset lens sets, ultra-large image size (1/1.12”) handset lens sets with 8 pieces of plastic lens (“8P”), wide-angle handset lens sets with two pieces of freeform lens and the large image size (1/1.5”) periscope handset lens sets specially for ultra-high-definition portrait shooting. Additionally, ultra-wide angle (140° above) handset lens sets, ultra-thin large image size (1/1.5”) handset lens sets and new large image size main handset lens sets with glass aspherical lenses have commenced mass production.

In terms of the vehicle lens sets business, although the tight supply of chips severely restricted the global automobile sales growth, the adoption rate of vehicle lens sets continuously increased benefiting from the development of autonomous driving. Leveraging on its leading competitive advantages, the shipment volume of vehicle lens sets of the Group amounted to 67,980,000 units during the year under review, representing an increase of approximately 21.0% as compared to that of last year and further consolidated its global No. 1 position in terms of market share. Meanwhile, the Group continued to achieve breakthroughs in technological R&D and product innovation for vehicle lens sets. After tackling the problem of temperature excursion of plastic lenses, the Group has completed the R&D of 2-mega and 3-mega pixel advanced driver assistant systems (“ADAS”) hybrid vehicle lens sets containing multiple plastic lenses during the year under review, which could significantly reduce the cost and improve the performance of the products. Meanwhile, the Group also solved the reliability problem of exposed plastic lenses through the adoption of special plastic materials and special coating processes and commenced mass production of all-plastic rear-view vehicle lens sets. In addition, the Group deeply knows the important role of platform manufacturers in the evolution of autonomous driving and has carried out in-depth cooperation with various platform manufacturers. During the year under review, the Group has passed the certification on 8-mega pixel ADAS vehicle lens sets based on several platforms of NVIDIA, Qualcomm and Horizon Robotics, etc. and has obtained platform-based projects from various automobile manufacturers. Many platform-based projects have commenced mass production. Meanwhile, the Group initiated ADAS vehicle lens sets with the automatic defrosting and demisting functions and has obtained level 3 to level 4 of autonomous driving platform-based projects from various automobile manufacturers.

In terms of the emerging vehicle business field, the Group continued to speed up the R&D and market promotion of LiDAR, head-up display (“HUD”), smart headlamp and other new products and continuously deployed optical sensing technologies and products for the continuous upgrade of smart driving system. In respect of LiDAR, through providing receiving and transmitting lens sets components and assemblies, receiving and transmitting modules, optical windows, polygonal prisms and other core optical components, the Group has obtained over 20 designated cooperative projects during the year under review, two of which have commenced mass production. The Group will continue to add value to LiDAR manufacturers. In respect of HUD, the Group has commenced mass production of freeform lenses, one of its core components. Meanwhile, the Group has commenced small-batch supply of the core optical engine for holographic AR HUD solutions. In respect of smart headlamp, the Group has commenced small-batch supply of the core lens sets for various 0.01-mega pixel projecting modules.

In terms of the emerging optical market field, the Group firmly seized the opportunities from the booming VR market, vigorously explored the global market and boosted efforts in product R&D. During the year under review, the Group completed the R&D of the new-generation VR positioning lens sets, which further tackled temperature excursion and improved the stability of spatial orientation. Meanwhile, it also completed the R&D of binocular VR optical modules, which further improved distortion and chromatism and optimised the display effect of VR. Additionally, the Group has commenced mass production of VR eyepieces with two fresnel lenses. The eyepieces improved the immersive experience of VR through enlarging the field of view.

As at 31 December 2021, a total of 1,667 granted patents have been obtained by the Group in the Optical Components business segment, including 493 invention patents, 1,167 utility model patents and 7 exterior design patents. In addition, 2,241 patents are pending for approval.

OPTOELECTRONIC PRODUCTS

For the year ended 31 December 2021, the revenue from the Optoelectronic Products business segment was approximately RMB28,333.5 million, representing a slight decrease of approximately 0.6% as compared to that of last year. This segment accounted for approximately 75.6% of the Group’s total revenue, as compared to approximately 75.0% of last year.

During the year under review, the shipment volume of handset camera modules of the Group amounted to 673,725,000 units, representing an increase of approximately 13.6% as compared to that of last year, with the periscope modules and large image size (image size is 1/1.7” and above) modules accounting for approximately 6.7% of total shipment volume. Under the impact of the weak demand for smartphone market, the downgrade in terminal configurations, the lower proportion of high-end products and other unfavorable factors, the Group surmounted the challenges, overcame heavy pressures and further expanded the shares in domestic and foreign famous customers. It achieved a good shipment growth during the year under review and occupied the global No. 1 position in terms of the market share. At the same time, in order to further strengthen the market competitiveness and enhance the technological added-value of the products, the Group has completed the R&D of various handset camera modules during the year under review, including cost-effective 5X optical zoom periscope handset camera modules and ultra-large image size (1/1.12”) handset camera modules. In addition, dual optical image stabilization (“OIS”) handset camera modules and new large image size main handset camera modules with glass aspherical lenses have commenced mass production.

In addition, the Group further strengthened the R&D and introduction of the process capability. While achieving high level of automation, it significantly improved the output efficiency and the production yield rate during the whole manufacturing process. During the year under review, the Group developed the close-loop assembly and testing line independently and put it into use, realising one-stop production and turnover from chip on board (“**COB**”) to active alignment (“**AA**”) and testing. Therefore, it can save the turnover time and reduce the defect rate in turnover. Meanwhile, the Group has completed the development of equipment for the testing of OIS handset camera modules, which has been successfully put into production. The equipment can realise automatic loading and unloading and the operation model with one person responsible for more machines, thereby significantly improving the testing efficiency.

In terms of vehicle modules business, in order to solve customers’ pain points and industrial difficulties, the Group ensured product performance and reliability from the perspective of product innovation and improving product quality, deepened the technical elements of the whole product lines, and improved the layout of product lines including environmental sensing, in-cabin monitoring and external viewing. During the year under review, the Group completed the R&D of various vehicle modules, including 3-mega pixel panoramic vehicle modules, 3-mega pixel ultra-wide angle vehicle modules for rear-view electronic mirror and super high resolution vehicle modules for car video blog (“**Carlog**”). Meanwhile, the Group has also achieved mass production of various sensing vehicle modules for external environment, including 1.7-mega pixel, 2-mega pixel, 5-mega pixel and 8-mega pixel. In addition, the Group’s 8-mega pixel vehicle modules applied to the platforms of Horizon Robotics, Mobileye and NVIDIA have obtained more than 10 designated customers, among which 8-mega pixel vehicle modules applied to Horizon Robotics and Mobileye have commenced mass production. In terms of in-cabin monitoring, 1.3-mega pixel and 2-mega pixel driver monitoring vehicle modules and 2-mega pixel occupancy monitoring vehicle modules have also commenced mass production and the products were sold to superior domestic and overseas customers. Moreover, with the constantly increasing requirements on the accuracy and reliability of vehicle cameras and based on its extensive experience in the camera module industry, the Group has established the automotive-grade COB production line and has the capability to commence mass production.

In terms of the robotic vision business, the Group continued to deploy two product categories of robotic recognition and positioning and focused on technological innovation to explore broader market applications. In terms of the recognition business, the Group has made breakthroughs in structured light modules with its self-developed and self-optimised algorithm in the application scenario of identity verification. The dual-camera and structured light modules have been also recognized by customers in the application scenario of smart door locks with facial recognition. In terms of the positioning business, the Group’s VR visual modules were in the leading position in terms of market share and it conducted cooperation with globally-renowned customers as a major supplier. At the same time, the solutions for the visual systems of service robots with the simultaneous location and mapping (“**SLAM**”) and the visual navigation technology as the core have commenced application in the clients. Additionally, the Group has completed the tape-out of visual artificial intelligence (“**AI**”) chips during the year under review to facilitate the Group to provide more comprehensive optical system solutions to customers.

As at 31 December 2021, a total of 1,109 granted patents have been obtained by the Group in the Optoelectronic Products business segment, including 557 invention patents, 513 utility model patents and 39 exterior design patents. In addition, 1,642 patents are pending for approval.

OPTICAL INSTRUMENTS

For the year ended 31 December 2021, the revenue from the Optical Instruments business segment was approximately RMB387.3 million, representing an increase of approximately 18.7% as compared to that of last year. This segment accounted for approximately 1.0% of the Group's total revenue, as compared to approximately 0.8% of last year.

In terms of the microscopes business, the Group has been immersed in into technological innovation for consecutive years to achieve further breakthroughs. During the year under review, the Group has completed the R&D of the first 25X flat field multiphoton excitation dedicated objectives for commercial use in China. With large numerical aperture and broadband achromatic correction, the objectives achieved breakthroughs in near-infrared single-photon and multiphoton in-depth and high spatial resolution. Meanwhile, all series of objective lenses of super apochromat have commenced mass production. Such objective lenses have the largest numerical aperture and achromatic correction range in China, and can realize high resolution and high precision imaging in the scientific research field.

In terms of the intelligent equipment business, the Group continued to place strong emphasis on two application scenarios, namely the industrial and medical fields. In the industrial field, the Group successfully completed the R&D of AA equipment for VR modules during the year under review. The equipment is used in active alignment for VR modules and liquid crystal displays. Besides, it also completed the R&D of the integrated production line for the testing of handset lens sets. Meanwhile, the vehicle plain glass with large size inspection equipment for appearance inspection of the glass of active center stack has commenced mass production. Additionally, in the medical field, the Group has completed the R&D of chromosome karyotype auto microscopic scanner, which can be applied in prenatal examination, screening and diagnosis, genetic diseases diagnosis, hematologic tumor diagnosis and other fields and has successfully replaced imported equipment.

As at 31 December 2021, a total of 195 granted patents have been obtained by the Group in the Optical Instruments business segment, including 42 invention patents, 126 utility model patents and 27 exterior design patents. In addition, 87 patents are pending for approval.

OUTLOOK AND FUTURE STRATEGIES

Looking forward, it is foreseeable that the global economic recovery might still face difficulties, and the international environment will be intricate and complicated, hence the consumer demand will be likely to remain weak. The development of relevant industries is not optimistic and some enterprises will face huge operation pressure. However, as digital economy and green economy gradually become the main engines to the global economic growth, they will bring new growth potentials and development opportunities to the optoelectronic industry. The rapid development of autonomous driving will promote the adoption of multi-sensor and huge market potentials will be appeared in VR/AR, robotic vision and other emerging industries. As such, short-term pressure also serves as the driving force and the Group will remain confident on the future development. It will continue to strengthen and expand the existing advantageous businesses and constantly expand the market shares. Meanwhile, it will actively increase the investments in emerging businesses to take over the “commanding height” of the industry. It will also further strengthen technological innovation and improve operation and management to achieve high quality and sustainable development.

- 1. Strengthen and expand the existing advantageous businesses, further expand the market share**
 - Continue to advance the R&D and self-production of new technologies and key components, strengthen the application of new processes and new technologies in the manufacturing of products and improve the first pass yield rate, product quality and the consistency of quality;
 - Speed up the development and iteration of new-specification and high-specification products, attract and guide customers' demands; and
 - Continue to lower the product cost and achieve rapid, low-cost and high-quality delivery.
- 2. Continue to enhance investment in new businesses and take over strategic control points in the industry**
 - Enhance R&D investments in VR/AR, machine vision, LiDAR and other fields and improve the integration and technical content of products;
 - Aim at globally leading customers and win pioneer advantages in the markets to inject strong impetus into the sustainable and rapid development of the Group; and
 - Reinforce technological innovation, establish and improve the mechanism of new business incubation and cultivation.
- 3. Improve refined management and devote to continuously improving the quality of operation**
 - Deeply improve management systems, standardize management processes and speed up the construction of informatisation and the digital transformation of businesses;
 - Continue to improve the quality of operation, realise distinct division of duties and clear workflow under a common goal and achieve efficient business operation; and
 - Enhance risk management and promote the implementation of normalized and intelligent risk management.
- 4. Strengthen the construction of talent team**
 - Focus on attracting and retaining talents and advance the construction of cadre teams with the succession of intermediate and senior cadres as the driver.

Looking forward, the Group will actively leverage its leading technological advantages, constantly improve the patent layout and focus on product R&D and technological innovation continuously. It will pay close attention to market changes, rapidly respond to customers' demands and further deepen the construction of sustainable development capability to constantly enhance its comprehensive competitiveness, provide more optical products and services with high quality and high technical added value to top high-tech enterprises in the world, advance the improvement of corporate growth and value and continuously create more returns to shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

Cash Flows

The table below summarises the Group's cash flows for the years ended 31 December 2021 and 31 December 2020:

| | For the year ended 31 December | |
|---------------------------------------|--------------------------------|--------------------|
| | 2021 | 2020 |
| | <i>RMB million</i> | <i>RMB million</i> |
| Net cash from operating activities | 6,979.0 | 7,160.0 |
| Net cash used in investing activities | (2,901.5) | (5,976.2) |
| Net cash used in financing activities | (1,241.4) | (222.3) |

The Group derives its working capital mainly from cash on hand and net cash from operating activities. The Board expects that the Group will rely on net cash from operating activities, bank borrowings and debt financing to meet the demand of working capital and other capital expenditure requirements in the short run. In the long run, the Group will be mainly funded by net cash from operating activities and, if necessary, by additional bank borrowings, debt financing or equity financing. There were no material changes in the funding and financial policy of the Group for the year ended 31 December 2021.

As at 31 December 2021, the Group had current assets of approximately RMB27,989.3 million (31 December 2020: approximately RMB25,629.5 million), comprising bank balances and cash of approximately RMB5,605.2 million (31 December 2020: approximately RMB2,841.8 million); and current liabilities of approximately RMB11,873.5 million (31 December 2020: approximately RMB13,411.1 million). The Group's current ratio was approximately 2.4 times (31 December 2020: approximately 1.9 times). The Group's total assets as at 31 December 2021 was approximately RMB38,773.8 million, represented an increase by approximately 9.4% as compared to that as at 31 December 2020.

Operating Activities

Cash inflow from operating activities was mainly generated from cash receipt from sales of the Group's products. Cash outflow from operating activities was mainly used for the purchases of raw materials, staff costs, selling and distribution expenses, R&D expenditure and administrative expenses. Net cash from operating activities was approximately RMB6,979.0 million for the year ended 31 December 2021 and net cash from operating activities was approximately RMB7,160.0 million for the year ended 31 December 2020.

The trade receivables turnover days (average of the opening and closing trade receivables balances/revenue \times 365 days) decreased from approximately 73 days for the year ended 31 December 2020 to approximately 60 days for the year ended 31 December 2021. The decrease in trade receivables turnover days was mainly attributable to the revenue from those customers with longer credit terms grew faster during the year of 2020.

The trade payables turnover days (average of the opening and closing trade payable and accrued purchases balances/cost of sales \times 365 days) decreased from approximately 98 days for the year ended 31 December 2020 to approximately 83 days for the year ended 31 December 2021. The decrease in the trade payables turnover days was mainly attributable to the strategic stocking by the Group at the end of 2020.

The inventory turnover days (average of the opening and closing inventory balances/cost of sales \times 365 days) increased from approximately 68 days for the year ended 31 December 2020 to approximately 71 days for the year ended 31 December 2021. The increase in inventory turnover days was mainly attributable to the continuous strengthening of supply chain management and strategic stocking by the Group during this year.

Investing Activities

The Group recorded a net cash used in investing activities of approximately RMB2,901.5 million for the year ended 31 December 2021, which was mainly attributable to purchases and release of unlisted financial products of approximately RMB46,718.5 million and approximately RMB46,923.8 million during the year ended 31 December 2021 respectively, and the Group's capital expenditure amounted to approximately RMB2,588.9 million during the year.

Financing Activities

The Group recorded a net cash used in financing activities of approximately RMB1,241.4 million for the year ended 31 December 2021. The cash inflow mainly came from proceeds from new bank borrowings raised of approximately RMB5,557.9 million. Major outflows were the repayment of bank borrowings of approximately RMB5,354.7 million, dividends paid to the shareholders of approximately RMB987.0 million, interest paid of approximately RMB222.1 million and purchase of shares under share award scheme of approximately RMB212.2 million.

Capital Expenditure

For the year ended 31 December 2021, the Group's capital expenditure amounted to approximately RMB2,588.9 million, which was mainly used for the purchases of property, plant and equipment, payments for leasehold lands, payment for intangible assets and purchase of other tangible assets. All of the capital expenditure was financed by internal resources and bank borrowings.

CAPITAL STRUCTURE

Indebtedness

Bank borrowings

Bank borrowings of the Group as at 31 December 2021 amounted to approximately RMB2,238.9 million (2020: approximately RMB2,070.6 million). No bank borrowings were secured by certain buildings and land of the Group as at 31 December 2021 and 2020.

Bank facilities

As at 31 December 2021, the Group had bank facilities of RMB2,770.0 million with Yuyao Sub-branch of Agricultural Bank of China Limited, RMB2,400.0 million with Ningbo Branch of The Export-Import Bank of China, RMB915.0 million with Yuyao Branch of Bank of China Limited, RMB2,500.0 million with Yuyao Sub-branch of Ningbo Bank Co., Ltd., RMB380.0 million with Yuyao Sub-branch of Bank of Communications Co., Ltd., RMB100.0 million with Yuyao Sub-branch of Industrial and Commercial Bank of China Limited, RMB70.0 million with Xinyang Pingzhong Street Sub-branch of Industrial and Commercial Bank of China Limited, RMB600.0 million with Yuyao Sub-branch of China Construction Bank Corporation, USD120.0 million with BNP Paribas Hong Kong Branch, USD60.0 million with The Hongkong and Shanghai Banking Corporation Limited Hong Kong Branch, USD30.0 million with Ningbo Branch of HSBC Bank (China) Co., Ltd., USD60.0 million with Crédit Agricole Corporate and Investment Bank Hong Kong Branch, USD20.0 million with Crédit Agricole Corporate and Investment Bank Shanghai Branch, USD90.0 million with Bank of China (Hong Kong) Limited, USD50.0 million with Standard Chartered (Hong Kong) Limited and USD20.0 million with Standard Chartered Bank.

Debt securities

As at 31 December 2021, debt securities of the Group amounted to approximately RMB3,815.6 million (2020: approximately RMB3,895.9 million). For details of bonds payable, please refer to Note 22 of this announcement.

The Group's gearing ratio of approximately 15.6% refers to the ratio of total borrowings to total capital (total capital being the sum of total liabilities and shareholders' equity), reflecting the Group's financial position at a sound level.

Contingent liabilities

As at 31 December 2021, the Group did not have any material contingent liabilities or guarantees.

Financing and fiscal policies and objectives

The Group adopts prudent financing and fiscal policies. The Group will seek bank borrowings and debt financing when its operating demand grows, and will regularly review its bank borrowings and debt securities to achieve a sound financial position.

PLEDGE OF ASSETS

The Group did not have any pledge or charge on assets as at 31 December 2021, except for the pledged bank deposits of approximately RMB18.3 million. For details of the pledged bank deposits, please refer to Note 17 of this announcement.

COMMITMENTS

As at 31 December 2021, the capital expenditure of the Group in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements amounted to approximately RMB684.4 million (2020: approximately RMB356.0 million).

As at 31 December 2021, the Group had no other capital commitments save as disclosed above.

OFF-BALANCE SHEET TRANSACTIONS

As at 31 December 2021, the Group did not enter into any material off-balance sheet transactions.

PERFORMANCE OF INVESTMENTS MADE AND FUTURE INVESTMENTS PLAN

The Group's investing activities primarily include the purchases and release of unlisted financial products, placement and withdrawal of short term fixed deposits and purchases of property, plant and equipment. In particular, the purchase and disposal of financial assets at FVTPL include debt instruments, equity investments, fund investments and unlisted financial products. Among them, the fund investments are managed by relevant financial institutions, mainly investing in debt securities linked to the performance of related senior debts; unlisted financial products are managed by relevant banks in China, mainly investing in certain financial assets such as bonds, trusts and cash funds, and their investment incomes are determined based on the performance of relevant government debt instruments and treasury bills.

Significant investments

As at 31 December 2021, the Group maintained a portfolio of unlisted financial products with the total carrying amount of approximately RMB7,992.2 million (31 December 2020: approximately RMB8,197.5 million), of which approximately RMB2,650.6 million had been released on or before 22 March 2022. As at 31 December 2021, the size of the unlisted financial products subscribed by the Group in aggregate represented approximately 20.6% of the Group's total assets (31 December 2020: approximately 23.1%). The investment costs for the unlisted financial products subscribed as at 31 December 2021 was approximately RMB7,992.2 million (31 December 2020: approximately RMB8,197.5 million). For the year ended 31 December 2021, the amount of investment income from the unlisted financial products was approximately RMB302.6 million (2020: approximately RMB215.0 million).

The following table sets forth a breakdown of the major unlisted financial products subscribed by the Group as at 31 December 2021 (in descending order):

| Name of the unlisted financial products | Name of banks | Investment costs RMB'000 | Fair value of the unlisted financial products as at 31 December 2021 RMB'000 | Percentage of fair value of the unlisted financial products relative to the total assets of the Group as at 31 December 2021 |
|---|---|-----------------------------|---|---|
| Bank of Ningbo Ning Xin fixed income 9-month periodic wealth management No. 2* (寧銀理財寧欣固定收益類 9 個月周期型理財2號) | Bank of Ningbo Co., Ltd. | 1,300,000 | 1,300,000 | 3.4% |
| Bank of Ningbo Ning Xin fixed income close-ended wealth management No. 143* (寧銀理財寧欣固定收益類封閉式理財 143 號) | Bank of Ningbo Co., Ltd. | 1,000,000 | 1,000,000 | 2.6% |
| Agricultural Bank of China “AB Shi Shi Fu” open-ended RMB wealth management products* (農銀理財「農銀時時付」開放式人民幣理財產品) | Agricultural Bank of China Limited | 405,330 | 405,330 | 1.0% |
| Bank of Ningbo Ning Xin fixed income close-ended wealth management No. 172* (寧銀理財寧欣固定收益類封閉式理財 172 號) | Bank of Ningbo Co., Ltd. | 400,000 | 400,000 | 1.0% |
| CITIC “Gong Ying Wen Jian Tian Tian Li” RMB wealth management products* (中信理財之「共贏穩健天天利」人民幣理財產品) | China CITIC Bank Corporation Limited | 373,990 | 373,990 | 1.0% |
| Others [#] | | 4,512,850 | 4,512,850 | 11.6% |
| | Total | 7,992,170 | 7,992,170 | 20.6% |

* The English names are unofficial English translations of the Chinese names of unlisted financial products. If there is any inconsistency, the Chinese names shall prevail.

[#] Other unlisted financial products included 44 unlisted financial products with 7 different banks to lower the concentration risk. The fair value of such 44 unlisted financial products as at 31 December 2021 was approximately RMB102.6 million in average.

In the opinion of the Directors, the fair value change of the unlisted financial products was insignificant during the year of 2021.

The Board considers that the terms of such unlisted financial products are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

Such investment activities were funded primarily by the idle self-owned funds of the Group. Going forward, the Group will continue to diversify its investments among different banks to lower the concentration risk and will closely monitor the performance of investments made and future investments plan in accordance with its prudent policy to utilise and to increase the yield of the idle funds of the Group while maintaining a high level of liquidity and a low level of risk. Such investment activities were made and will be made on the premises that it would not adversely affect the working capital of the Group or the operation of the Group's principal business.

For the year ended 31 December 2021, the Group's investments amounted to approximately RMB2,588.9 million, mainly involved in the purchases of property, plant and equipment, the initial production settings for new products, payments for leasehold lands and the necessary equipment configurations for new projects. These investments enhanced the Group's R&D and technological application capability and production efficiency, and thus expanded the sources of revenue.

The Group adopts prudent financial policies, having its investment projects mostly capital-protected with fixed income, so as to strive for a stable and healthy financial position while improving returns. The Group will consider using financial instruments for hedging purposes if necessary and will continue to fund its future investment from its own financial resources.

Looking forward, the Group intends to further invest to enhance its competitiveness.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Interest Rate Risk

The Group is exposed to interest rate risks arising from its bank borrowings for working capital and capital expenditures that are associated with the expansion of the Group and utilisation for other purposes. The rising of interest rates increases the costs of both existing and new debts. As at 31 December 2021, the effective interest rate on fixed-rate bank borrowings was approximately 3.10% per annum, while the effective interest rate of variable-rate bank borrowings was approximately 0.60% to 0.87% per annum.

Foreign Exchange Rate Fluctuation Risk

The Group exports a portion of its products to and purchases a considerable amount of products from international markets where transactions are denominated in USD or other foreign currencies. For details of the Group's foreign currency forward contracts, foreign currency options contracts and foreign exchange swap contracts, please refer to Note 16 of this announcement. Except for certain investments which are in line with the Group's business and are denominated in foreign currencies, the Group does not and has no plan to make any foreign currency investment.

Credit Risk

The Group's financial assets include derivative financial assets, bank balances and cash, pledged bank deposits, short term fixed deposits, time deposits, financial assets at FVTPL, trade and other receivables, equity instruments that are included in other comprehensive income at fair value and debt instruments measured at amortised cost, which represent the Group's maximum exposure to credit risk in relation to financial assets.

In order to minimise the credit risk in relation to trade receivables, the management has delegated a team responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that appropriate follow-up actions are taken to recover overdue debts. The Group has also purchased insurances relating to trade receivables. In addition, the Group reviews the recoverable amount of each trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. Therefore, the Directors consider that the Group's credit risk is significantly reduced. The amounts presented in the consolidated statement of financial position are net of allowance for expected credit losses, and are estimated by the management based on their previous experience, assessment of the current economic environment and the discounted cash flows to be received in the future.

The Group has no significant concentration of credit risk since its trade receivables are dispersed to a large number of counterparties and customers. The credit risk on liquidity is limited because a majority of the counterparties of the Group are banks with high credit-ratings given by international credit-rating agencies.

Cash Flow Interest Rate Risk

The Group's cash flow interest rate risk is primarily related to variable rates applicable to short term bank deposits and bank borrowings. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range. Therefore, any future variations in interest rates will not have any significant impact on the results of the Group.

Liquidity Risk

The Group manages liquidity risk by maintaining an adequate level of cash and cash equivalents through continuously monitoring forecast and actual cash flows and matching them with the maturity profile of each financial asset and liability.

EMPLOYEE AND REMUNERATION POLICY

The Group had 24,664 full-time employees as at 31 December 2021. In line with the overall operation of the Company and the performance of individual employees, the Group has established a fair and competitive salary and welfare system to recruit new talents and to reward and retain existing talents, in which the salary package including annual basic salary, year-end bonus and the economic-value-added bonus, while the welfare package including social insurance, housing provident fund, employee holidays and emergency relief fund, thereby representing the Group's efforts to achieve the goals of "consistency in responsibilities and interests, abilities and values, risks and returns, performance and income" in remuneration distribution.

The Group has particularly adopted the restricted share award scheme ("**Restricted Share Award Scheme**") since 2010, with a view to providing incentives and rewards to eligible participants to recognise their contribution to the Group and to enhance their ownership spirits. For the year ended 31 December 2021, 1,459,928 shares were granted by the Group to eligible participants in accordance with the Restricted Share Award Scheme.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the eligibility for attending the AGM, which is to be held on 24 May 2022, the register of members of the Company will be closed from 19 May 2022 to 24 May 2022, both days inclusive, during which no transfer of shares will be registered. All transfer of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 18 May 2022.

In order to determine the eligibility for receiving the final dividends, the register of members of the Company will be closed from 31 May 2022 to 6 June 2022, both days inclusive, during which no transfer of shares will be registered. All transfer of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 30 May 2022.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company is empowered by the applicable Cayman Islands Companies Act (formerly known as Companies Law) and the Company's Articles of the Association to repurchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable regulations imposed from time to time by the Hong Kong Stock Exchange. There was no purchase, sale, redemption or writing-off by the Company, with the exception of the trustee of the Restricted Share Award Scheme, of the Company's listed shares during the year ended 31 December 2021.

CORPORATE GOVERNANCE

Corporate Governance Practices

For the year ended 31 December 2021, the Company complied with all of the mandatory disclosure requirements and the code provisions of and adopted most of the recommended best practices of the Corporate Governance Code (the **"Corporate Governance Code"**) contained in Appendix 14 to the Rules governing the Listing Securities on The Hong Kong Stock Exchange (the **"Listing Rules"**).

Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the **"Model Code"**) as set out in Appendix 10 of the Listing Rules. Having made specific enquiry with regard to securities transactions of the Directors, all Directors have confirmed their compliance with the required standards set out in the Model Code and its code of conduct regarding Directors' securities transactions for the year ended 31 December 2021.

IMPORTANT EVENTS AFTER THE END OF 31 DECEMBER 2021

To the best knowledge of the Directors, no matters required to be disclosed that would have a material impact on the Group have occurred subsequent to 31 December 2021 and up to the date of this announcement.

REVIEW OF FINANCIAL STATEMENTS

The Company has established the audit committee of the Board (the **"Audit Committee"**) with written terms of reference. The Group's audited annual results for the year ended 31 December 2021 were reviewed by all the members of the Audit Committee, namely Mr. Zhang Yuqing (Chairman of the Audit Committee), Mr. Feng Hua Jun and Mr. Shao Yang Dong, who are all independent non-executive Directors.

SHAREHOLDERS ENGAGEMENT AND EFFECTIVE COMMUNICATION

The Company is committed to creating channels of communication between the Directors, senior management and investors, maintaining close contact with all the shareholders through a variety of channels and promoting the communication with investors. The Company has adopted an updated shareholders' communication policy on 28 December 2021 to formalise and facilitate an effective and healthy communication between the Company and the shareholders and other stakeholders, which is available on the website of the Group (<http://www.sunnyoptical.com>). The Company considers that the shareholders' communication policy has fostered an effective communication between the Company and the shareholders for the year ended 31 December 2021.

Investor Contact and Inquiries

The Group has a dedicated team to maintain contact with investors and handle shareholders' inquiries. Should you have any inquiries, please contact the Group's investor relations management department (Tel: +86-574-6253 0875; +852-3568 7038; email: iroffice@sunnyoptical.com).

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The annual results announcement is available for viewing on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and on the website of the Company (www.sunnyoptical.com). The annual report of the Company for the year ended 31 December 2021 will be despatched to shareholders of the Company and will be published on the above websites in due course.

APPRECIATION

The Group would like to express its appreciation to all of its staff for their long-term efforts and to the management for their outstanding contributions. It is the unremitting efforts of each member that enable the Group to make great achievements. Meanwhile, the Group wishes to express its sincere gratitude towards its shareholders, customers and business partners for their long-standing support and recognition. The Group will continue to strive for the sustainable development of the business, so as to realise higher values for its shareholders and other stakeholders.

By order of the Board
Sunny Optical Technology (Group) Company Limited
Ye Liaoning
Chairman and Executive Director

China, 22 March 2022

As at the date of this announcement, the Board comprises Mr. Ye Liaoning, Mr. Sun Yang and Mr. Wang Wenjie, who are executive Directors; Mr. Wang Wenjian, who is non-executive Director, and Mr. Zhang Yuqing, Mr. Feng Hua Jun and Mr. Shao Yang Dong, who are independent non-executive Directors.

APPENDIX II

REPRODUCTION OF THE PRESS RELEASE DATED 10 FEBRUARY 2022 CONTAINING THE GUARANTOR'S CONSOLIDATED FINANCIAL RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021

The information set out below is a reproduction of the press release dated 10 February 2022 containing the Guarantor's consolidated financial results for the fourth quarter ended 31 December 2021.

RESULTS AT DECEMBER 31ST 2021

Press release

Paris, February 10th 2022

2021, RECORD GROUP NET INCOME

Substantial increase in underlying revenues of +16.1%⁽¹⁾ vs. 2020 (+17.2%^{(1)*}), with a historically high level of Financing & Advisory and Financial Services activities, very solid Global Markets activities throughout the year, and a healthy momentum in Retail Banking

Underlying gross operating income of EUR 8.5 billion⁽¹⁾, up 51.0%⁽¹⁾ vs. 2020, with a significant positive jaws effect and costs under control, up +4.3%⁽¹⁾

Still low cost of risk at 13 basis points

Underlying Group net income of EUR 5.3 billion⁽¹⁾ (EUR 5.6 billion on a reported basis)

Underlying profitability (ROTE) of 10.2%⁽¹⁾ (11.7% on a reported basis)

In Q4 21, underlying gross operating income of EUR 1.9 billion⁽¹⁾, +24.1% vs. Q4 20

Underlying Group net income of EUR 1.2 billion⁽¹⁾, +94.4% vs. Q4 20 (EUR 1.8 billion on a reported basis)

Underlying profitability (ROTE) of 9.2%⁽¹⁾ (16.6% on a reported basis)

ATTRACTIVE SHAREHOLDER DISTRIBUTION

Distribution equivalent to EUR 2.75 per share, or:

- **a dividend in cash**, proposed to the General Meeting, **of EUR 1.65 per share**
- **a share buyback programme**, for around EUR 915 million, **equivalent to EUR 1.1 per share**

Solid CET 1 ratio of 13.7%⁽²⁾ at end-2021, around 470 basis points above the regulatory requirement

ACCELERATION IN STRATEGIC AND BUSINESS DEVELOPMENTS

Strengthening of our competitive position on mobility, announcement of the planned acquisition of LeasePlan by ALD with a view to creating a mobility leader

Client onboarding by Boursorama one year ahead of schedule, announcement of entry into exclusive discussions with the ING group with a view to offering ING's customers in France the best alternative banking solution

Good momentum of the retail banking networks in France in the context of **preparations for the merger**

Continued digitalisation initiatives and improvement of operational efficiency in International Retail Banking

Solid performance by Global Markets throughout the year, with the successful repositioning of structured products and a reduction in the risk profile

Record performance by Financing & Advisory, driven by strong market momentum and an increase in allocated capital

Frédéric Oudéa, the Group's Chief Executive Officer, commented:

"2021 marks a milestone for the Société Générale Group, which achieved the best financial results in its history, enabling it to generate a good level of profitability and offer its shareholders an attractive return. All the businesses have contributed to this excellent performance. The Group also had a very robust balance sheet at the end of the year, with a very good quality loan portfolio and high capital ratios. In addition, the Group was able, firstly, to successfully continue advancing on major projects such as the merger of the two retail banking networks Société Générale and Crédit du Nord and secondly, achieve two strategic transactions strengthening two differentiating assets, with the entry into exclusive discussions for the acquisition of Leaseplan by ALD and with ING concerning its retail banking activities in France. The Group is therefore entering 2022 with confidence, with the priority objective of the disciplined execution of this high value-creating roadmap and the finalisation of its outlines by accelerating the transformations around ESG issues and new technologies."

⁽¹⁾ Underlying data (see methodology note section 10.5 for the transition from accounting data to underlying data)

⁽²⁾ Phased-in ratio (fully-loaded ratio of 13.6%) after distribution provision

The footnote * in this document corresponds to data adjusted for changes in Group Structure and at constant exchange rates

1. GROUP CONSOLIDATED RESULTS

| In EURm | Q4 21 | Q4 20 | Change | | 2021 | 2020 | Change | |
|--|---------|---------|--------|---------|----------|----------|--------|---------|
| Net banking income | 6,620 | 5,838 | +13.4% | +11.7%* | 25,798 | 22,113 | +16.7% | +17.7%* |
| <i>Underlying net banking income⁽¹⁾</i> | 6,503 | 5,838 | +11.4% | +9.8%* | 25,681 | 22,113 | +4.3% | +17.2%* |
| Operating expenses | (4,565) | (4,351) | +4.9% | +3.6%* | (17,590) | (16,714) | +5.2% | +5.8%* |
| <i>Underlying operating expenses⁽¹⁾</i> | (4,617) | (4,318) | +6.9% | +5.6%* | (17,211) | (16,504) | +4.3% | +4.9%* |
| Gross operating income | 2,055 | 1,487 | +38.2% | +35.3%* | 8,208 | 5,399 | +52.0% | +55.1%* |
| <i>Underlying gross operating income⁽¹⁾</i> | 1,886 | 1,520 | +24.1% | +21.4%* | 8,470 | 5,609 | +51.0% | +53.9%* |
| Net cost of risk | (86) | (689) | -87.5% | -87.7%* | (700) | (3,306) | -78.8% | -78.6%* |
| Operating income | 1,969 | 798 | x 2.5 | x 2.4 | 7,508 | 2,093 | x 3.6 | x 3.7* |
| <i>Underlying operating income⁽¹⁾</i> | 1,800 | 851 | x 2.1 | x 2.1 | 7,770 | 2,323 | x 3.3 | x 3.4* |
| Net profits or losses from other assets | 449 | (94) | n/s | n/s | 635 | (12) | n/s | n/s* |
| Impairment losses on goodwill | (114) | 0 | n/s | n/s | (114) | (684) | n/s | n/s |
| Income tax | (311) | (125) | x 2.5 | x 2.4 | (1,697) | (1,204) | +41.0% | +43.2%* |
| Net income | 1,995 | 582 | x 3.4 | x 3.3 | 6,338 | 196 | x 32.3 | x 43.8 |
| O.w. non-controlling interests | 208 | 112 | +85.7% | +81.2%* | 697 | 454 | +53.5% | +53.6%* |
| Reported Group net income | 1,787 | 470 | x 3.8 | x 3.7 | 5,641 | (258) | n/s | n/s |
| <i>Underlying Group net income⁽¹⁾</i> | 1,226 | 631 | +94.4% | +90.4%* | 5,264 | 1,435 | x 3.7 | x 3.8* |
| ROE | 12.1% | 2.4% | | | 9.6% | -1.7% | | |
| ROTE | 16.6% | 2.7% | | | 11.7% | -0.4% | | |
| <i>Underlying ROTE⁽¹⁾</i> | 9.2% | 4.1% | | | 10.2% | 1.7% | | |

(1) Adjusted for exceptional items and linearisation of IFRIC 21

Societe Generale's Board of Directors, which met on February 9th, 2022 under the chairmanship of Lorenzo Bini Smaghi, examined the Societe Generale Group's results for Q4 and full-year 2021.

The various restatements enabling the transition from underlying data to published data are presented in the methodology notes (section 10.5).

Net banking income

Net banking income was substantially higher in 2021, up +16.7% (+17.7%*) vs. 2020, and +16.1% (+17.2%*) vs. 2020 on an underlying basis, with a very strong momentum in all the businesses.

French Retail Banking posted a solid performance in 2021. As a result, net banking income (excluding PEL/CEL provision) increased by +4.8% vs. 2020, driven by the recovery in net interest income and buoyant commissions, particularly financial commissions.

International Retail Banking & Financial Services enjoyed strong revenue growth (+9.9%* vs. 2020), underpinned by the excellent momentum in Financial Services to Corporates (+32.0%* vs. 2020) and Insurance (+8.6%* vs. 2020). International Retail Banking benefited from a rebound in its activities (+2.8%* vs. 2020).

Global Banking & Investor Solutions delivered a remarkable performance, with revenues up +25.2% (+26.1%*) vs. 2020. Financing & Advisory enjoyed a record performance, with growth of +14.8% (+15.8%*) vs. 2020, while the revenues of Global Markets & Investor Services were substantially higher (+35.6%, +36.9%*) than in 2020.

In Q4 21, the Group continued to enjoy a strong revenue growth momentum (+13.4%, +11.7%*) vs. Q4 20, with a positive and evenly balanced contribution from all the businesses.

Operating expenses

In 2021, operating expenses totalled EUR 17,590 million on a reported basis and EUR 17,211 million on an underlying basis (restated for transformation costs), an increase of +4.3% vs. 2020.

This increase can be explained primarily by the rise in variable costs linked to the growth in revenues (EUR +701 million) and the increase in the contribution to the Single Resolution Fund (EUR +116 million). The other operating expenses declined by EUR 70 million, excluding structure effect.

Driven by a very positive jaws effect, underlying gross operating income grew substantially (+51.0%) to EUR 8,470 million and the underlying cost to income ratio improved by nearly 8 points (67.0% vs. 74.6% in 2020).

In **Q4 21**, operating expenses totalled EUR 4,565 million on a reported basis and EUR 4,617 million on an underlying basis (restated for the linearisation of IFRIC 21 and transformation costs), representing an increase of +6.9% vs. Q4 20.

Excluding the contribution to the Single Resolution Fund, the underlying cost to income ratio is expected to be between 66% and 68% in 2022 and improving onwards. This aggregate, excluding the contribution to the SRF, amounts to 64.7% in 2021, it being specified that the contribution to the Single Resolution Fund is EUR 586 million in 2021.

There is expected to be an increase in the contribution to the Single Resolution Fund until 2023 included.

The Group's radical transformations as announced in 2021 have led to changes in 2023 cost outlook. The various initiatives in progress will contribute to a decline in the Group's underlying cost to income ratio beyond 2022 excluding the contribution to the Single Resolution Fund year after year.

Cost of risk

In 2021, the cost of risk stood at a low level of 13 basis points, lower than in 2020 (64 basis points), or EUR 700 million (vs. EUR 3,306 million in 2020). It breaks down into a provision on non-performing loans of EUR 949 million and a provision write-back on performing loans of EUR 249 million.

The Group's provisions on performing loans amounted to EUR 3,355 million at end-2021.

In Q4 21, the cost of risk stood at 6 basis points, lower than in Q4 20 (54 basis points), or EUR 86 million and lower than in Q3 21 (15 basis points). It breaks down into a provision on non-performing loans of EUR 218 million and a provision write-back on performing loans of EUR 132 million.

In order to support its customers during the crisis, the Group granted State Guaranteed Loans. At December 31st 2021, the residual amount of State Guaranteed Loans represented around EUR 17 billion. In France, the total amount of State Guaranteed Loans ("PGE") amounts to around EUR 14 billion and net exposure is around EUR 1.5 billion.

The gross doubtful outstandings ratio amounted to 2.9%⁽¹⁾ at December 31st 2021, lower than at end-September 2021 (3.1%). The Group's gross coverage ratio for doubtful outstandings amounted to 51%⁽²⁾ at December 31st 2021.

The cost of risk is expected to be below 30 basis points in 2022.

⁽¹⁾ NPL ratio calculated according to the EBA methodology published on July 16th, 2019

⁽²⁾ Ratio between the amount of provisions on doubtful outstandings and the amount of these same outstandings

Group net income

| In EURm | Q4 21 | Q4 20 | 2021 | 2020 |
|---------------------------------|-------|-------|-------|-------|
| Reported Group net income | 1,787 | 470 | 5,641 | (258) |
| Underlying Group net income (1) | 1,226 | 631 | 5,264 | 1,435 |

| In EURm | Q4 21 | Q4 20 | 2021 | 2020 |
|---------------------------------|-------|-------|-------|-------|
| Reported Group net income | 16.6% | 2.7% | 11.7% | -0.4% |
| Underlying Group net income (1) | 9.2% | 4.1% | 10.2% | 1.7% |

(1) Adjusted for exceptional items and linearisation of IFRIC21

Earnings per share amounts to EUR 5.97 in 2021 (EUR -1.02 in 2020). Underlying earnings per share amounts to EUR 5.52 over the same period (EUR 0.97 in 2020).

Distribution to shareholders

The Board of Directors has established its distribution policy at 50% of underlying Group net income⁽²⁾, which is equivalent to EUR 2.75 per share.

A dividend in cash of EUR 1.65 per share will therefore be proposed to the Combined General Meeting of Shareholders on May 17th 2022. The dividend will be detached on May 25th 2022 and paid on May 27th 2022.

Furthermore, the Group plans to launch a share buyback programme for a total amount of around EUR 915 million, or the equivalent of EUR 1.1 per share. This programme is subject to the customary authorisation of the ECB and the General Meeting for its implementation.

⁽²⁾ After deducting interest on deeply subordinated notes and undated subordinated notes

2. THE GROUP'S FINANCIAL STRUCTURE

Group shareholders' equity totalled EUR 65.1 billion at December 31st, 2021 (EUR 61.7 billion at December 31st, 2020). Net asset value per share was EUR 68.7 and tangible net asset value per share was EUR 61.1.

The consolidated balance sheet totalled EUR 1,464 billion at December 31st, 2021 (EUR 1,444 billion⁽¹⁾ at December 31st, 2020). The net amount of customer loan outstandings at December 31st, 2021, including lease financing, was EUR 488 billion (EUR 440 billion at December 31st, 2020) – excluding assets and securities purchased under resale agreements. At the same time, customer deposits amounted to EUR 502 billion, vs. EUR 451 billion at December 31st, 2020 (excluding assets and securities sold under repurchase agreements).

At December 31st, 2021, the parent company had issued EUR 35.3 billion of medium/long-term debt, having an average maturity of 5.1 years and an average spread of 33 basis points (vs. the 6-month mid-swap, excluding subordinated debt). The subsidiaries had issued EUR 3.8 billion. In total, the Group had issued EUR 39.1 billion of medium/long-term debt.

The LCR (Liquidity Coverage Ratio) was well above regulatory requirements at 129% at end-December 2021 (131% on average in Q4), vs. 149% at end-December 2020. At the same time, the NSFR (Net Stable Funding Ratio) was at a level of 110% at end-December 2021.

The Group's **risk-weighted assets** (RWA) amounted to EUR 363.4 billion at December 31st, 2021 (vs. EUR 351.9 billion at end-December 2020) according to CRR2/CRD5 rules. Risk-weighted assets in respect of credit risk represent 83.9% of the total, at EUR 304.9 billion, up 6.1% vs. December 31st, 2020.

At December 31st, 2021, the Group's **Common Equity Tier 1** ratio stood at 13.7%, or around 470 basis points above the regulatory requirement. The CET1 ratio at December 31st, 2021 includes an effect of +16 basis points for phasing of the IFRS 9 impact. Excluding this effect, the fully-loaded ratio amounts to 13.6%. The Tier 1 ratio stood at 15.9% at end-December 2021 (16% at end-December 2020) and the total capital ratio amounted to 18.8% (19.2% at end-December 2020).

The Group is aiming for a CET1 ratio between 200-250 basis points minimum above the regulatory requirement including after the entry into force of the regulation finalising the Basel III reform.

The **leverage ratio** stood at 4.9% at December 31st, 2021 (4.8% at end-December 2020).

With a level of 31.1% of RWA and 9.5% of leverage exposure at end-December 2021, the Group's TLAC ratio is above the Financial Stability Board's requirements for 2021 and 2022. At December 31st, 2021, the Group was also above its 2022 MREL requirements of 25.2% of RWA and 5.91% of leverage exposure.

The Group is rated by four rating agencies: (i) Fitch Ratings - long-term rating "A-", stable rating, senior preferred debt rating "A", short-term rating "F1" (ii) Moody's - long-term rating (senior preferred debt) "A1", stable outlook, short-term rating "P-1" (iii) R&I - long-term rating (senior preferred debt) "A", stable outlook; and (iv) S&P Global Ratings - long-term rating (senior preferred debt) "A", stable outlook, short-term rating "A-1".

⁽¹⁾ Amounts restated compared with the financial statements published in 2020 (See Note 1.7 of financial statements)

3. FRENCH RETAIL BANKING

| In EURm | Q4 21 | Q4 20 | Change | 2021 | 2020 | Change |
|--|----------------|----------------|---------------|----------------|----------------|--------------|
| Net banking income | 2,048 | 1,845 | +11.0% | 7,777 | 7,315 | +6.3% |
| <i>Net banking income excl. PEL/CEL</i> | <i>2,027</i> | <i>1,870</i> | <i>+8.4%</i> | <i>7,738</i> | <i>7,381</i> | <i>+4.8%</i> |
| Operating expenses | (1,534) | (1,443) | +6.3% | (5,635) | (5,418) | +4.0% |
| <i>Underlying operating expenses⁽¹⁾</i> | <i>(1,573)</i> | <i>(1,476)</i> | <i>+6.6%</i> | <i>(5,635)</i> | <i>(5,418)</i> | <i>+4.0%</i> |
| Gross operating income | 514 | 402 | +27.9% | 2,142 | 1,897 | +12.9% |
| <i>Underlying gross operating income⁽¹⁾</i> | <i>454</i> | <i>394</i> | <i>+15.3%</i> | <i>2,103</i> | <i>1,963</i> | <i>+7.1%</i> |
| Net cost of risk | 20 | (276) | n/s | (104) | (1,097) | -90.5% |
| Operating income | 534 | 126 | x 4.2 | 2,038 | 800 | x 2.5 |
| Net profits or losses from other assets | 22 | 19 | +15.8% | 24 | 158 | -84.8% |
| Reported Group net income | 400 | 104 | x 3.8 | 1,492 | 666 | x 2.2 |
| <i>Underlying Group net income⁽¹⁾</i> | <i>356</i> | <i>99</i> | <i>x 3.6</i> | <i>1,463</i> | <i>712</i> | <i>x 2.1</i> |
| RONE | 14.6% | 3.7% | | 13.4% | 5.8% | |
| <i>Underlying RONE⁽¹⁾</i> | <i>13.0%</i> | <i>3.5%</i> | | <i>13.1%</i> | <i>6.2%</i> | |

(1) Adjusted for the linearisation of IFRIC 21 and PEL/CEL provision

Societe Generale and Cr dit du Nord networks

Average loan outstandings were -1% lower than in Q4 20 at EUR 210 billion. They were 9% higher than in Q4 19. Average outstanding loans to individuals were up +2%, bolstered by the growth in home loan production (+33% vs. Q4 20). The production of medium/long-term loans to corporate and professional customers climbed +45% excluding State Guaranteed Loans vs. Q4 20.

Average outstanding balance sheet deposits increased by +7% vs. Q4 20 to EUR 241 billion (+22% vs. Q4 19), still driven by sight deposits.

As a result, the average loan/deposit ratio stood at 87% in Q4 21 vs. 94% in Q4 20.

Insurance assets under management totalled EUR 93 billion at end-December 2021, up +6% year-on-year. Gross life insurance inflow amounted to EUR 1.9 billion in Q4 21, with the unit-linked share accounting for 36%.

Private Banking's assets under management totalled EUR 78 billion at end-December 2021. Net inflow was buoyant at EUR 4.1 billion in 2021, an increase of 68% vs. 2020.

Property/casualty insurance premiums were up +5% vs. Q4 20, while personal protection insurance premiums were up +4% vs. Q4 20. The penetration rate for our customer base has improved both for property/casualty insurance and personal protection insurance.

Boursorama

The bank consolidated its position as the leading online bank in France, with more than 3.3 million clients at end-December 2021, thanks to the onboarding of 266,000 new clients in Q4 21 (+38% vs. Q4 20). Boursorama is aiming to have more than 4 million clients at end-2022, one year ahead of schedule relative to its plan.

This quarter, Boursorama distinguished itself by obtaining the highest NPS score among French banks in 2021 in the classification established by Bain & Company in December 2021. Moreover, Boursorama was ranked No. 1 in the classification best bank for Customer Experience Excellence in France in 2021 awarded by KPMG in November 2021. The bank also obtained the highest rating scores for its App among French banks with 4.8 on iOS (App Store) and 4.9 on Android (Google Play Store). In addition, Boursorama was voted the least expensive bank for the 14th consecutive year by Le Monde and Meilleurebanque.com in December 2021.

Average outstanding loans rose +28% vs. Q4 20 to EUR 14 billion. Home loan outstandings were up +30% vs. Q4 20.

Average outstanding savings including deposits and financial savings were 25% higher than in Q4 20 at EUR 35 billion, while outstanding deposits were up +25% vs. Q4 20. Life insurance outstandings were 13% higher than in Q4 20 while assets under management in UCITS increased by +16% vs. Q4 20. Brokerage volumes were stable in 2021 compared to 2020 at a record level (x3 compared to 2019).

Net banking income excluding PEL/CEL

2021: revenues (excluding PEL/CEL) totalled EUR 7,738 million, up +4.8% vs. 2020. Net interest income (excluding PEL/CEL) was up +2.1% vs. 2020, underpinned by catch-up effects related to the TLTRO allowance and to State Guaranteed Loans. Commissions enjoyed a healthy momentum (+5.1% vs. 2020) against the backdrop of a recovery in activity following the lockdowns in 2020.

Q4 21: revenues (excluding PEL/CEL) totalled EUR 2,027 million, up +8.4% vs. Q4 20. Net interest income (excluding PEL/CEL) was up +6.7% vs. Q4 20. Commissions were 5.0% higher than in Q4 20.

Operating expenses

2021: operating expenses totalled EUR 5,635 million (+4.0% vs. 2020). The cost to income ratio (restated for the PEL/CEL provision) stood at 72.8%, an improvement of 0.6 points vs. 2020.

Q4 21: operating expenses amounted to EUR 1,534 million (+6.3% vs. Q4 20) and EUR 1,573 million on an underlying basis. The cost to income ratio (after linearisation of the IFRIC 21 charge and restated for the PEL/CEL provision) stood at 77.6%, an improvement of 1.3 points vs. Q4 20.

Cost of risk

2021: the cost of risk amounted to EUR 104 million or 5 basis points, a substantial decline compared to 2020 (52 basis points) which was marked by an environment of uncertainty linked to the pandemic.

Q4 21: the cost of risk represented a write-back of EUR 20 million or -4 basis points, a significant improvement vs. Q4 20 (50 basis points) and Q3 21 (write-back of 1 basis point).

Contribution to Group net income

2021: the contribution to Group net income was EUR 1,492 million (x2.2 vs. 2020 impacted by the pandemic). RONE (restated for the PEL/CEL provision) stood at 13.1% in 2021 (6.2% in 2020) and 14.4% excluding Boursorama.

Q4 21: the contribution to Group net income was EUR 400 million vs. EUR 104 million in Q4 20. RONE (after linearisation of the IFRIC 21 charge and restated for the PEL/CEL provision) stood at 13.0% in Q4 21 (3.5% in Q4 20).

4. INTERNATIONAL RETAIL BANKING & FINANCIAL SERVICES

| In EURm | Q4 21 | Q4 20 | Change | | 2021 | 2020 | Change | |
|--|---------|---------|--------|---------|---------|---------|--------|---------|
| Net banking income | 2,159 | 1,919 | +12.5% | +10.3%* | 8,117 | 7,524 | +7.9% | +9.9%* |
| Operating expenses | (1,088) | (1,018) | +6.9% | +4.2%* | (4,203) | (4,142) | +1.5% | +3.1%* |
| <i>Underlying operating expenses⁽¹⁾</i> | (1,112) | (1,042) | +6.7% | +4.1%* | (4,203) | (4,142) | +1.5% | +3.1%* |
| Gross operating income | 1,071 | 901 | +18.9% | +17.3%* | 3,914 | 3,382 | +15.7% | +18.3%* |
| <i>Underlying gross operating income⁽¹⁾</i> | 1,047 | 877 | +19.4% | +17.8%* | 3,914 | 3,382 | +15.7% | +18.3%* |
| Net cost of risk | (96) | (287) | -66.6% | -67.2%* | (504) | (1,265) | -60.2% | -59.4%* |
| Operating income | 975 | 614 | +58.8% | +57.5%* | 3,410 | 2,117 | +61.1% | +65.2%* |
| Net profits or losses from other assets | 8 | 6 | +33.3% | +36.6%* | 18 | 15 | +20.0% | +21.2%* |
| Reported Group net income | 584 | 376 | +55.3% | +54.9%* | 2,082 | 1,304 | +59.7% | +64.4%* |
| <i>Underlying Group net income⁽¹⁾</i> | 570 | 362 | +57.5% | +57.1%* | 2,082 | 1,304 | +59.7% | +64.4%* |
| RONE | 22.2% | 14.9% | | | 20.3% | 12.4% | | |
| <i>Underlying RONE⁽¹⁾</i> | 21.7% | 14.3% | | | 20.3% | 12.4% | | |

(1) Adjusted for the linearisation of IFRIC 21

International Retail Banking's loan and deposit production provided confirmation in Q4 of its rebound in all geographical regions. Outstanding loans totalled EUR 93.6 billion. They rose +6.0%* vs. end-December 2020. Outstanding deposits were 8.5%* higher than in December 2020, at EUR 89.5 billion.

For the Europe scope, outstanding loans were up +6.6%* vs. December 2020 at EUR 59.9 billion, driven by all the regions: +6.5%* in the Czech Republic, +11.1%* in Romania, and +5.4%* in Western Europe. Outstanding deposits increased by +6.0%* to EUR 50.8 billion.

In Russia, outstanding loans rose +13.3%* vs. end-December 2020, with a robust commercial performance particularly in home loans (+15%* year-on-year) and in the corporate customers segment (+22%* year-on-year). There was a significant increase in outstanding deposits (+20.8%*).

In Africa, Mediterranean Basin and French Overseas Territories, outstanding loans rose +1.6%* year-on-year. Outstanding deposits continued to enjoy a healthy momentum, up +7.7%*.

In the Insurance business, the life insurance savings business saw outstandings increase +7%* at end-December 2021 vs. end-December 2020 to EUR 135 billion. The share of unit-linked products in outstandings was 37%, an increase of +4 points vs. December 2020.

Financial Services to Corporates also enjoyed a healthy momentum. Operational Vehicle Leasing and Fleet Management had 1.7 million contracts, including 1.4 million financed vehicles, an increase of +4.0% vs. end-December 2020. Equipment Finance's new leasing business was up +12.1%* vs. 2020, while outstanding loans rose +1.1% vs. end-December 2020, to EUR 14.7 billion (excluding factoring).

Net banking income

Net banking income amounted to EUR 8,117 million in 2021, up +9.9%* vs. 2020. Revenues amounted to EUR 2,159 million in Q4 21, up +10.3%* vs. Q4 20.

International Retail Banking's net banking income totalled EUR 5,000 million in 2021, an increase of +2.8%* vs. 2020. It was up +3.5%* in Q4 21 at EUR 1,311 million.

Thanks to a rise in interest rates, a healthy commercial momentum and an increase in commissions (+16%* vs. Q4 20), revenues in Europe were 10.7%* higher than in Q4 20. Activity in the individual customers segment remained particularly robust in specialised consumer finance, with revenues up +9%* vs. Q4 20.

In 2021, the revenues of SG Russia⁽¹⁾ were down -2.8%* (-7.0%* vs. Q4 20), adversely affected firstly, by a temporary squeeze on individual customer margins (part of the rise in rates not being passed on to individual customers) and secondly, by a non-recurring item affecting the recognition of commissions.

The Africa, Mediterranean Basin and French Overseas Territories scope posted revenues up +4.6%* vs. 2020 at EUR 1,770 million. Despite persistent supply chain pressures and the sharp decline in tourism, activity proved resilient in Q4 21, with a gradual improvement in the commercial momentum. As a result, revenues were slightly lower (-1.2%) at EUR 453 million, with strong growth in certain key countries of Sub-Saharan Africa (Cote d'Ivoire, Senegal and Madagascar) particularly in the corporate customers segment.

The Insurance business posted net banking income up +8.6%* vs. 2020, at EUR 963 million in 2021. The gross premiums of the life insurance savings business were 25%* higher in Q4 21 than in Q4 20, with an attractive share of unit-linked products (44%). Protection insurance saw an increase of +5%* vs. December 2020. Property/casualty premiums rose +9%* in Q4 21 (including +7%* in France and +10%* internationally) and +8%* in 2021, as did personal protection insurance (+3%* vs. 2020). The Insurance business' net banking income was 8.1%* higher in Q4 21 than in Q4 20 at EUR 243 million.

Financial Services to Corporates' net banking income was substantially higher (+32.0%*) than in 2020, at EUR 2,154 million. This performance was driven primarily by the activities of ALD which posted strong growth in its fleet and the used car sale result (EUR 1,422 per vehicle in 2021). Financial Services to Corporates' net banking income totalled EUR 605 million in Q4 21, up +30.6%* vs. Q4 20.

Operating expenses

Operating expenses totalled EUR 4,203 million, an increase of +3.1%* on a reported and underlying basis vs. 2020. Operating expenses amounted to EUR 1,088 million in Q4 21, up +4.2%* vs. Q4 20, in conjunction with the growth in revenue. As a result, the quarter generated a positive jaws effect. The cost to income ratio stood at 51.8% in 2021.

In International Retail Banking, operating expenses were slightly higher (+2.5%*) than in 2020. Operating expenses were 4.0%* higher than in Q4 20.

In the **Insurance** business, operating expenses were in line with the expansion ambitions and rose +4.8%* vs. 2020 and +6.6%* vs. Q4 20.

In **Financial Services to Corporates**, operating expenses increased by +4.4%* vs. 2020 and +4.7%* vs. Q4 20.

Cost of risk

Q4 21: the cost of risk amounted to 28 basis points (EUR 96 million), vs. 43 basis points in Q3 21 and 89 basis points in Q4 20.

2021: the cost of risk amounted to 38 basis points (EUR 504 million). It was 96 basis points in 2020.

Contribution to Group net income

The contribution to Group net income totalled EUR 2,082 million in 2021 (+64.4%* vs. 2020) and EUR 584 million in Q4 21 (+54.9%* vs. Q4 20).

Underlying RONE stood at 20.3% in 2021 (vs. 12.4% in 2020) and 21.7% in Q4 21 (14.3% in Q4 20), with RONE of 16% in International Retail Banking and 26% in Financial Services.

⁽¹⁾ SG Russia encompasses the entities Rosbank, Rosbank Insurance, ALD Automotive and their consolidated subsidiaries

5. GLOBAL BANKING & INVESTOR SOLUTIONS

| In EURm | Q4 21 | Q4 20 | Variation | | 2021 | 2020 | Variation | |
|--|----------------|----------------|-----------|---------|----------------|----------------|-----------|---------|
| Net banking income | 2,320 | 2,072 | +12.0% | +9.7%* | 9,530 | 7,613 | +25.2% | +26.1%* |
| Operating expenses | (1,556) | (1,688) | -7.8% | -9.3%* | (6,863) | (6,713) | +2.2% | +2.7%* |
| <i>Underlying operating expenses⁽¹⁾</i> | <i>(1,681)</i> | <i>(1,638)</i> | +2.6% | +0.9%* | <i>(6,863)</i> | <i>(6,556)</i> | +4.7% | +5.1%* |
| Gross operating income | 764 | 384 | +99.0% | +91.5%* | 2,667 | 900 | x 3.0 | x 3.0* |
| <i>Underlying gross operating income⁽¹⁾</i> | <i>639</i> | <i>434</i> | +47.3% | +42.4%* | <i>2,667</i> | <i>1,057</i> | x 2.5 | x 2.6 |
| Net cost of risk | (3) | (104) | -97.1% | -97.2%* | (86) | (922) | -90.7% | -90.5%* |
| Operating income | 761 | 280 | x 2.7 | x 2.6 | 2,581 | (22) | n/s | n/s |
| Reported Group net income | 635 | 280 | x 2.3 | x 2.2 | 2,076 | 57 | x 36.4 | x 40.8 |
| <i>Underlying Group net income⁽¹⁾</i> | <i>539</i> | <i>320</i> | +68.4% | +64.1%* | <i>2,076</i> | <i>183</i> | x 11.4 | x 11.8 |
| RONE | 16.3% | 7.8% | | | 13.9% | 0.4% | | |
| <i>Underlying RONE⁽¹⁾</i> | <i>13.8%</i> | <i>9.0%</i> | | | <i>13.9%</i> | <i>1.3%</i> | | |

(1) Adjusted for the linearisation of IFRIC 21

Net banking income

In 2021, Global Banking & Investor Solutions posted substantially higher revenues (+25.2%) than in 2020 at EUR 9,530 million, driven by a very strong momentum in all the businesses. Revenues rose +9.5% compared to 2019. This solid financial performance reflects the successful execution of the strategic plan presented in May 2021.

In Q4 21, revenues rose +12.0% vs. Q4 20, to EUR 2,320 million.

In Global Markets & Investor Services, net banking income totalled EUR 5,648 million in 2021 (+35.6% vs. 2020). It amounted to EUR 1,260 million in Q4 21 (+8.6% vs. Q4 20).

Global Markets turned in a very strong performance in 2021 (EUR 5,001 million), with an increase of +40.2% compared to 2020 which was heavily impacted by the health crisis. Market conditions were favourable in the Equity market and more complex in the fixed income markets in 2021. The reduction in the risk profile of structured products was completed in the first half of the year, ahead of schedule.

Q4 21 also delivered a solid performance (EUR 1,103 million), with an increase of +9.5% vs. Q4 20. The fourth quarter was marked by very buoyant commercial activity in most client segments.

The Equity activity enjoyed its best year since 2009 (EUR 3,150 million vs. EUR 1,275 million in 2020 and EUR 2,502 million in 2019), driven by good market conditions and the successful repositioning of the Investment Solutions product offering.

In Q4 21, the business was able to take advantage of still favourable market conditions on all products, and posted revenues of EUR 727 million, up +22.6% vs. Q4 20.

Fixed Income & Currency activities posted revenues of EUR 1,851 million in 2021, down -19.2% compared to 2020 which was marked by exceptional market conditions in the first half of the year.

Q4 21 delivered a resilient performance (-9.2% vs. Q4 20) in a more complex market, with higher revenues in emerging markets and financing.

There was a significant increase in Securities Services' revenues in 2021, with revenues up +8.4% vs. 2020, at EUR 647 million. They were 2.6% higher in Q4 21 than in Q4 20, at EUR 157 million.

Securities Services' assets under custody and assets under administration amounted to EUR 4,586 billion and EUR 697 billion respectively, up +6.3% and +9.2% in 2021.

Financing & Advisory delivered the best historical annual performance, with revenues of EUR 2,924 million, up +14.8% vs. 2020. Firstly, the business capitalised on the good market momentum, particularly in Investment Banking, by playing key roles in our clients' major transactions and secondly, it benefited from an additional capital allocation.

In Q4 21, the business again enjoyed record revenues of EUR 814 million, substantially higher (+19.5%) than in Q4 20.

Investment Banking enjoyed an excellent quarter, driven by the strong momentum of M&A, Leveraged Buyout and equity capital market activities. Revenues from Asset Finance, Natural Resources and Infrastructure activities and the Asset-Backed Products platform also showed a substantial increase.

Global Transaction and Payment Services continued to experience strong growth, up +25.2% vs. Q4 20.

Asset and Wealth Management's net banking income totalled EUR 958 million in 2021 (+6.1% vs. 2020). It was 6.5% higher in Q4 21 vs. Q4 20.

In 2021, Private Banking posted an increase in revenues of +3.1% vs. 2020, to EUR 699 million (when restated for an exceptional impact of EUR +29 million related to an insurance payout received in 2020, revenues are up +7.7%). The business benefited from strong commercial activity in all regions. Net inflow amounted to EUR +7.7 billion in 2021. Assets under management totalled EUR 130 billion. They rose +12% in 2021.

In Q4 21, net banking income amounted to EUR 171 million, up +5.6% vs. Q4 20.

In 2021, Lyxor's net banking income totalled EUR 239 million, an increase of +15.5% vs. 2020. Assets under management were up +27% in 2021, at EUR 178 billion.

In Q4 21, revenues were 10.9% higher than in Q4 20.

Operating expenses

2021: operating expenses totalled EUR 6,863 million, an increase of +2.2% vs. 2020 on a reported basis, and +4.7% on an underlying basis (operating expenses included a restructuring charge of EUR 157 million in Q4 20). This increase can be explained by the rise in variable costs related to the increase in earnings and IFRIC 21 charges. Thanks to a very positive jaws effect, there was a significant improvement in the cost to income ratio of 14 points (72% vs. 86% on an underlying basis in 2020).

Q4 21: operating expenses were up +2.6% on an underlying basis (at EUR 1,681 million).

Net cost of risk

2021: the cost of risk was at a low level of 5 basis points (or EUR 86 million), well below 2020 (57 basis points) which was adversely affected by the health crisis.

Q4 21: it amounted to 1 basis point (or EUR 3 million), vs. 28 basis points in Q4 20.

Contribution to Group net income

2021: the contribution to Group net income was EUR 2,076 million.

Q4 21: it was EUR 635 million on a reported basis and EUR 539 million on an underlying basis (+68.4% vs. Q4 20).

Global Banking & Investor Solutions posted a significant RONE of 13.9% in 2021 (16.1% when restated for the impact of the contribution to the Single Resolution Fund).

The underlying RONE was 13.8% in Q4 21.

6. CORPORATE CENTRE

| In EURm | Q4 21 | Q4 20 | 2021 | 2020 |
|--|--------------|--------------|--------------|----------------|
| Net banking income | 93 | 2 | 374 | (339) |
| <i>Underlying net banking income⁽¹⁾</i> | <i>(24)</i> | <i>2</i> | <i>257</i> | <i>(339)</i> |
| Operating expenses | (387) | (202) | (889) | (441) |
| <i>Underlying operating expenses⁽¹⁾</i> | <i>(251)</i> | <i>(162)</i> | <i>(510)</i> | <i>(388)</i> |
| Gross operating income | (294) | (200) | (515) | (780) |
| <i>Underlying gross operating income⁽¹⁾</i> | <i>(275)</i> | <i>(160)</i> | <i>(253)</i> | <i>(727)</i> |
| Net cost of risk | (7) | (22) | (6) | (22) |
| Net profits or losses from other assets | 429 | (105) | 603 | (185) |
| Impairment losses on goodwill | (114) | - | (114) | (684) |
| Income tax | 193 | 52 | 187 | (482) |
| Reported Group net income | 168 | (290) | (9) | (2,285) |
| <i>Underlying Group net income⁽¹⁾</i> | <i>(255)</i> | <i>(133)</i> | <i>(386)</i> | <i>(718)</i> |

(1) Adjusted for the linearisation of IFRIC 21

The Corporate Centre includes the property management of the Group's head office, the Group's equity portfolio, the Treasury activities for the Group, certain costs related to cross-functional projects as well as certain costs incurred by the Group not re-invoiced to the businesses.

The Corporate Centre's net banking income totalled EUR +374 million in 2021 vs. EUR -339 million in 2020 and EUR +93 million in Q4 21, including the positive impact of a revaluation of securities for EUR 117 million vs. EUR +2 million in Q4 20.

Operating expenses totalled EUR 889 million in 2021 vs. EUR 441 million in 2020. They include the Group's transformation costs for a total amount of EUR 379 million relating to the activities of French Retail Banking (EUR 194 million), Global Banking & Investor Solutions (EUR 99 million) and the Corporate Centre (EUR 86 million). Underlying costs came to EUR 510 million in 2021 compared to EUR 388 million in 2020.

Operating expenses totalled EUR 387 million in Q4 21 vs. EUR 202 million in Q4 20. They include the Group's transformation costs for a total amount of EUR 147 million relating to the activities of French Retail Banking (EUR 88 million), Global Banking & Investor Solutions (EUR 33 million) and the Corporate Centre (EUR 26 million). Underlying costs came to EUR 251 million in Q4 21 compared to EUR 162 million in Q4 20.

Gross operating income totalled EUR -515 million in 2021 vs. EUR -780 million in 2020 and EUR -294 million in Q4 21 vs. EUR -200 million in Q4 20. Underlying gross operating income came to EUR -253 million in 2021 vs. EUR -727 million in 2020.

Net profits or losses from other assets amounted to EUR +603 million in 2021 vs. EUR -185 million in 2020. In Q4 21, they totalled EUR +429 million including the proceeds of the disposal of Lyxor's asset management activities for EUR 439 million, vs. EUR -105 million in Q4 20 including EUR -101 million in respect of the disposal of SG Finans.

In Q4 21, the Group benefited from the recognition of EUR 130 million of deferred tax assets. Furthermore, the review of International Retail Banking's financial trajectory led to the impairment of goodwill for EUR 114 million in Q4 21.

The Corporate Centre's contribution to Group net income was EUR -9 million in 2021 vs. EUR -2,285 million in 2020 and EUR +168 million in Q4 21 vs. EUR -290 million in Q4 20. The Corporate Centre's contribution to Group net income on an underlying basis was EUR -255 million.

7. CONCLUSION

In 2021, the Group delivered the best annual performance in its history, with Group net income of EUR 5.6 billion and a strong contribution from all its businesses.

2021 was also marked by major progress in the execution of all our strategic initiatives and in the strategic reallocation of our capital in favour of businesses offering profitable growth. The Group therefore announced the planned acquisition of LeasePlan by ALD to create a mobility leader, as well as Boursorama's entry into exclusive discussions with ING with a view to offering ING's individual customers in France the best alternative banking solution.

At end-December 2021, the Group had a CET1 ratio of 13.7%⁽¹⁾, comfortably above its regulatory requirement.

The Board of Directors has established an attractive distribution of 2021 financial results to shareholders equivalent to EUR 2.75 per share. A dividend in cash of EUR 1.65 per share will be proposed to the General Meeting of Shareholders on May 17th.

Furthermore, the Group foresees a buyback programme for around EUR 915 million, or an amount equivalent to EUR 1.10 per share. Exceptionally, it has been retained a split of the distribution between 60% in cash and 40% through share buy-back.

In future, the Group intends to maintain a distribution policy of 50% of underlying Group net income⁽²⁾ with up to 20% of the distribution in the form of a share buyback.

⁽¹⁾ Phased-in (13.6% fully-loaded) post distribution provision

⁽²⁾ After deducting interest on deeply subordinated notes and undated subordinated notes

8. 2022 FINANCIAL CALENDAR

2022 Financial communication calendar

| | |
|---------------------------------|--|
| May 5 th , 2022 | First quarter 2022 results |
| May 17 th , 2022 | 2022 General Meeting |
| August 3 rd , 2022 | Second quarter and first half 2022 results |
| November 4 th , 2022 | Third quarter and nine-month 2022 results |

The Alternative Performance Measures, notably the notions of net banking income for the pillars, operating expenses, IFRIC 21 adjustment, cost of risk in basis points, ROE, ROTE, RONE, net assets, tangible net assets, and the amounts serving as a basis for the different restatements carried out (in particular the transition from published data to underlying data) are presented in the methodology notes, as are the principles for the presentation of prudential ratios.

This document contains forward-looking statements relating to the targets and strategies of the Societe Generale Group.

These forward-looking statements are based on a series of assumptions, both general and specific, in particular the application of accounting principles and methods in accordance with IFRS (International Financial Reporting Standards) as adopted in the European Union, as well as the application of existing prudential regulations.

These forward-looking statements have also been developed from scenarios based on a number of economic assumptions in the context of a given competitive and regulatory environment. The Group may be unable to:

- anticipate all the risks, uncertainties or other factors likely to affect its business and to appraise their potential consequences,
- evaluate the extent to which the occurrence of a risk or a combination of risks could cause actual results to differ materially from those provided in this document and the related presentation.

Therefore, although Societe Generale believes that these statements are based on reasonable assumptions, these forward-looking statements are subject to numerous risks and uncertainties, including matters not yet known to it or its management or not currently considered material, and there can be no assurance that anticipated events will occur or that the objectives set out will actually be achieved. Important factors that could cause actual results to differ materially from the results anticipated in the forward-looking statements include, among others, overall trends in general economic activity and in Societe Generale's markets in particular, regulatory and prudential changes, and the success of Societe Generale's strategic, operating and financial initiatives.

More detailed information on the potential risks that could affect Societe Generale's financial results can be found in the section "Risk Factors" in our Universal Registration Document filed with the French Autorité des Marchés Financiers (which is available on <https://investors.societegenerale.com/en>).

Investors are advised to take into account factors of uncertainty and risk likely to impact the operations of the Group when considering the information contained in such forward-looking statements. Other than as required by applicable law, Societe Generale does not undertake any obligation to update or revise any forward-looking information or statements. Unless otherwise specified, the sources for the business rankings and market positions are internal.

9. APPENDIX 1: FINANCIAL DATA

GROUP NET INCOME BY CORE BUSINESS

| In EURm | Q4 21 | Q4 20 | Variation | 2021 | 2020 | Variation |
|---|--------------|------------|--------------|--------------|--------------|--------------|
| French Retail Banking | 400 | 104 | x 3.8 | 1,492 | 666 | x 2.2 |
| International Retail Banking and Financial Services | 584 | 376 | +55.3% | 2,082 | 1,304 | +59.7% |
| Global Banking and Investor Solutions | 635 | 280 | x 2.3 | 2,076 | 57 | x 36.4 |
| Core Businesses | 1,619 | 760 | x 2.1 | 5,650 | 2,027 | x 2.8 |
| Corporate Centre | 168 | (290) | n/s | (9) | (2,285) | +99.6% |
| Group | 1,787 | 470 | x 3.8 | 5,641 | (258) | n/s |

CONSOLIDATED BALANCE SHEET

| In EUR m | 31.12.2021 | 31.12.2020 |
|---|------------------|------------------|
| Cash, due from central banks | 179,969 | 168,179 |
| Financial assets at fair value through profit or loss * | 342,714 | 411,916 |
| Hedging derivatives | 13,239 | 20,667 |
| Financial assets at fair value through other comprehensive income | 43,450 | 52,060 |
| Securities at amortised cost | 19,371 | 15,635 |
| Due from banks at amortised cost | 55,972 | 53,380 |
| Customer loans at amortised cost | 497,164 | 448,761 |
| Revaluation differences on portfolios hedged against interest rate risk | 131 | 378 |
| Investments of insurance companies | 178,898 | 166,854 |
| Tax assets * | 4,812 | 4,995 |
| Other assets | 92,898 | 67,341 |
| Non-current assets held for sale | 27 | 6 |
| Investments accounted for using the equity method | 95 | 100 |
| Tangible and intangible fixed assets | 31,968 | 30,088 |
| Goodwill | 3,741 | 4,044 |
| Total * | 1,464,449 | 1,444,404 |

| In EUR m | 31.12.2021 | 31.12.2020 |
|---|------------------|------------------|
| Due to central banks | 5,152 | 1,489 |
| Financial liabilities at fair value through profit or loss * | 307,563 | 372,705 |
| Hedging derivatives | 10,425 | 12,461 |
| Debt securities issued | 135,324 | 138,957 |
| Due to banks | 139,177 | 135,571 |
| Customer deposits | 509,133 | 456,059 |
| Revaluation differences on portfolios hedged against interest rate risk | 2,832 | 7,696 |
| Tax liabilities * | 1,577 | 1,227 |
| Other liabilities | 106,305 | 84,937 |
| Non-current liabilities held for sale | 1 | - |
| Insurance contracts related liabilities | 155,288 | 146,126 |
| Provisions * | 4,850 | 4,732 |
| Subordinated debts | 15,959 | 15,432 |
| Total liabilities * | 1,393,586 | 1,377,392 |
| Shareholder's equity | | |
| Shareholders' equity, Group share | | |
| Issued common stocks and capital reserves | 21,913 | 22,333 |
| Other equity instruments | 7,534 | 9,295 |
| Retained earnings * | 30,631 | 32,102 |
| Net income | 5,641 | (258) |
| Sub-total * | 65,719 | 63,472 |
| Unrealised or deferred capital gains and losses | (652) | (1,762) |
| Sub-total equity, Group share * | 65,067 | 61,710 |
| Non-controlling interests * | 5,796 | 5,302 |
| Total equity * | 70,863 | 67,012 |
| Total * | 1,464,449 | 1,444,404 |

(*) Amounts restated compared with the financial statements published in 2020 (See Note 1.7 of financial statements)

10. APPENDIX 2: METHODOLOGY

1 –The financial information presented in respect of Q4 and 2021 was examined by the Board of Directors on February 9th, 2021 and has been prepared in accordance with IFRS as adopted in the European Union and applicable at that date. This information has not been audited.

2 - Net banking income

The pillars' net banking income is defined on page 41 of Societe Generale's 2021 Universal Registration Document. The terms "Revenues" or "Net Banking Income" are used interchangeably. They provide a normalised measure of each pillar's net banking income taking into account the normative capital mobilised for its activity.

3 - Operating expenses

Operating expenses correspond to the "Operating Expenses" as presented in note 8.1 to the Group's consolidated financial statements as at December 31st, 2020 (pages 466 et seq. of Societe Generale's 2021 Universal Registration Document). The term "costs" is also used to refer to Operating Expenses. The Cost/Income Ratio is defined on page 41 of Societe Generale's 2021 Universal Registration Document.

4 - IFRIC 21 adjustment

The IFRIC 21 adjustment corrects the result of the charges recognised in the accounts in their entirety when they are due (generating event) so as to recognise only the portion relating to the current quarter, i.e. a quarter of the total. It consists in smoothing the charge recognised accordingly over the financial year in order to provide a more economic idea of the costs actually attributable to the activity over the period analysed.

The contributions to **Single Resolution Fund (« SRF »)** are part of IFRIC21 adjusted charges, they include contributions to national resolution funds within the EU.

5 – Exceptional items – Transition from accounting data to underlying data

It may be necessary for the Group to present underlying indicators in order to facilitate the understanding of its actual performance. The transition from published data to underlying data is obtained by restating published data for exceptional items and the IFRIC 21 adjustment.

Moreover, the Group restates the revenues and earnings of the French Retail Banking pillar for PEL/CEL provision allocations or write-backs. This adjustment makes it easier to identify the revenues and earnings relating to the pillar's activity, by excluding the volatile component related to commitments specific to regulated savings.

The reconciliation enabling the transition from published accounting data to underlying data is set out in the table below:

| Q4 21 (in EURm) | Net Banking Income | Operating Expenses | Cost of risk | Net profit or losses from other assets | Impairment losses on goodwill | Income tax | Group net income | Business |
|-----------------------------|--------------------|--------------------|--------------|--|-------------------------------|--------------|------------------|---------------------------------|
| Reported | 6 620 | (4 565) | (86) | 449 | (114) | (311) | 1 787 | |
| (+) Revaluation gain* | (117) | | | | | 2 | (115) | Corporate Center |
| (+) IFRIC 21 linearisation | | (199) | | | | 46 | (149) | |
| (+) Transformation charges* | | 147 | | | | (39) | 108 | Corporate Center ⁽¹⁾ |
| (+) Lyxor disposal* | | | | (439) | | 50 | (389) | Corporate Center |
| (+) DTA recognition* | | | | | | (130) | (130) | Corporate Center |
| (+) Goodwill impairment* | | | | | 114 | | 114 | Corporate Center |
| Underlying | 6 503 | (4 617) | (86) | 10 | 0 | (382) | 1 226 | |

| Q4 20 (in EURm) | Net Banking Income | Operating Expenses | Cost of risk | Net profit or losses from other assets | Impairment losses on goodwill | Income tax | Group net income | Business |
|-----------------------------|--------------------|--------------------|--------------|--|-------------------------------|--------------|------------------|--|
| Reported | 5 838 | (4 351) | (689) | (94) | 0 | (125) | 470 | |
| (+) IFRIC 21 linearisation | | (177) | | | | 52 | (121) | |
| (+) Transformation charges* | | 210 | | | | (63) | 147 | o/w GBIS (EUR -157m), Corporate Center (EUR -53m) |
| (+) Group refocusing plan* | | | 20 | 101 | | 14 | 135 | Corporate Center |
| Underlying | 5 838 | (4 318) | (669) | 7 | 0 | (123) | 631 | |

| 2021 (in EURm) | Net Banking Income | Operating Expenses | Cost of risk | Net profit or losses from other assets | Impairment losses on goodwill | Income tax | Group net income | Business |
|---|--------------------|--------------------|--------------|--|-------------------------------|----------------|------------------|---------------------------------|
| Reported | 25 798 | (17 590) | (700) | 635 | (114) | (1 697) | 5 641 | |
| (+) Lyxor disposal* | | | | (439) | | 50 | (389) | Corporate Center |
| (+) Transformation charges* | | 379 | | | | (104) | 275 | Corporate Center ⁽²⁾ |
| (+) Capital gains on Haussmann office disposal* | | | | (185) | | 53 | (132) | Corporate Center |
| (+) Revaluation gain* | (117) | | | | | 2 | (115) | Corporate Center |
| (+) DTA recognition* | | | | | | (130) | (130) | Corporate Center |
| (+) Goodwill impairment* | | | | | 114 | | 114 | Corporate Center |
| Underlying | 25 681 | (17 211) | (700) | 11 | 0 | (1 826) | 5 264 | |

| 2020 (in EURm) | Net Banking Income | Operating Expenses | Cost of risk | Net profit or losses from other assets | Impairment losses on goodwill | Income tax | Group net income | Business |
|-----------------------------|--------------------|--------------------|----------------|--|-------------------------------|----------------|------------------|--|
| Reported | 22 113 | (16 714) | (3 306) | (12) | (684) | (1 204) | (258) | |
| (+) Transformation charges* | | 210 | | | | (63) | 147 | o/w GBIS (EUR -157m), Corporate Center (EUR -53m) |
| (+) Group refocusing plan* | | | 20 | 178 | | 14 | 212 | Corporate center |
| (+) Goodwill impairment* | | | | | 684 | | 684 | Corporate center |
| (+) DTA impairment* | | | | | | 650 | 650 | Corporate center |
| Underlying | 22 113 | (16 504) | (3 286) | 166 | 0 | (603) | 1 435 | |

(*) Exceptional item

(1) Transformation and/or restructuring charges in Q4 21 related to RBDF (EUR 88m), GBIS (EUR 33m) and Corporate Center (EUR 26m)

(2) Transformation and/or restructuring charges in 2021 related to RBDF (EUR 194m), GBIS (EUR 99m) and Corporate Center (EUR 86m)

6 - Cost of risk in basis points, coverage ratio for doubtful outstandings

The cost of risk is defined on pages 43 and 635 of Societe Generale's 2021 Universal Registration Document. This indicator makes it possible to assess the level of risk of each of the pillars as a percentage of balance sheet loan commitments, including operating leases.

| In EURm | | Q4 21 | Q4 20 | 2021 | 2020 |
|---|-------------------------|---------|---------|---------|---------|
| French Retail Banking | Net Cost Of Risk | (20) | 276 | 104 | 1,097 |
| | Gross loan Outstandings | 219,522 | 222,926 | 218,043 | 212,185 |
| | Cost of Risk in bp | (4) | 50 | 5 | 52 |
| International Retail Banking and Financial Services | Net Cost Of Risk | 96 | 287 | 504 | 1,265 |
| | Gross loan Outstandings | 137,018 | 128,965 | 133,321 | 132,082 |
| | Cost of Risk in bp | 28 | 89 | 38 | 96 |
| Global Banking and Investor Solutions | Net Cost Of Risk | 3 | 104 | 86 | 922 |
| | Gross loan Outstandings | 178,116 | 147,508 | 165,603 | 160,918 |
| | Cost of Risk in bp | 1 | 28 | 5 | 57 |
| Corporate Centre | Net Cost Of Risk | 7 | 22 | 6 | 22 |
| | Gross loan Outstandings | 14,574 | 14,044 | 13,835 | 11,611 |
| | Cost of Risk in bp | 16 | 62 | 4 | 20 |
| Societe Generale Group | Net Cost Of Risk | 86 | 689 | 700 | 3,306 |
| | Gross loan Outstandings | 549,229 | 513,443 | 530,801 | 516,797 |
| | Cost of Risk in bp | 6 | 54 | 13 | 64 |

The **gross coverage ratio for doubtful outstandings** is calculated as the ratio of provisions recognised in respect of the credit risk to gross outstandings identified as in default within the meaning of the regulations, without taking account of any guarantees provided. This coverage ratio measures the maximum residual risk associated with outstandings in default ("doubtful").

7 - ROE, ROTE, RONE

The notions of ROE (Return on Equity) and ROTE (Return on Tangible Equity), as well as their calculation methodology, are specified on page 43 and 44 of Societe Generale's 2021 Universal Registration Document. This measure makes it possible to assess Societe Generale's return on equity and return on tangible equity.

RONE (Return on Normative Equity) determines the return on average normative equity allocated to the Group's businesses, according to the principles presented on page 44 of Societe Generale's 2021 Universal Registration Document.

Group net income used for the ratio numerator is book Group net income adjusted for "interest net of tax payable on deeply subordinated notes and undated subordinated notes, interest paid to holders of deeply subordinated notes and undated subordinated notes, issue premium amortisations" and "unrealised gains/losses booked under shareholders' equity, excluding conversion reserves" (see methodology note No. 9). For ROTE, income is also restated for goodwill impairment.

Details of the corrections made to book equity in order to calculate ROE and ROTE for the period are given in the table below:

ROTE calculation: calculation methodology

| End of period | Q4 21 | Q4 20 | 2021 | 2020 |
|---|---------------|---------------|---------------|---------------|
| Shareholders' equity Group share* | 65,067 | 61,710 | 65,067 | 61,710 |
| Deeply subordinated notes | (8,003) | (8,830) | (8,003) | (8,830) |
| Undated subordinated notes | | (264) | | (264) |
| Interest net of tax payable to holders of deeply subordinated notes & undated subordinated notes, interest paid to holders of deeply subordinated notes & undated subordinated notes, issue premium amortisations | 20 | 19 | 20 | 19 |
| OCI excluding conversion reserves | (489) | (942) | (489) | (942) |
| Dividend provision | (2,286) | (467) | (2,286) | (467) |
| ROE equity end-of-period* | 54,310 | 51,227 | 54,310 | 51,227 |
| Average ROE equity* | 53,878 | 51,307 | 52,634 | 52,091 |
| Average Goodwill | (3,776) | (3,928) | (3,890) | (4,172) |
| Average Intangible Assets | (2,687) | (2,477) | (2,584) | (2,432) |
| Average ROTE equity* | 47,415 | 44,902 | 46,160 | 45,487 |
| Group net Income (a) | 1,787 | 470 | 5,641 | (258) |
| Underlying Group net income (b) | 1,226 | 631 | 5,264 | 1,435 |
| Interest on deeply subordinated notes and undated subordinated notes (c) | (151) | (164) | (590) | (611) |
| Cancellation of goodwill impairment (d) | 337 | - | 337 | 684 |
| Ajusted Group net Income (e) = (a)+ (c)+(d) | 1,973 | 306 | 5,388 | (185) |
| Ajusted Underlying Group net Income (f)=(b)+(c) | 1,075 | 467 | 4,674 | 824 |
| Average ROTE equity (g)* | 47,415 | 44,902 | 46,160 | 45,487 |
| ROTE [quarter: (4*e/g), 12M: (2*e/g)] | 16.6% | 2.7% | 11.7% | -0.4% |
| Average ROTE equity (underlying) (h)* | 46,854 | 45,063 | 45,783 | 47,180 |
| Underlying ROTE [quarter: (4*f/h), 12M: (2*f/h)] | 9.2% | 4.1% | 10.2% | 1.7% |

(*) Amounts restated compared with the financial statements published in 2020 (See Note 1.7 of the financial statements)

RONE calculation: Average capital allocated to Core Businesses (in EURm)

| In EUR m | Q4 21 | Q4 20 | Change | 2021 | 2020 | Change |
|---|---------------|---------------|--------------|---------------|---------------|--------------|
| French Retail Banking | 10,990 | 11,186 | -1.8% | 11,149 | 11,427 | -2.4% |
| International Retail Banking and Financial Services | 10,523 | 10,112 | +4.1% | 10,246 | 10,499 | -2.4% |
| Global Banking and Investor Solutions | 15,602 | 14,287 | +9.2% | 14,916 | 14,302 | +4.3% |
| Core Businesses | 37,115 | 35,585 | +4.3% | 36,310 | 36,228 | +0.2% |
| Corporate Center | 16,763 | 15,722 | +6.7% | 16,324 | 15,863 | +2.9% |
| Group | 53,878 | 51,307 | +5.0% | 52,634 | 52,091 | +1.0% |

(*) Amounts restated compared with the financial statements published in 2020 (See Note 1.7 of the financial statements)

8 - Net assets and tangible net assets

Net assets and tangible net assets are defined in the methodology, page 46 of the Group's 2021 Universal Registration Document. The items used to calculate them are presented below:

| End of period – in EUR m | 2021 | 2020 | 2019 |
|---|---------------|---------------|---------------|
| Shareholders' equity Group share* | 65,067 | 61,710 | 63,527 |
| Deeply subordinated notes | (8,003) | (8,830) | (9,501) |
| Undated subordinated notes | | (264) | (283) |
| Interest, net of tax, payable to holders of deeply subordinated notes & undated subordinated notes, interest paid to holders of deeply subordinated notes & undated subordinated notes, issue premium amortisations | 20 | 19 | 4 |
| Bookvalue of own shares in trading portfolio | 37 | 301 | 375 |
| Net Asset Value* | 57,121 | 52,936 | 54,122 |
| Goodwill | (3,624) | (3,928) | (4,510) |
| Intangible Assets | (2,733) | (2,484) | (2,362) |
| Net Tangible Asset Value* | 50,764 | 46,524 | 47,250 |
| Number of shares used to calculate NAPS** | 831,162 | 848,859 | 849,665 |
| Net Asset Value per Share | 68.7 | 62.4 | 63.7 |
| Net Tangible Asset Value per Share | 61.1 | 54.8 | 55.6 |

(*) Amounts restated compared with the financial statements published in 2020 (See Note 1.7 of the financial statements)

(* *) The number of shares considered is the number of ordinary shares outstanding as at end of period, excluding treasury shares and buybacks, but including the trading shares held by the Group.

In accordance with IAS 33, historical data per share prior to the date of detachment of a preferential subscription right are restated by the adjustment coefficient for the transaction.

9 - Calculation of Earnings Per Share (EPS)

The EPS published by Societe Generale is calculated according to the rules defined by the IAS 33 standard (see page 45 of Societe Generale's 2021 Universal Registration Document). The corrections made to Group net income in order to calculate EPS correspond to the restatements carried out for the calculation of ROE and ROTE. As specified on page 45 of Societe Generale's 2021 Universal Registration Document, the Group also publishes EPS adjusted for the impact of non-economic and exceptional items presented in methodology note No. 5 (underlying EPS).

The calculation of Earnings Per Share is described in the following table:

| Average number of shares (thousands) – in EUR m | 2021 | 2020 | 2019 |
|---|---------|---------|---------|
| Existing shares | 853,371 | 853,371 | 834,062 |
| Deductions | | | |
| Shares allocated to cover stock option plans and free shares awarded to staff | 3,861 | 2,987 | 4,011 |
| Other own shares and treasury shares | 3,249 | | 149 |
| Number of shares used to calculate EPS** | 846,261 | 850,385 | 829,902 |
| Group net Income | 5,641 | (258) | 3,248 |
| Interest on deeply subordinated notes and undated subordinated notes | (590) | (611) | (715) |
| Capital gain net of tax on partial buybacks | | | |
| Adjusted Group net income | 5,051 | (869) | 2,533 |
| EPS (in EUR) | 5.97 | (1.02) | 3.05 |
| Underlying EPS* (in EUR) | 5.52 | 0.97 | 4.03 |

(*) Calculated on the basis of underlying Group net income.

(**) The number of shares considered is the average number of ordinary shares outstanding during the period, excluding treasury shares and buybacks, but including the trading shares held by the Group.

10 – The Societe Generale Group's Common Equity Tier 1 capital is calculated in accordance with applicable CRR2/CRD5 rules. The fully loaded solvency ratios are presented pro forma for current earnings, net of dividends, for the current financial year, unless specified otherwise. When there is reference to phased-in ratios, these do not include the earnings for the current financial year, unless specified otherwise. The leverage ratio is also calculated according to applicable CRR2/CRD5 rules including the phased-in following the same rationale as solvency ratios.

NB (1) The sum of values contained in the tables and analyses may differ slightly from the total reported due to rounding rules.

(2) All the information on the results for the period (notably: press release, downloadable data, presentation slides and supplement) is available on Societe Generale's website www.societegenerale.com in the "Investor" section.

Societe Generale

Societe Generale is one of the leading European financial services groups. Based on a diversified and integrated banking model, the Group combines financial strength and proven expertise in innovation with a strategy of sustainable growth. Committed to the positive transformations of the world's societies and economies, Societe Generale and its teams seek to build, day after day, together with its clients, a better and sustainable future through responsible and innovative financial solutions.

Active in the real economy for over 150 years, with a solid position in Europe and connected to the rest of the world, Societe Generale has over 133,000 members of staff in 61 countries and supports on a daily basis 30 million individual clients, businesses and institutional investors around the world by offering a wide range of advisory services and tailored financial solutions. The Group is built on three complementary core businesses:

- **French Retail Banking** which encompasses the Societe Generale, Credit du Nord and Boursorama brands. Each offers a full range of financial services with omnichannel products at the cutting edge of digital innovation;
- **International Retail Banking, Insurance and Financial Services to Corporates**, with networks in Africa, Russia, Central and Eastern Europe and specialised businesses that are leaders in their markets;
- **Global Banking and Investor Solutions**, which offers recognised expertise, key international locations and integrated solutions.

Societe Generale is included in the principal socially responsible investment indices: DJSI (Europe), FTSE4Good (Global and Europe), Bloomberg Gender-Equality Index, Refinitiv Diversity and Inclusion Index, Euronext Vigeo (Europe and Eurozone), STOXX Global ESG Leaders indexes, and the MSCI Low Carbon Leaders Index (World and Europe).

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