

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 Class B ordinary shares of Kuaishou Technology**

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 18 May 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.

17 May 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.

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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) the Company is controlled through weighted voting rights. Certain individuals who own shares of a class which is being given more votes per share will have considerable influence over matters requiring approval of the Company's shareholders. Depending on the action taken by the Company, the market price of the Certificates could be adversely affected;
- (e) 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;
- (f) 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;
- (g) 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;
- (h) 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;

- (i) 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 31 to 35 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;
- (j) 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;
- (k) 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);
- (l) 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);
- (m) 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;

- (n) 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;
- (o) 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;
- (p) 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);
- (q) 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;

- (r) 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 51 to 52 of this document for more information;
- (s) 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;
- (t) 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 37 to 38 of this document for more information;
- (u) 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;
- (v) 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;
- (w) 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;

- (x) 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;

- (y) 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;

- (z) 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;

- (aa) 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;

- (bb) 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;

- (cc) 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;
- (dd) 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;

- (ee) 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 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;

(ff) 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

(gg) 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:

Certificates:	12,500,000 European Style Cash Settled Short Certificates relating to the Class B ordinary shares of Kuaishou Technology (the “Underlying Stock”)
ISIN:	LU2348853321
Company:	Kuaishou Technology (RIC: 1024.HK)
Underlying Price ³ and Source:	HK\$71.75 (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 :	8.50%, 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:	10 May 2022
Closing Date:	17 May 2022

³ These figures are calculated as at, and based on information available to the Issuer on or about 17 May 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 17 May 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.

Expected Listing Date:	18 May 2022
Last Trading Date:	The date falling 5 Business Days immediately preceding the Expiry Date, currently being 9 May 2023
Expiry Date:	16 May 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:	15 May 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 42 to 57 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 42 to 57 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 25 below.

Initial Exchange Rate³:

0.1766

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 23 to 25 below and the “Description of Air Bag Mechanism” section on pages 48 to 50 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

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:

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

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 3.00%.

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

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

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.

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 H1HKDOND= 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).
DayCountBasis Rate	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> <ul style="list-style-type: none"> (i) a Reference Rate Cessation; (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	<p>means in respect of an Observation Date(t) :</p> <p>(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.</p> <p>(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.</p>
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	<p>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.</p> <p>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.</p>
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:	Kuaishou Technology
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 18 May 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
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Daily Fees	=	Daily Management Fee Adjustment
		$1 - \text{Management Fee} \times \text{ACT}(t-1;t) / 360$
		x
		Daily Gap Premium Adjustment
		$1 - \text{Gap Premium}(t-1) \times \text{ACT}(t-1;t) / 360$

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 x Daily Fees		Leverage Inverse Strategy daily performance x Daily Fees		Leverage Inverse Strategy Daily performance x Daily Fees

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 x 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:	Class B ordinary shares of Kuaishou Technology
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.):	8.50%
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):

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

$$\text{HFF}(1) = 100\% \times \left(1 - 0.40\% \times \frac{1}{360}\right) \times \left(1 - 8.50\% \times \frac{1}{360}\right)$$

$$\text{HFF}(1) = 100\% \times 99.9989\% \times 99.9764\% \approx 99.9753\%$$

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

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

$$\text{HFF (2)} = 99.9753\% \times \left(1 - 0.40\% \times \frac{3}{360}\right) \times \left(1 - 8.50\% \times \frac{3}{360}\right)$$

$$\text{HFF (2)} = 99.9753\% \times 99.9967\% \times 99.9292\% \approx 99.9011\%$$

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 99.6298% as illustrated below:

Date	HFF
3/7/2018	100.0000%
4/7/2018	99.9753%
5/7/2018	99.9506%
6/7/2018	99.9259%
9/7/2018	99.8517%
10/7/2018	99.8271%
11/7/2018	99.8024%
12/7/2018	99.7777%
13/7/2018	99.7530%
16/7/2018	99.6791%
17/7/2018	99.6544%
18/7/2018	99.6298%

Cash Settlement Amount

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

$$\begin{aligned} \text{Closing Level} &= [(\text{Final Reference Level} \times \text{Final Exchange Rate}) / (\text{Initial Reference Level} \times \text{Initial Exchange Rate}) - \text{Strike Level}] \times \text{Hedging Fee Factor} \\ &= [(1200 \times 1) / (1000 \times 1) - 0] \times 99.6298\% \\ &= 119.56\% \end{aligned}$$

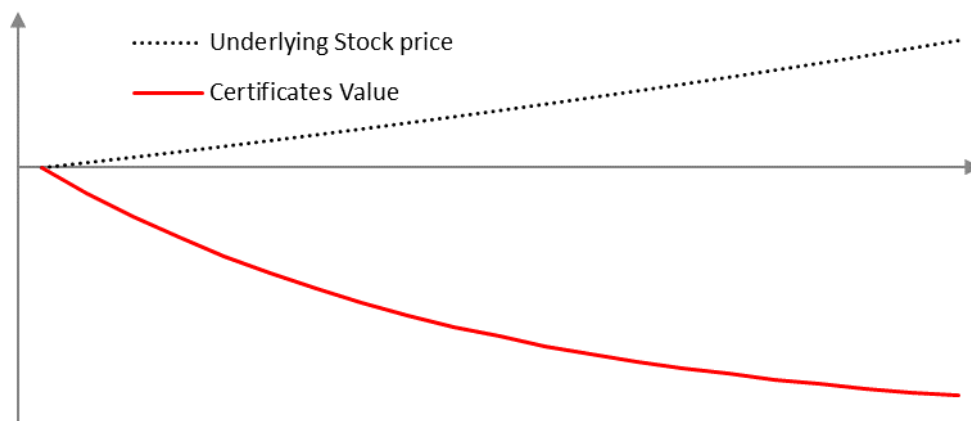
$$\begin{aligned} \text{Cash Settlement Amount} &= \text{Closing Level} \times \text{Notional Amount per Certificate} \\ &= 119.56\% \times 0.80 \text{ SGD} \\ &= \mathbf{0.956 \text{ SGD}} \end{aligned}$$

Illustration on how returns and losses can occur under different scenarios

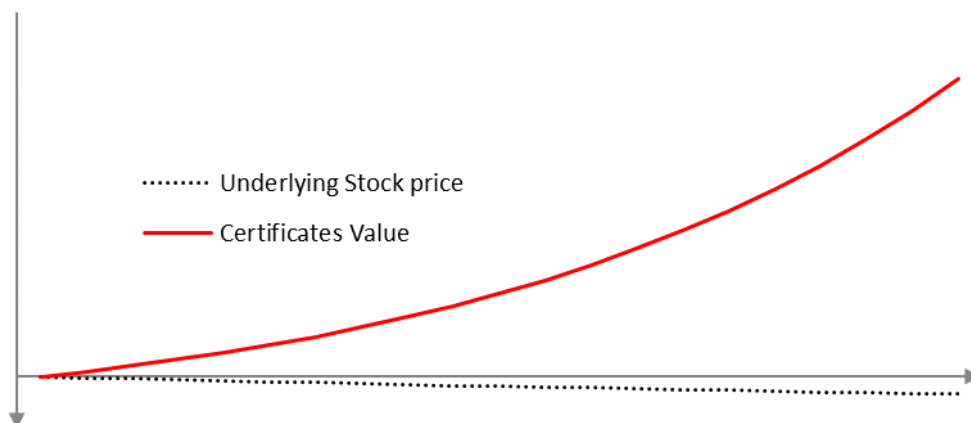
The examples are purely hypothetical and do not take fees and charges payable by investors into consideration. The examples highlight the effect of the Underlying Stock performance on the value of the Certificates and do not take into account the possible influence of fees, exchange rates, dividends,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

1. Illustrative examples

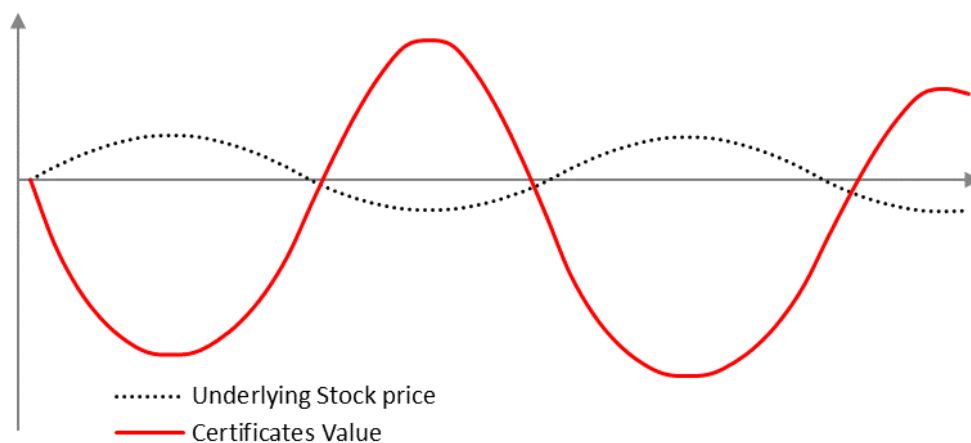
Scenario 1 – Upward Trend



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.

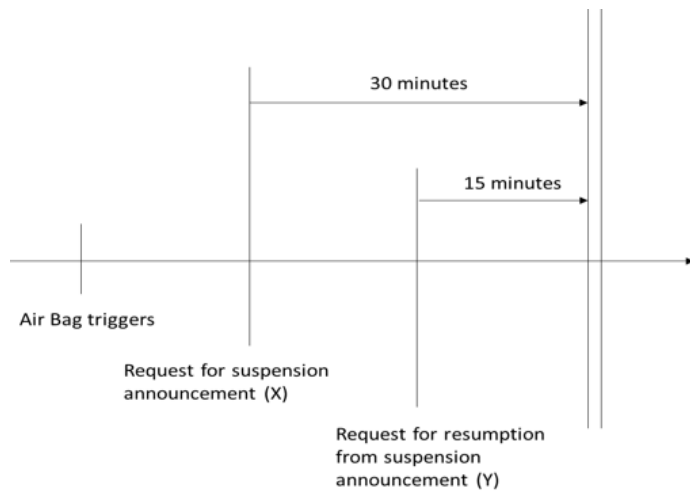
The performance of the Leverage Inverse Strategy will be the inverse of the Underlying Stock.

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:

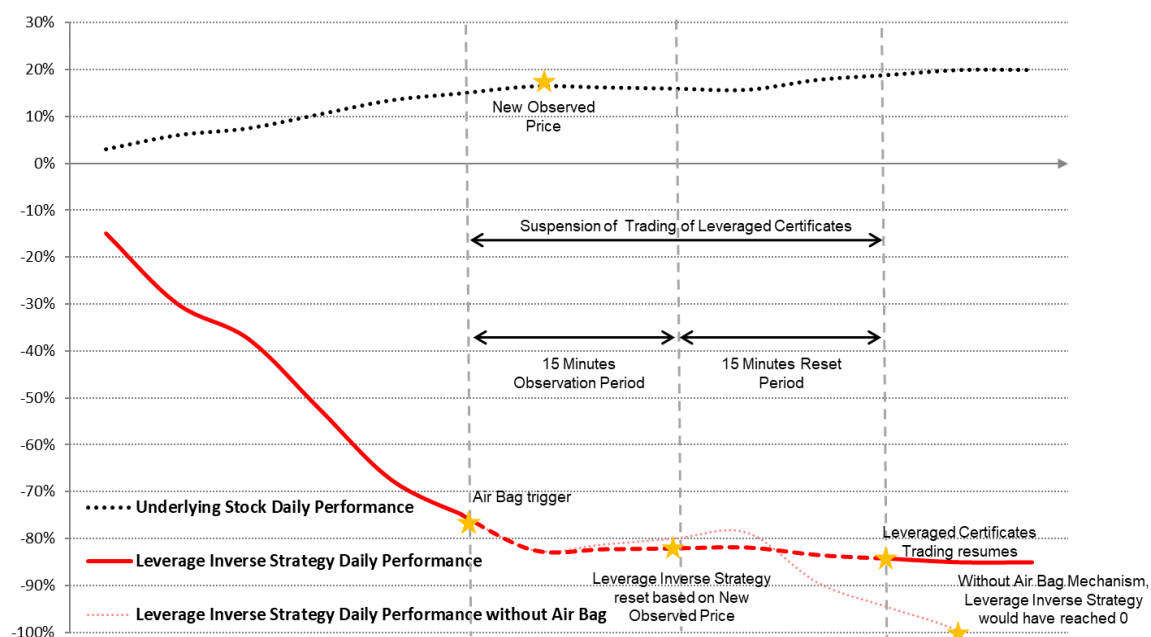
- Underlying Stock closing time with respect to the Observation Period
- The sooner between Underlying Stock closing time and SGX closing time with respect to the Resumption of Trading



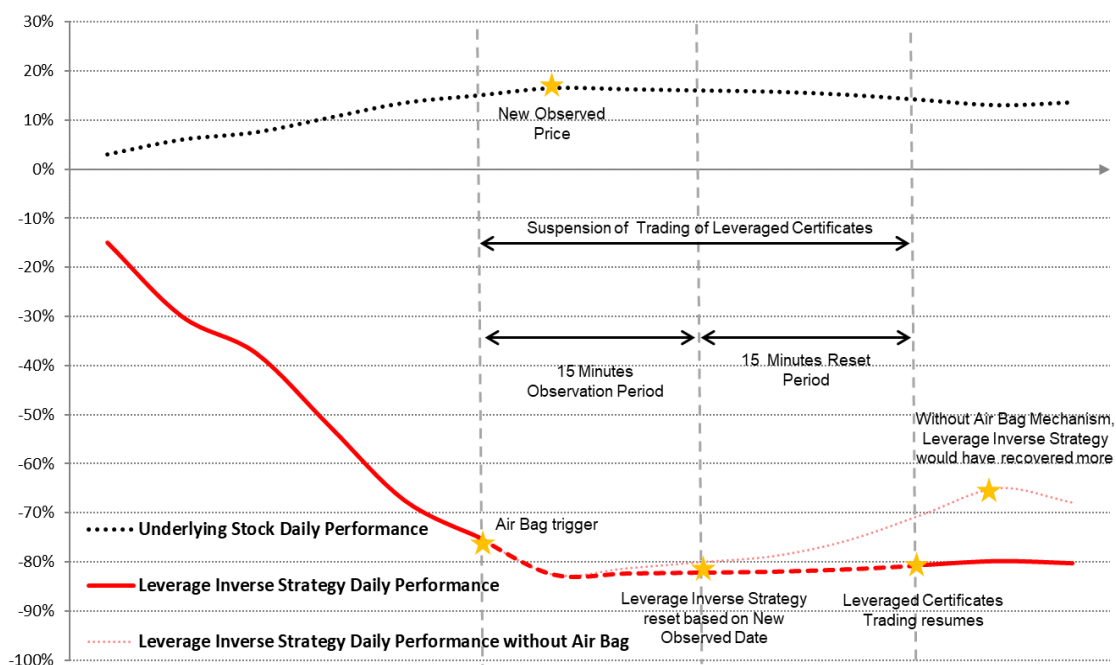
- The later between $X+30$ minutes or $Y+15$ minutes will be the earliest time the Certificates can be resumed, the next quarter-of-an-hour of which will be the scheduled resumption time of the Certificates
- If the scheduled resumption time of the Certificates is at or later than the scheduled closing 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.

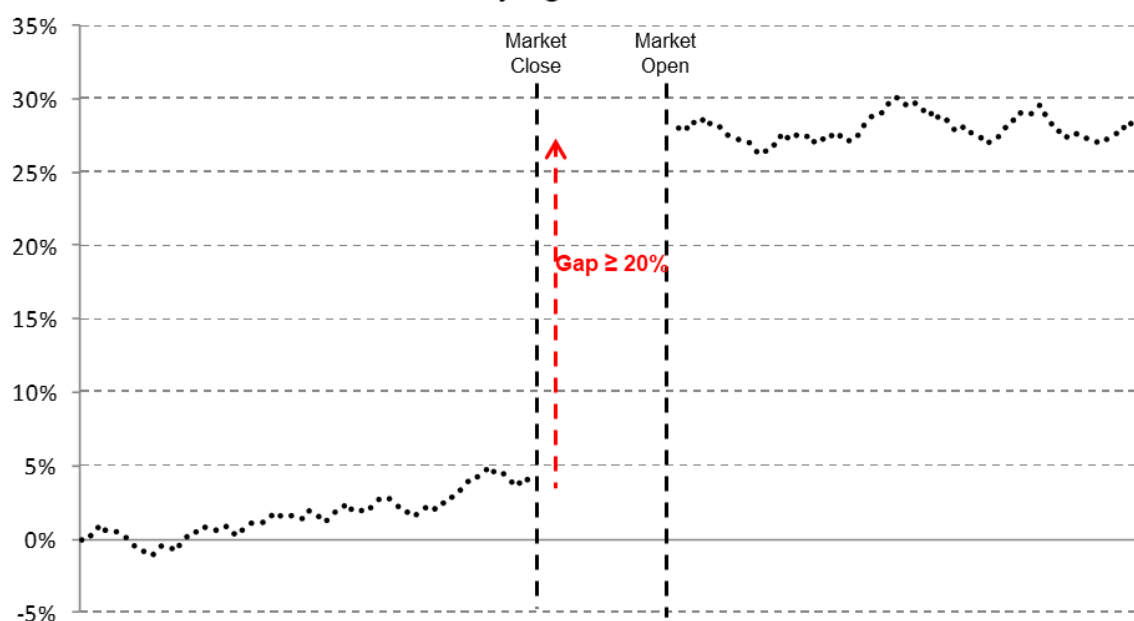
Scenarios where the investor may lose the entire value of the investment

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.

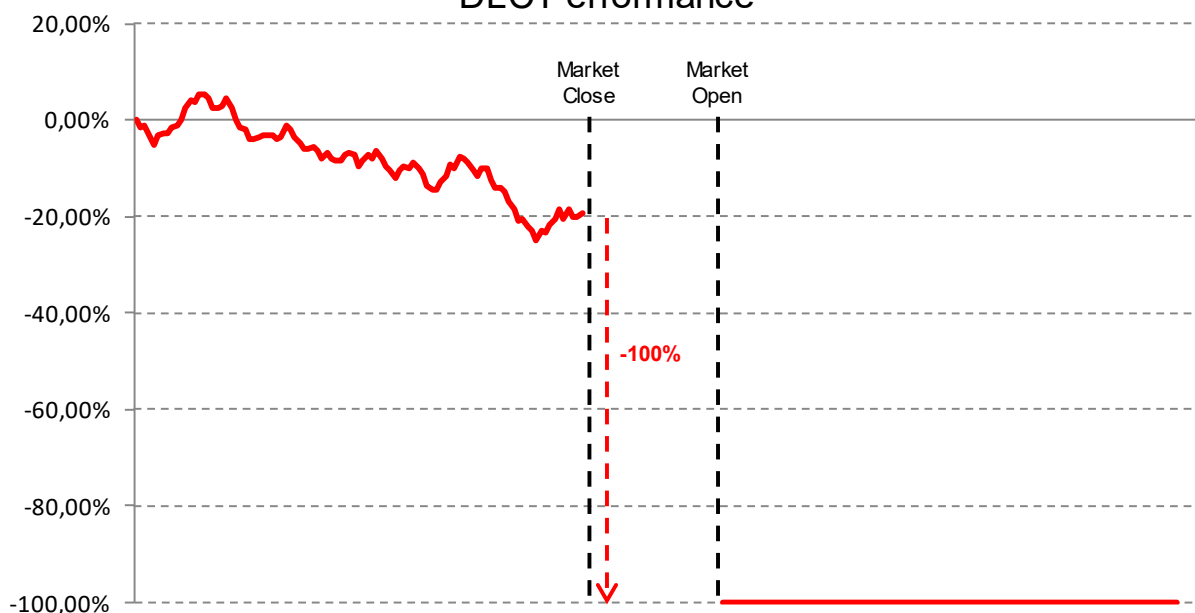
Scenario 1 – Overnight rise of the Underlying Stock

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

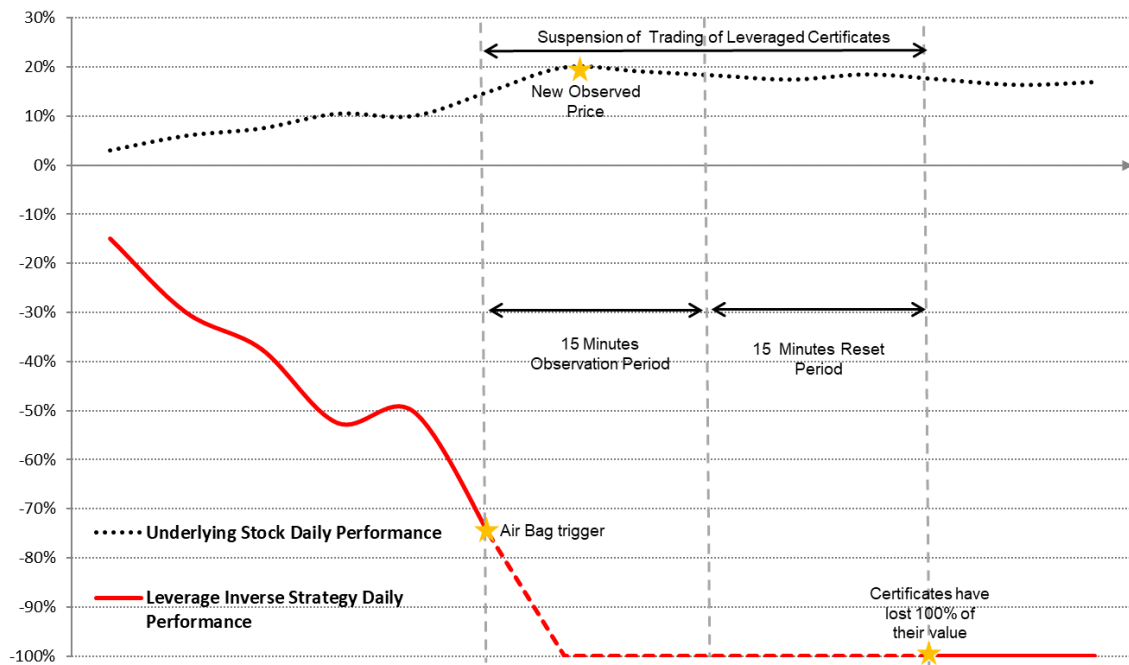


DLC Performance



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 <https://kuaishou.com/en>. The Issuer has not independently verified any of such information.

Kuaishou Technology (the “**Company**” or “**Kuaishou**”) is a China-based investment holding company mainly engaged in the operation of content communities and social platforms. The Company mainly provides live streaming services, online marketing services and other services. The online marketing solutions include advertising services, Kuaishou fans headline services and other marketing services. Other services include e-commerce, online games and other value-added services. The Company mainly conducts business within the domestic market.

Kuaishou is a leading content community and social platform with its mission to be the most customer-obsessed company in the world. Kuaishou has relentlessly been focusing on serving its customers and creating value for them through the continual innovation and optimization of its products and services. At Kuaishou, any user can chronicle and share their life experiences through short videos and live streams and showcase their talents. Working closely with content creators and businesses together, Kuaishou provides product and service offerings that address various user needs that arise naturally, including entertainment, online marketing services, e-commerce, online games, online knowledge-sharing, and more.

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 released on 19 April 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 ISSUER

The information set out in Appendix II of this document is a reproduction of the annual financial statements of the Issuer as at and for the year ended 31 December 2021 and its auditor's report.

SUPPLEMENTAL INFORMATION RELATING TO THE GUARANTOR

The information set out in Appendix III of this document is a reproduction of the press release dated 5 May 2022 containing the Guarantor's consolidated financial results for the first quarter ended 31 March 2022.

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 2021 or the Guarantor since 31 March 2022, 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 KUAISHOU TECHNOLOGY 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 released on 19 April 2022 in relation to the same.

Independent Auditor's Report

To the Shareholders of Kuaishou Technology

(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Kuaishou Technology (the “**Company**”) and its subsidiaries including structured entities (collectively, the “**Group**”) set out on pages 111 to 207, which comprise:

- the consolidated balance sheet as at December 31, 2021;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive loss for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“**IFRSs**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (“**ISAs**”). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (“**IESBA Code**”), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Independent Auditor's Report

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Revenue recognition of online marketing services and live streaming;
- Fair value determination of investments in unlisted entities classified as “financial assets at fair value through profit or loss”; and
- Recognition of deferred tax assets.

Independent Auditor's Report

Key Audit Matter

How our audit addressed the Key Audit Matter

Revenue recognition of online marketing services and live streaming

Refer to notes 2.19 and 6 to the consolidated financial statements.

Revenues from online marketing services and live streaming for the year ended December 31, 2021 amounted to approximately RMB42.7 billion and RMB31.0 billion respectively, the aggregate of which represented approximately 91% of the total revenues of the Group.

Revenues from online marketing services derive primarily from the provision of advertising services and Kuaishou fans headline services in the Group's platform (the "**platform**"). The revenue is recognized over the display period or upon the time when the related services were delivered by the Group.

Revenues from live streaming derive from sales of virtual items to users of the Group's platform which can be consumed on the platform. The revenue is recognized when the consumable virtual items are consumed.

We focused on this area as significant efforts were spent on auditing the revenue recognized from online marketing services and live streaming due to the magnitude of the revenue amount and the significant volume of revenue transactions generated from the information technology systems in which the virtual items was sold and consumed and online marketing services were delivered (collectively the "**IT Systems**").

We performed the following procedures to address the key audit matter:

- Evaluated the appropriateness of the revenue recognition policies as adopted by the management;
- Understood and evaluated the key internal controls in relation to recognition of revenue from online marketing services and live streaming;
- Understood and tested the general control environment of the IT Systems;
- Tested the key automated controls of the IT Systems, including checking the top-ups for purchase of virtual items (the "**Top-Ups**"), the consumption of virtual items by the users of the platform, the delivery of online marketing services in accordance with the pre-set system logics;
- By using computer-assisted audit techniques, tested the mathematic accuracy and the completeness of the system generated reports that summarized the key inputs for the calculation of revenue;
- Compared the total amount of cash collections recorded in the general ledger against the cash collection amounts as recorded in the IT Systems for the amounts of Top-Ups received from customers. We also tested, on a sample basis, the amount and the timing of cash collections by checking to the supporting documents for the related cash receipts; and
- Performed data analysis on users' and live streamers' behaviours in the platform.

Based on the procedures performed, we considered that the revenues from online marketing services and live streaming were supported by the available evidence.

Independent Auditor's Report

Key Audit Matter

Fair value determination of investments in unlisted entities classified as “financial assets at fair value through profit or loss”

Refer to notes 2.9, 3.3 and 20 to the consolidated financial statements.

The fair value of investments in unlisted entities classified as “financial assets at fair value through profit or loss” as at December 31, 2021 amounted to approximately RMB2.8 billion. These financial assets were measured based on unobservable inputs and are classified as “level 3 financial instruments”

As these entities are unlisted and not traded in an active market, management determined the fair values of these unlisted entities by using applicable valuation techniques with the assistance from an independent external valuer.

The fair value determination required significant management's judgments and estimates, the use of unobservable inputs.

We focused on this area since the determination of fair values for these investments is subject to high degree of estimation uncertainty. The inherent risk in relation to the determination of the fair values for these unlisted entities are considered significant due to the complexity of valuation techniques and significant management assumptions and estimates adopted, such as expected volatility, discount for lack of marketability and risk-free rate, as well as the probability weight among the timing of the liquidation, redemption or IPO event scenarios, and the selection of data used in the valuation, which are subjective.

How our audit addressed the Key Audit Matter

We performed the following procedures to address the key audit matter:

- Assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity and subjectivity;
- Obtained an understanding on the management's internal control process for determining the fair value of investments in unlisted entities;
- Examined, on a sample basis, the relevant legal documents and investment agreements, and assessed the implications of the key terms as set out in these documents/agreements to the valuation of the respective investments;
- Assessed the competence, capabilities and objectivity of the independent external valuer engaged by the Group;
- Involved our internal valuation expert in assessing and challenging the appropriateness of the valuation techniques used and the reasonableness of the significant assumptions and estimates applied (including expected volatility, discount for lack of marketability and risk-free rate, as well as the probability weight among the timing of the liquidation, redemption or IPO event scenario) by comparing with those as adopted by comparable companies in the industry and other external market data;

Independent Auditor's Report

Key Audit Matter

How our audit addressed the Key Audit Matter

- Considered whether the management's judgements made in selecting the valuation techniques, significant assumptions and data for the valuation would give rise to indicators of possible management bias; and
- Checked the accuracy of selected data used in the fair value determination to supporting documents on a sample basis.

Based on the procedures performed, we considered that the risk assessment of the fair value determination of investments in unlisted entities remained appropriate and the valuation techniques, significant assumptions and data used by management in the assessment of the fair value of the investments in unlisted entities were supported by the available evidence.

Recognition of deferred tax assets

We performed the following procedures to address the key audit matter:

Refer to notes 2.16 and 31 to the consolidated financial statements.

As at December 31, 2021, the Group had deferred tax assets amounting to approximately RMB5.4 billion. In addition, the unrecognized deferred tax assets for tax losses as at December 31, 2021 amounted to approximately RMB3.0 billion.

Deferred tax assets are recognised only if it is probable that future taxable profits will be available to utilise the deductible temporary differences and tax losses.

- Obtained an understanding of the management's internal control and assessment process of recognition of deferred tax assets and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias;
- Obtained management's calculation sheets of deferred tax assets and tested the accuracy of the calculation sheets;
- Tested and agreed available deductible tax losses, including the respective expiry periods, to tax returns of the relevant subsidiaries on a sample basis;

Independent Auditor's Report

Key Audit Matter

We focused on this area because the estimation of future taxable profits is subject to high degree of estimation uncertainty. The recognition of deferred tax assets involves significant judgement and estimates by management as to the likelihood and the period of its realization which is dependent on a number of factors, including whether there will be sufficient future taxable profits and appropriate taxable temporary differences.

How our audit addressed the Key Audit Matter

- Evaluated the reasonableness of key assumptions and estimates used by management in estimating future taxable profits, by considering (a) the Group's current and past performances, (b) the consistency with industry and third party data, and (c) whether these assumptions and related estimates were consistent with evidence obtained in other areas of the audit;
- Involved our tax specialists in evaluating the tax situation and the adequacy of management's key assumptions; and
- Evaluated the reasonableness of the deferred tax assets by comparing the estimated future taxable profits to deductible temporary differences and tax losses as at December 31, 2021.

Based on the above procedures performed, we considered that the risk assessment of the recognition of deferred tax assets remained appropriate and the significant assumptions and data used by management in the assessment in relation to the recognition of deferred tax assets were supported by the available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the Corporate information, Chairman's statement, Financial summary and operation highlights, Management discussion and analysis, Report of the board of directors, Corporate governance report (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Environmental, social and governance report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report

When we read the Environmental, social and governance report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to Audit Committee and take appropriate action considering our legal rights and obligations.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

Independent Auditor's Report

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

The engagement partner on the audit resulting in this independent auditor's report is Lo Kai Leung, Thomas.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, March 29, 2022

Consolidated Income Statement

		Year ended December 31,	
	Note	2021 RMB'000	2020 RMB'000
Revenues	6	81,081,513	58,776,097
Cost of revenues	9	(47,051,808)	(34,961,460)
Gross profit		34,029,705	23,814,637
Selling and marketing expenses	9	(44,175,898)	(26,614,746)
Administrative expenses	9	(3,400,316)	(1,676,745)
Research and development expenses	9	(14,956,247)	(6,547,578)
Other income	7	1,026,742	527,996
Other (losses)/gains, net	8	(225,251)	176,483
Operating loss		(27,701,265)	(10,319,953)
Finance expense, net	11	(38,536)	(35,288)
Fair value changes of convertible redeemable preferred shares	32	(51,275,797)	(106,845,549)
Share of losses of investments accounted for using the equity method	19	(86,658)	—
Loss before income tax		(79,102,256)	(117,200,790)
Income tax benefits	13	1,025,155	565,548
Loss for the year		(78,077,101)	(116,635,242)
Attributable to:			
— Equity holders of the Company		(78,073,643)	(116,635,242)
— Non-controlling interests		(3,458)	—
		(78,077,101)	(116,635,242)
Loss per share for the loss attributable to the equity holders of the Company (expressed in RMB per share)	14		
Basic loss per share		(20.37)	(125.25)
Diluted loss per share		(20.37)	(125.25)

The notes on pages 118 to 207 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Loss

	Note	Year ended December 31,	
		2021 RMB'000	2020 RMB'000
Loss for the year		(78,077,101)	(116,635,242)
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Fair value change on convertible redeemable preferred shares due to own credit risk	32	—	2,404
Currency translation differences		282,560	9,816,967
<i>Items that may be reclassified subsequently to profit or loss</i>			
Currency translation differences		740,239	819,897
Other comprehensive income for the year, net of taxes		1,022,799	10,639,268
Total comprehensive loss for the year		(77,054,302)	(105,995,974)
Attributable to:			
— Equity holders of the Company		(77,050,839)	(105,995,974)
— Non-controlling interests		(3,463)	—
		(77,054,302)	(105,995,974)

The notes on pages 118 to 207 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As of December 31,			
	Note	2021 RMB'000	2020 RMB'000
ASSETS			
Non-current assets			
Property and equipment	15	11,050,654	7,206,100
Right-of-use assets	16	12,561,745	5,199,712
Intangible assets	17	1,171,754	1,247,788
Investments accounted for using the equity method	19	1,411,141	—
Financial assets at fair value through profit or loss	20	3,300,623	3,843,315
Deferred tax assets	31	5,405,224	2,313,301
Long-term time deposits	23	4,000,000	500,000
Other non-current assets		603,367	308,982
		39,504,508	20,619,198
Current assets			
Trade receivables	21	4,450,092	2,428,039
Prepayments, other receivables and other current assets	22	3,278,318	2,285,420
Financial assets at fair value through profit or loss	20	8,842,203	3,690,448
Short-term time deposits	23	3,825,420	2,729,095
Restricted cash	23	2,415	3,698
Cash and cash equivalents	23	32,612,419	20,391,545
		53,010,867	31,528,245
Total assets		92,515,375	52,147,443

The notes on pages 118 to 207 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

		As of December 31,	
	Note	2021 RMB'000	2020 RMB'000
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	24	142	30
Share premium	24	274,407,796	—
Other reserves	25	20,853,674	12,011,644
Accumulated losses		(250,172,236)	(172,061,513)
		45,089,376	(160,049,839)
Non-controlling interests		6,595	—
Total equity		45,095,971	(160,049,839)
LIABILITIES			
Non-current liabilities			
Lease liabilities	16	10,079,847	3,608,041
Deferred tax liabilities	31	28,477	31,601
Convertible redeemable preferred shares	32	—	185,372,816
Other non-current liabilities		55,560	—
		10,163,884	189,012,458
Current liabilities			
Accounts payables	28	20,021,082	11,544,297
Other payables and accruals	29	9,123,367	5,763,226
Advances from customers	30	3,502,642	3,290,098
Income tax liabilities		1,079,591	487,843
Lease liabilities	16	3,528,838	2,099,360
		37,255,520	23,184,824
Total liabilities		47,419,404	212,197,282
Total equity and liabilities		92,515,375	52,147,443

The notes on pages 118 to 207 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 111 to 207 were approved by the Board of Directors on March 29, 2022 and were signed on its behalf:

SU Hua
Director

CHENG Yixiao
Director

Consolidated Statement of Changes in Equity

	Note	Attributable to equity holders of the Company						Non-controlling interests	Total
		Share capital	Share premium	Other reserves	Accumulated losses	Subtotal			
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2021		30	—	12,011,644	(172,061,513)	(160,049,839)	—	(160,049,839)	
Loss for the year		—	—	—	(78,073,643)	(78,073,643)	(3,458)	(78,077,101)	
Other comprehensive income									
Currency translation differences	25	—	—	1,022,804	—	1,022,804	(5)	1,022,799	
Total comprehensive loss for the year		—	—	1,022,804	(78,073,643)	(77,050,839)	(3,463)	(77,054,302)	
Transactions with owners in their capacity as owners									
Share-based compensation	25	—	—	7,830,249	—	7,830,249	—	7,830,249	
Issuance of ordinary shares relating to initial public offering, net of underwriting commissions and other issuance costs	24	14	39,220,652	—	—	39,220,666	—	39,220,666	
Conversion of convertible redeemable preferred shares to ordinary shares	24	84	235,084,462	—	—	235,084,546	—	235,084,546	
Shares issued upon initial public offering from Share Incentive Plan	24	12	65,300	(46,105)	—	19,207	—	19,207	
Exercise of share options and vesting of restricted share units ("RSU")	24	2	37,382	—	—	37,384	—	37,384	
Appropriations to statutory reserves	25	—	—	37,080	(37,080)	—	—	—	
Non-controlling interests arising from business combination		—	—	—	—	—	7,050	7,050	
Transfer of equity interests of a subsidiary to non-controlling interests	25	—	—	(1,998)	—	(1,998)	3,008	1,010	
Total transactions with owners in their capacity as owners		112	274,407,796	7,819,226	(37,080)	282,190,054	10,058	282,200,112	
Balance at December 31, 2021		142	274,407,796	20,853,674	(250,172,236)	45,089,376	6,595	45,095,971	

Consolidated Statement of Changes in Equity

	Note	Attributable to equity holders of the Company			Total RMB'000
		Share capital RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	
Balance at January 1, 2020		30	(321,281)	(55,407,785)	(55,729,036)
Loss for the year		—	—	(116,635,242)	(116,635,242)
Other comprehensive loss					
Fair value change on convertible redeemable preferred shares due to own credit risk	25	—	2,404	—	2,404
Currency translation differences	25	—	10,636,864	—	10,636,864
Total comprehensive loss for the year		—	10,639,268	(116,635,242)	(105,995,974)
Transactions with owners in their capacity as owners					
Share-based compensation	25	—	1,796,902	—	1,796,902
Appropriations to statutory reserves	25	—	18,486	(18,486)	—
Re-designation of ordinary shares to preferred shares	25	—	(121,731)	—	(121,731)
Total transactions with owners in their capacity as owners		—	1,693,657	(18,486)	1,675,171
Balance at December 31, 2020		30	12,011,644	(172,061,513)	(160,049,839)

The notes on pages 118 to 207 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

		Year ended December 31,	
	Note	2021 RMB'000	2020 RMB'000
Cash flows from operating activities			
Cash (used in)/generated from operations	33	(4,022,554)	3,118,678
Income tax paid		(1,496,737)	(830,038)
Net cash (used in)/generated from operating activities		(5,519,291)	2,288,640
Cash flows from investing activities			
Purchase of property, equipment and intangible assets		(7,764,297)	(5,908,461)
Proceeds from disposal of property, equipment and intangible assets		6,572	1,339
Purchase of investments in non-current financial assets at fair value through profit or loss		(1,012,866)	(1,974,777)
Proceeds from disposal of investments in non-current financial assets at fair value through profit or loss		20,734	14,800
Purchase of investments in current financial assets at fair value through profit or loss		(72,416,030)	(46,682,467)
Proceeds from disposal of investments in current financial assets at fair value through profit or loss		67,405,649	52,082,645
Loans to third parties		(16,933)	(25,000)
Repayment of loan by a third party		32,355	—
Purchase of time deposits with initial terms over three months		(12,888,996)	(15,175,113)
Proceeds from maturity of time deposits with initial terms over three months		8,217,416	12,752,087
Interest income received		54,513	47,482
Acquisition of subsidiaries, net of cash acquired		261	—
Dividends received		287	—
Net cash used in investing activities		(18,361,335)	(4,867,465)
Cash flows from financing activities			
Net proceeds from issuance of ordinary shares relating to the initial public offering		39,222,601	—
Proceeds from issuance of convertible redeemable preferred shares		—	20,956,542
Proceeds from borrowings		—	300,000
Repayment of borrowings		—	(300,000)
Payments for principal elements of lease and related interest		(2,747,937)	(1,646,246)
Proceeds from exercise of share options and RSU vesting		25,523	—
Finance expenses paid		—	(20,176)
Net cash generated from financing activities		36,500,187	19,290,120
Net increase in cash and cash equivalents		12,619,561	16,711,295
Cash and cash equivalents at the beginning of the year	23(a)	20,391,545	3,996,236
Effects of exchange rate changes on cash and cash equivalents		(398,687)	(315,986)
Cash and cash equivalents at the end of the year	23(a)	32,612,419	20,391,545

The notes on pages 118 to 207 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

Kuaishou Technology (the “**Company**”) was incorporated in the Cayman Islands on February 11, 2014 as an exempted company with limited liability. The registered office is at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company completed the listing on the Main Board of The Stock Exchange of Hong Kong Limited on February 5, 2021 (“**IPO**”).

The Company is an investment holding company. The Company and its subsidiaries, including structured entities (collectively, the “**Group**”), provides online marketing services, live streaming services and other services to its customers.

Mr. Su Hua and Mr. Cheng Yixiao are the ultimate controlling shareholders of the Company as of the date of approval of the consolidated financial statements.

The consolidated financial statements are presented in Renminbi (“**RMB**”), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies applied in the preparation of the consolidated financial statements. These policies have been consistently applied throughout all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards (“**IFRSs**”) and interpretations issued by International Accounting Standards Board (“**IASB**”) and disclosure requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities measured at fair value.

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.1 Change in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following new and amended standards are mandatory for the first time for the Group's financial year beginning on January 1, 2021 and are applicable for the Group:

- Interest Rate Benchmark Reform Phase 2 — Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
- Covid-19-related Rent Concessions — Amendments to IFRS 16

The adoption of the above new and amended standards did not have any significant financial impact on these consolidated financial statements.

(b) New standards and interpretations not yet adopted

Certain new accounting standards, amendments and interpretations have been issued but are not yet effective for the year beginning on January 1, 2021 and have not been early adopted by the Group during the year ended December 31, 2021. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Standards and amendments	Effective for annual years beginning on or after
Classification of Liabilities as Current or Non-current — Amendments to IAS 1	January 1, 2023
Disclosure of Accounting Policies — Amendments to IAS 1 and IFRS Practice Statement 2	January 1, 2023
Definition of Accounting Estimates — Amendments to IAS 8	January 1, 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction — Amendments to IAS 12	January 1, 2023
IFRS 17 Insurance Contracts	January 1, 2023
Reference to the Conceptual Framework — Amendments to IFRS 3	January 1, 2022
Property, Plant and Equipment — Proceeds before Intended Use — Amendments to IAS 16	January 1, 2022
Onerous Contracts — Cost of Fulfilling a Contract — Amendments to IAS 37	January 1, 2022
Annual Improvements to IFRS Standards 2018–2020	January 1, 2022
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture — Amendments to IFRS 10 and IAS 28	To be determined

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

2.2.1 Subsidiaries controlled through Contractual Arrangements

In order to comply with the People's Republic of China ("PRC") laws and regulations which prohibit or restrict foreign ownership of companies involved in provision of internet content and other restricted businesses, the Group operates its website and other restricted businesses in the PRC through certain PRC operating entities, whose equity interests are held by certain management members of the Group ("**Nominee Shareholders**"). The Group signed contractual arrangements with the PRC operating entities ("**Contractual Arrangements**"). The Contractual Arrangements include exclusive technical consultation and service agreements, exclusive option agreements, equity pledge agreements and powers of attorney, which enable the Group to:

- govern the financial and operating policies of the PRC operating entities;
- exercise equity holder voting rights of the PRC operating entities;
- receive substantially all of the economic interest returns generated by the PRC operating entities in consideration for the technical support, consulting and other services provided exclusively by the WFOE, at the WFOE's discretion;
- obtain an irrevocable and exclusive right to purchase part or all of the equity interests in the PRC operating entities at any time and from time to time, at the minimum consideration permitted by the relevant law in China at the time of transfer; and
- obtain a pledge over all of its equity interests from its respective Nominee Shareholders as collateral for all of the PRC entities' payments due to the Group to secure performance of entities' obligation under the Contractual Arrangements.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.1 Subsidiaries controlled through Contractual Arrangements (Continued)

Accordingly, the Group has rights to control these entities. As a result, they are presented as entities controlled by the Group.

2.2.2 Business combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gain or loss arising from such remeasurement is recognised in profit or loss.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.3 Company's separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes directly attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. The Group's investments in associates in the form of convertible redeemable preferred shares are accounted as financial assets measured at fair value through profit or loss. All investments in associates in the form of ordinary shares with significant influence are accounted for using the equity method of accounting, after initially being recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit and loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group determines at each reporting date whether there is any objective evidence that investments accounted for using the equity method are impaired. If this is the case, the Group calculated the amount of impairment as the difference between the recoverable amount of the investment and its carrying value and recognises the amount in "Other (losses)/gains, net" in the consolidated income statement.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Associates (Continued)

Gain or losses on dilution of equity interest in the associate is recognised in the consolidated income statement. If the ownership interest in the associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (“**CODM**”). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer of the Group.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial information of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “**functional currency**”). The functional currency of the Company and certain of its overseas subsidiaries is USD. The Company’s primary subsidiaries and structured entities are incorporated in the PRC and for these subsidiaries and structured entities, the RMB is the functional currency. The Group’s presentation currency is RMB.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement on a net basis within “other (losses)/gains, net”.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gains or losses. For example, translation differences on non-monetary assets and liabilities such as equity instruments held at fair value through profit or loss are recognised in consolidated income statement as part of the “other (losses)/gains, net”.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency translation (Continued)

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting currency translation differences are recognised in other comprehensive income or loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.6 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses (if any). Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property and equipment (Continued)

Depreciation on property and equipment is calculated using the straight-line method to allocate their cost, net of residual values, over their estimated useful lives, as follows:

- Buildings 19 years
- Servers, computers and equipment 3 years
- Office equipment 3–5 years
- Leasehold improvements the shorter of the term of the lease or the estimated useful lives of the assets

Property and equipment arising from business acquisition is depreciated over the remaining useful life.

The residual values and useful lives of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

A carrying amount of property and equipment is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other (losses)/gains, net" in the consolidated income statement.

2.7 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the aggregate purchase consideration transferred, the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses (if any).

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or group of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

The carrying value of the CGUs containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Intangible assets (Continued)

(b) Trademarks and domain names, licenses and copyrights, software

Separately acquired trademarks, domain names, internet audio/video program transmission licenses, operating licenses, copyrights and software are initially recognised and measured at historical cost. The assets acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are carried at cost less accumulated amortization and impairment losses (if any).

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. For details, refer to Note 2.7(d).

(c) Other intangible assets

Other intangible assets mainly include customer relationships and non-compete agreements. They are initially recognised and measured at estimated fair value of intangible assets acquired through business combinations.

(d) Research and development

Research expenditures are recognised as an expense as incurred. Costs incurred on development projects are capitalized as intangible assets when recognition criteria are met, including (a) it is technically feasible to complete the software so that it will be available for use; (b) management intends to complete the software and use or sell it; (c) there is an ability to use or sell the software; (d) it can be demonstrated how the software will generate probable future economic benefits; (e) adequate technical, financial and other resources to complete the development and to use or sell the software are available; and (f) the expenditure attributable to the software during its development can be reliably measured. Other development costs that do not meet those criteria are expensed as incurred. There were no development costs meeting these criteria and capitalized as intangible assets as of December 31, 2021 and 2020.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Intangible assets (Continued)

(e) Amortization methods and periods

Length of estimated useful life is determined to be the shorter of the period of contractual rights or estimated period during which such intangible assets can bring economic benefits to the Group.

The Group amortizes intangible assets with a finite useful life using the straight-line method over the following periods:

Licenses and copyrights	2–10 years	Shorter of contractual license and copyrights period or the estimated period during which such intangible assets can bring economic benefits
Trademarks and domain name	2–10 years	The period of effective registration during which such trademark and domain name can bring economic benefits
Software	2–7 years	Shorter of the period of contractual rights or estimated period during which such software can bring economic benefits
Others	3–4 years	Shorter of the period of contractual rights or estimated period during which such assets can bring economic benefits

2.8 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets including property and equipment, investments accounted for using the equity method and right-of-use assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Investments and other financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured at fair value (either through other comprehensive income (“**OCI**”) or through profit or loss); and
- those to be measured at amortized cost.

The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (“**FVOCI**”).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (“**FVPL**”), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are immediately expensed.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Investments and other financial assets (Continued)

(c) Measurement (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortized cost:** Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other (losses)/gains, net together with foreign exchange gains and losses.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other (losses)/gains, net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other (losses)/gains, net.
- **FVPL:** Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other (losses)/gains, net in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Changes in the fair value of financial assets at FVPL are recognised in other (losses)/gains, net in the consolidated income statement as applicable.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Investments and other financial assets (Continued)

(d) Impairment

The Group has two types of financial assets that are subject to IFRS 9's new expected credit losses (the "ECL") model (Note 3.1 (b)):

- Trade receivables; and
- Other receivables (including loan receivables).

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. While cash and cash equivalents, restricted cash and time deposits are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.11 Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. They are subsequently measured at amortized cost using the effective interest method, less loss allowance. See Note 21 for further information about the Group's accounting for trade receivables, Note 22 for further information about other receivables and Note 2.9(d) for a description of the Group's impairment policies.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Cash and cash equivalents and restricted cash

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash in hand, time deposits with initial terms within three months, deposits held at call with banks and cash held at third party payment platform that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash that is restricted from withdrawal, from use or from being pledged as security is reported separately on the face of the consolidated balance sheet, and is not included in the total cash and cash equivalents in the consolidated statement of cash flows.

2.13 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or share options are shown in equity as a deduction from the proceeds. Convertible redeemable preferred shares are classified as liabilities (Note 32).

2.14 Accounts and other payables

Accounts and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Accounts and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2.15 Convertible redeemable preferred shares (“Preferred Shares”)

Preferred Shares issued by the Company are redeemable at the option of the holder upon occurrence of certain events. These instruments can also be converted into ordinary shares of the Company at any time at the option of the holders, or automatically upon occurrence of an initial public offering of the Company. For details, refer to Note 32 (b).

The Group designated the Preferred Shares as financial liabilities at fair value through profit or loss. They are initially recognised at fair value. Any directly attributable transaction costs are recognised in profit or loss. Fair value changes relating to market risk are recognised in profit or loss, while the component of fair value changes relating to the Company’s own credit risk is recognised in OCI. Amounts recorded in OCI related to credit risk are not subject to recycling in profit or loss, but could be transferred to accumulated losses when realized.

The Preferred Shares were classified as non-current liabilities unless the Preferred Shares’ holders can demand the Company to redeem the Preferred Shares within 12 months after the end of the reporting period.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company, its subsidiaries and structured entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. The Group establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax assets is realized or the deferred tax liabilities is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax are recognised in profit or loss, except to the extent that they relate to items recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations, which are included in other payables and accruals in the consolidated balance sheet.

(b) Pension obligations

The Group has a defined contribution plan in which the Group pays fixed contributions to publicly administered pension insurance plans on a mandatory basis. Contributions to these plans are charged to the consolidated income statement as and when incurred and not reduced by contributions forfeited by those who leave the plans prior to vesting fully in the contributions. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

2.18 Share-based compensation

The Group has operated the Pre-IPO ESOP Plan, the Post-IPO Share Option Scheme and the Post-IPO RSU Scheme (together, the "**Share Incentive Plan**"), under which the Group receives services from employees, directors and other eligible persons as consideration for equity instruments (including share options and RSUs) of the Company. The fair value of the services received in exchange for the grant of the equity instruments is recognized as an expense in the consolidated income statement.

2.18.1 Share options

For share options, the total amount to be expensed is determined by reference to the fair value of the options granted by using option-pricing models:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Share-based compensation (Continued)

2.18.2 RSUs

For RSUs, the total amount to be expensed is determined by reference to the fair value of the Company's shares at the grant date.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied, using graded vesting method. At the end of each period, the Company revises its estimates of the number of equity instruments that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense during the period between service commencement period and grant date.

2.19 Revenue recognition

The Group derives revenue from online marketing services, sales of virtual items on its live streaming platform and other services. The Group recognises revenue when or as the control of the promised goods or services is transferred to a customer, net of value-added taxes ("VAT"), rebates and certain sales incentives. If control of the services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods and services.

Contracts with customers may include multiple performance obligations. For such arrangements, the Group allocates transaction price to each performance obligation based on its relative standalone selling price. The Group generally determines standalone selling prices based on the prices charged to customers.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Revenue recognition (Continued)

2.19.1 The accounting policy for the Group's principal revenue sources

(a) Online marketing services

The Group offers diversified online marketing solutions including advertising services, Kuaishou fans headline services and other marketing services to customers. The Group provides rebates to customers including advertising agencies based on contracted rebate rates and estimated revenue volume, which are accounted for as variable consideration and are estimated by applying the most likely amount method. Revenue is recognised based on the price charged to customers, net of rebates provided to customers.

To fulfill contracts with certain customers, the Group enters into cooperation agreements with third party platforms and places the advertisements of the Group's customers displayed on third party platforms. For below services mentioned, the Group is the principal for fulfilling these marketing service contracts as it has obtained controls over third party platform services through cooperation contracts and, in some cases, integrated with other services before they are transferred to the Group's customers. The Group is also primarily responsible for fulfilling these marketing services as it is the only party that the Group's customers entered agreements with. As such, the Group recognises revenues from contracts with customers on a gross basis and records charges from third party platforms as cost of revenues.

Advertising services

(i) Performance-based advertising services

The Group provides performance-based advertising services which allow advertising customers to place links on the Group's mobile platforms and third parties' internet properties. Performance-based advertising services are primarily presented and delivered in the way of short video with clickable thumbnails together with other recommended short videos or displayed between other short videos at varying frequency. Revenue from performance-based advertising services is recognised when relevant specific performance measures are fulfilled.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Revenue recognition (Continued)

2.19.1 The accounting policy for the Group's principal revenue sources (Continued)

(a) Online marketing services (Continued)

Advertising services (Continued)

(ii) Display-based advertising services

Displayed advertisements appear in the form of opening-page splash advertisements, traditional banner ads, logos and sponsored filters, etc. on various interfaces of the platform. The revenue is recognised ratably over the period that the advertising is displayed. Generally, the terms of these display-based advertisements are short term.

Kuaishou fans headline services

The Group also provides Kuaishou fans headline services where the customers pay for exposure of their short video or live show to a targeted number of viewers for a specified period of time on Kuaishou's App. The Group has determined that each exposure to a target viewer represents one performance obligation. Revenue from each performance obligation is recognised when the short video or live show is exposed.

(b) Live streaming

The Group operates and maintains mobile platforms whereby users can enjoy live stream performances provided by the live streamers (the "**streamers**") and interact with the streamers on a real-time basis for free. The Group operates a virtual item system, under which viewers can purchase virtual items and present them as gifts to streamers to show their support and appreciation. The Group generates revenues from the sales of virtual items on the platform, and viewers are the Group's customers. The virtual items are produced and delivered by the Group. Sales of virtual items are recognized as revenues when the virtual items are gifted by viewers to streamers as the Group has no further obligations related to virtual items once they are gifted to streamers. The proceeds received from the sales of virtual items before they are gifted by viewers to streamers are recorded as advances from customers.

In order to attract streamers to the platforms, the Group shares revenues with the streamers in accordance with the agreements between the Group and streamers.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Revenue recognition (Continued)

2.19.1 The accounting policy for the Group's principal revenue sources (Continued)

(b) Live streaming (Continued)

The Group has evaluated and concluded that it is the principal for the sales of the virtual items on the platforms. The Group produces and controls virtual items before they are transferred to customers. The prices of virtual items are set by the Group. Therefore, revenue from the sales of virtual items is recorded on a gross basis and the revenue sharing paid to streamers based on the predetermined percentage in the agreements is recognised as "cost of revenues" in the consolidated income statement.

(c) Other services

Other services revenues primarily include revenues from E-commerce business, online games and other value-added services. For the E-commerce business, the Group allows merchants to promote and sell goods on its platform and charges commissions on the sales of goods completed through its platform based on agreed commission rates. The Group does not take controls of goods sold through its platform. Commission revenues related to E-commerce business are recognised at a point in time when sale transaction of goods is completed. For online games and other value-added services, revenues are recognized when the Group satisfied the performance obligations under the service contracts.

2.19.2 Incentives and coupons

In order to promote its platform and attract more users, the Group at its own discretion provides various types of incentives offered to users in the form of cash incentives, red packets, coupons, etc.. Evaluations of the varying features of different incentive programs are made to determine whether incentives offered represent consideration payable to customers. Such evaluations include the consideration of whether the users would be considered as customers of the Group.

The incentives are awarded to users upon their completion of certain tasks. The incentives are recorded as reduction of revenue if there is no distinct service identified and the incentives are related to past, current or future revenues, such as reward to customers, and coupons to be used in future transactions, etc.. Incentives for distinct services received from the users such as inviting friends to download or log into Kuaishou's platforms, publishing or watching short videos which have advertising contents, etc., are recorded as selling and marketing expenses.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Revenue recognition (Continued)

2.19.3 Contract balances

When either party to a customer contract has performed, the Group presents the contract in the balance sheet as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment. Contract balances include trade receivables and advances from customers.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of the consideration is due.

Payment terms and conditions vary by contract and service type. A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

2.19.4 Practical expedients and exemptions

The Group has elected to use the practical expedient to not disclose the remaining performance obligations for contracts that have durations of one year or less, as substantially all of the Group's contracts have duration of one year or less.

The revenue standard requires the Group to recognise an asset for the incremental costs of obtaining a contract with a customer if the benefit of those costs is expected to be longer than one year. The Group has determined that sales commission for sales personnel meet the definition of incremental costs of obtaining a contract. However, the Group applies a practical expedient to expense the costs as incurred for costs to obtain a contract with a customer when the amortization period would have been one year or less.

2.19.5 Financing components

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

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Loss per share

Basic loss per share is calculated by dividing:

- (a) the loss attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares; and
- (b) by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted loss per share adjusts the figures used in the determination of basic loss per share to take into account:

- (a) the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- (b) the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.21 Leases

The Group, as a lessee, leases internet data centers, office buildings and land. Lease contracts other than land are typically made for fixed periods of several months to six years. Lease is recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments). Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Leases (Continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use assets are depreciated over the underlying asset's useful life.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise of lease of certain office spaces.

2.22 Government grants

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Finance income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets, see Note 8 below.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see Note 11 below.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.24 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.25 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Company, on or before the end of the reporting period but not distributed at the end of the reporting period.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk primarily arises from recognised assets and liabilities denominated in a currency other than the functional currency of the Group's subsidiaries. The Group manages its foreign exchange risk by minimizing non-functional currency transactions.

For the year ended December 31, 2021, most transactions of the Group were settled in RMB and USD. Management considers that the business is not exposed to significant foreign exchange risk as the Group has no significant financial assets or liabilities denominated in the currencies other than the respective functional currencies of the Group's entities.

The Group has not engaged in hedging activities designed or intended to manage foreign exchange rate risk during the year ended December 31, 2021. However, the Group will continue to monitor foreign exchange risk from time to time based on its business development requirements to best preserve the Group's cash value, and may enter into forward foreign exchange contracts or engage in other hedging activities when necessary.

(ii) Interest rate risk

The Group's interest rate risk primarily arises from borrowings, loan receivables, time deposits and cash and cash equivalents. Those carried at floating rates expose the Group to cash flow interest rate risk whereas those carried at fixed rates expose the Group to fair value interest rate risk.

If the interest rate of cash and cash equivalents, and time deposits had been 50 basis points higher/lower, the loss before income tax for the year ended December 31, 2021 would have been lower/higher RMB202.2 million (2020 : RMB118.1 million). The impact of interest rate change on borrowings and loan receivables is not material.

The Group regularly monitors its interest rate risk to ensure there is no undue exposure to significant interest rate movements.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(iii) Price risk

The Group is exposed to price risk in respect of the financial assets measured at fair value through profit or loss, including investments in listed and unlisted entities, and wealth management products and others. The Group is generally not exposed to commodity price risk. To manage its price risk arising from the investments, the Group diversifies its investment portfolio. The sensitivity analysis is performed by management, see Note 3.3 for details.

(b) Credit risk

Credit risk mainly arises from cash and cash equivalents, time deposits, restricted cash, trade receivables and other receivables. The carrying amount of these financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

(i) Risk management

Trade and other receivables are managed on a group basis. The finance team is responsible for managing and analysing the credit risk for each new customer/debtor before standard credit payment terms are offered. The Group assesses the credit quality of its customers and other debtors by taking into account various factors including their financial position, past operational and financial performance and other factors.

Cash and cash equivalents, time deposits and restricted cash are mainly placed with reputable financial institutions in the PRC and international financial institutions outside of the PRC. There has been no recent history of default in relation to these financial institutions. The expected credit loss is not material.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets

Trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses under which the lifetime expected credit losses for all trade receivables are estimated. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and credit rating.

The expected loss rates are based on the historical payment profiles, historical loss rates and data published by external credit rating institution, adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Gross Domestic Products ("GDP") of the PRC to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowances of trade receivables as of December 31, 2021 and 2020 were determined as follows:

	As of December 31,	
	2021	2020
	RMB	RMB
	in thousands, except for percentages	
Expected loss rate	0.58%	0.66%
Gross carrying amount	4,476,135	2,444,121
Loss allowance provision	26,043	16,082

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and indicators of severe financial difficulty.

Impairment losses on trade receivables are presented as "administrative expenses" within operating loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Other receivables

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit loss. Management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience.

On that basis, the loss allowances of other receivables as of December 31, 2021 and 2020 were determined as follows:

	As of December 31,	
	2021 RMB	2020 RMB
	<i>in thousands, except for percentages</i>	
Expected loss rate	4.72%	6.08%
Gross carrying amount	790,236	323,610
Loss allowance provision	37,269	19,680

(c) Liquidity risk

The Group intends to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying business, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate liquid assets such as cash and cash equivalents, short-term time deposits and investments in wealth management products and others or to retain adequate financing arrangements to meet the Group's liquidity requirements.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The table below analyses the Group's non-derivative financial liabilities into relevant maturity grouping based on the remaining period at each balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at December 31, 2021					
Accounts payables	20,021,082	—	—	—	20,021,082
Other payables and accruals (excluding employee benefit payables, and other taxes payable)	5,381,932	—	—	—	5,381,932
Lease liabilities	3,622,472	3,595,784	7,736,338	182,236	15,136,830
Total	29,025,486	3,595,784	7,736,338	182,236	40,539,844
As at December 31, 2020					
Accounts payables	11,544,297	—	—	—	11,544,297
Other payables and accruals (excluding employee benefit payables, and other taxes payable)	3,396,986	—	—	—	3,396,986
Lease liabilities	2,318,824	1,940,543	1,876,541	—	6,135,908
Convertible redeemable preferred shares	—	185,372,816	—	—	185,372,816
Total	17,260,107	187,313,359	1,876,541	—	206,450,007

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long-term.

The Group monitors capital by regularly reviewing the capital structure. As a part of this review, the Group considers the cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or repurchase the Company's shares. In the opinion of the directors of the Company, the Group's capital risk is low. As a result, capital risk is not significant for the Group and measurement of capital management is not a tool currently used in the internal management reporting procedures of the Group.

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as of each balance sheet date, by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- (1) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- (2) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- (3) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value at December 31, 2021:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value through profit or loss				
— Investments in listed entities	176,903	—	—	176,903
— Investments in unlisted entities	—	—	2,844,187	2,844,187
— Wealth management products and others	—	382,495	8,739,241	9,121,736
	<u>176,903</u>	<u>382,495</u>	<u>11,583,428</u>	<u>12,142,826</u>

The following table presents the Group's financial assets and liabilities that are measured at fair value at December 31, 2020:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value through profit or loss				
— Investments in listed entities	82,646	—	—	82,646
— Investments in unlisted entities	—	—	3,843,315	3,843,315
— Wealth management products and others	—	—	3,607,802	3,607,802
	<u>82,646</u>	<u>—</u>	<u>7,451,117</u>	<u>7,533,763</u>
Liabilities				
Convertible redeemable preferred shares	—	—	185,372,816	185,372,816

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at each of the reporting dates. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value of an instrument are observable, the instrument is included in level 2.

Level 2 instruments of the Group's assets were perpetual bonds measured at fair value through profit or loss in wealth management products and others.

(c) Financial instruments in level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- Discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate; and
- A combination of observable and unobservable inputs, including risk-free rate, expected volatility, discount rate for lack of marketability, market multiples, etc.

Level 3 instruments of the Group's assets and liabilities mainly include Preferred Shares (Note 32), investments measured at fair value through profit or loss in unlisted entities (Note 20) and investments in wealth management products and others (excluding investments in perpetual bonds) (Note 20). As these level 3 instruments are not traded in an active market, their fair values have been determined by using various applicable valuation techniques, including discounted cash flows and market approach etc.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

(c) Financial instruments in level 3 (Continued)

The changes in level 3 instruments of Preferred Shares for the years ended December 31, 2021 and 2020 are presented in the Note 32.

The following table presents the changes in level 3 items of financial assets at fair value through profit or loss for the years ended December 31, 2021 and 2020.

	Financial assets at fair value through profit or loss RMB'000
At January 1, 2021	7,451,117
Additions	73,183,406
Disposal	(67,426,383)
Change in fair value through profit or loss*	1,295,915
Transfer to investments accounted for using the equity method (Note 19)	(2,470,647)
Deemed disposal due to business combination	(6,959)
Transfer from level 3 to level 1	(349,714)
Currency translation differences	(93,307)
At December 31, 2021	11,583,428
* Includes unrealised gains recognised in profit or loss attributable to balances held at the end of the year	357,026

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

(c) Financial instruments in level 3 (Continued)

	Financial assets at fair value through profit or loss RMB'000
At January 1, 2020	11,083,340
Additions	48,608,316
Disposal	(51,991,411)
Change in fair value through profit or loss*	216,802
Currency translation differences	(465,930)
At December 31, 2020	<u>7,451,117</u>

* Includes unrealised losses recognised in profit or loss attributable to balances held at the end of the year (83,714)

The Group has a team that manages the valuation of level 3 instruments for financial reporting purposes. The team manages the valuation of the investments on a case by case basis. At least once every year, the team would use valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts will be involved when necessary.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

(c) Financial instruments in level 3 (Continued)

The following table summarizes the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements.

Description	Fair Values		Significant unobservable inputs	Range of inputs		Relationship of unobservable inputs to fair values
	As of December 31,			As of December 31,		
	2021 RMB'000	2020 RMB'000		2021	2020	
Investments in unlisted entities	2,844,187	3,843,315	Expected volatility	40%–87%	46%–72%	The higher the expected volatility, the lower the fair value
			Discount for lack of marketability ("DLOM")	5%–25%	9%–32%	The higher the DLOM, the lower the fair value
			Risk-free rate	0.13%–2.7%	0.17%–2.96%	The higher the risk-free rate, the lower the fair value
Wealth management products and others	8,739,241	3,607,802	Expected rate of return	0.92%–4.82%	2.35%–3.60%	The higher the expected rate of return, the higher the fair value

Investments in wealth management products were mainly the investment products purchased from reputable financial institutions in the PRC and international financial institutions outside of the PRC with floating rates. The returns on all of these wealth management products are not guaranteed, hence their contractual cash flows do not qualify for solely payments of principal and interest. Therefore, they are measured at fair value through profit or loss. None of these investments are past due. The fair values are determined based on the expected cash flows and discounted by using the expected return (based on management judgment) and are within level 3 of the fair value hierarchy. From the perspective of cash management and risk control, the Group diversifies its investment portfolios and mainly purchases low-risk products from reputable financial institutions and prefers those products with high-liquidity.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

(c) Financial instruments in level 3 (Continued)

The following table presents the lower/(higher) of the loss before income tax for the years ended December 31, 2021 and 2020 if the fair values of financial assets at fair value through profit or loss held by the Group had been 10% higher/lower.

% changes of fair values of financial assets at fair value through profit or loss	Year ended December 31,	
	2021 RMB'000	2020 RMB'000
10% higher	1,214,283	753,376
10% lower	(1,214,283)	(753,376)

There were no transfers between level 1, 2 and 3 of fair value hierarchy classifications during the years ended December 31, 2021 and 2020, except that one investment was transferred out of level 3 of fair value hierarchy to level 1 classification due to the conversion to ordinary shares upon the initial public offering of the investee company in 2021.

The carrying amounts of the Group's other financial assets measured at amortized costs including cash and cash equivalents, restricted cash, short-term time deposits, trade receivables, other receivables and other current assets and the Group's financial liabilities, including accounts payables, other payables and accruals, approximate their fair values due to their short maturities.

Notes to the Consolidated Financial Statements

4 CRITICAL ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which will seldom equal the actual results. Management needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

4.1 Recognition of share-based compensation expenses

The Group set up the Share Incentive Plan and granted options and RSUs to employees, directors, and other eligible persons. The fair value of the options is determined by the binomial option pricing model at the grant date, and is expected to be expensed over the respective vesting periods. Significant estimates and assumptions, including forfeiture rate, underlying equity value, risk-free interest rate, expected volatility, dividend yield, and terms, are made by the directors and third-party valuer (Note 27).

4.2 Estimation of the fair value of financial assets and financial liabilities

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions including credit risk, volatility and liquidity risks associated with the instruments at the end of each reporting period, which are subject to uncertainty and might materially differ from the actual results. Changes in these assumptions and estimates could materially affect the respective fair value of these financial assets (Note 3.3).

Upon the listing on February 5, 2021, all the outstanding Preferred Shares of the Company have been converted into ordinary shares.

4.3 Credit loss allowances for trade receivables, other receivables and other assets

Upon the adoption of IFRS 9, the expected credit loss of trade receivables, other receivables and other assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to calculate the loss allowances, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 3.1(b).

Notes to the Consolidated Financial Statements

4 CRITICAL ESTIMATES AND JUDGEMENTS (CONTINUED)

4.4 Recoverability of non-financial assets

The Group tests whether goodwill has suffered any impairment on an annual basis, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets including property and equipment, investments accounted for using the equity method, right-of-use assets and intangible assets other than the goodwill are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The assets are allocated to each of CGUs, or groups of CGUs. The recoverable amount of CGUs has been determined based on the higher amount of fair value less disposal cost model and value-in-use model. Under the fair value less disposal cost model, the management makes estimates based on quoted prices of active markets based on observable inputs. Under the value-in-use model, calculations require the use of assumptions and use cash flow projections based on financial forecast with an estimation of terminal value.

4.5 Current and deferred income taxes

The Group is subject to income taxes in several jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

Deferred tax asset in relation to (i) temporary differences (including but not limited to provisions and changes in fair values of financial asset); and (ii) unused tax losses had been recognised in the consolidated balance sheet. The realisability of the deferred tax asset mainly depends on whether sufficient future taxable profit or taxable temporary differences will be available in the future. The outcome of their actual utilisation may be different from management's estimation.

4.6 Revenue recognition

Determining whether the Group is acting as a principal or as an agent when a third-party is involved in the provision of certain services to its customers requires judgement and consideration of all relevant facts and circumstances. In evaluation of the Group's role as a principal or agent, the Group considers factors to determine whether the Group controls the specified goods or services before they transferred to the customer include, but are not limited to the following: (a) who is primarily responsible for fulfilling the contract, (b) who is subject to inventory risk, and (c) who has discretion in establishing prices. Refer to Note 2.19 for details.

Notes to the Consolidated Financial Statements

4 CRITICAL ESTIMATES AND JUDGEMENTS (CONTINUED)

4.7 Useful lives and depreciation of property and equipment

The Group's management determines the estimated useful lives and related depreciation for the Group's property and equipment based on the asset's expected utility to the Group. The asset management policy of the Group may involve the disposal of assets after a specified time or after consumption of a specified proportion of the future economic benefits embodied in the asset. Therefore, the useful life of an asset may be shorter than its physical life. The estimation of the useful life of the asset is a matter of judgement based on the experience of the Group with similar assets.

4.8 Useful lives and amortization of intangible assets

The Group's management determines the estimated useful lives and related amortization for the Group's intangible assets with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Management will revise the amortization charges where useful lives are different from that of previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in useful lives and therefore amortization expense in future periods.

5 SEGMENT INFORMATION

The Group's business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer of the Group. As a result of this evaluation, the CODM considers that the Group's operations are operated and managed as a single segment. Accordingly, no segment information is presented.

The Company is domiciled in the Cayman Islands while the Group mainly operates its businesses in the PRC and earns substantially all of the revenues from external customers attributed to the PRC.

As of December 31, 2021 and 2020, substantially all of the non-current assets other than financial instruments, investments accounted for using the equity method and deferred tax assets of the Group were located in the PRC.

Notes to the Consolidated Financial Statements

6 REVENUES

The breakdown of revenues during the years ended December 31, 2021 and 2020 is as follows:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Online marketing services	42,665,483	21,854,539
Live streaming	30,995,152	33,209,115
Other services	7,420,878	3,712,443
	<u>81,081,513</u>	<u>58,776,097</u>

The breakdown of revenues for timing of revenue recognition is as follows:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Revenue recognized at a point in time	73,996,005	53,158,177
Revenue recognized over time	7,085,508	5,617,920
	<u>81,081,513</u>	<u>58,776,097</u>

There is no concentration risk as no revenue from a single customer was more than 10% of the Group's total revenues for the years ended December 31, 2021 and 2020.

7 OTHER INCOME

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Government grants and value-added tax subsidies	990,839	527,996
Others	35,903	—
	<u>1,026,742</u>	<u>527,996</u>

Notes to the Consolidated Financial Statements

8 OTHER (LOSSES)/GAINS, NET

	Year ended December 31,	
	2021 RMB'000	2020 RMB'000
Net (losses)/gains on disposal of property and equipment, intangible assets and right-of-use assets	(43,373)	90
Net fair value gains/(losses) on financial assets at fair value through profit or loss		
— Investments in listed and unlisted entities	802,747	(84,989)
— Wealth management products and others	242,978	357,733
Net foreign exchange (losses)/gains	(90,773)	35,884
Impairment provision for investments (Note 19)	(922,033)	—
Others	(214,797)	(132,235)
	(225,251)	176,483

9 EXPENSES BY NATURE

	Year ended December 31,	
	2021 RMB'000	2020 RMB'000
Revenue sharing costs and related taxes	24,792,937	20,519,492
Employee benefit expenses	21,870,107	9,616,960
Promotion and advertising expenses	41,216,431	25,491,328
Bandwidth expenses and server custody costs	7,638,475	5,735,392
Depreciation of property and equipment	3,985,910	3,077,674
Depreciation of right-of-use assets	2,735,442	1,656,457
Amortization of intangible assets	163,665	128,861
Outsourcing and other labor costs	1,498,304	583,084
Payment processing cost	1,602,030	1,004,480
Auditor's remuneration		
— Audit services	30,000	32,524
— Non-audit services	23,126	3,641
Other professional fees	284,508	164,047
Tax surcharges	378,263	377,097
Credit loss allowances on financial assets	27,550	12,424
Others (Note a)	3,337,521	1,397,068
	109,584,269	69,800,529

Note a: Others mainly comprise content-related costs, office facilities fees, travelling and communication fees.

Notes to the Consolidated Financial Statements

10 EMPLOYEE BENEFIT EXPENSES

	Year ended December 31,	
	2021 RMB'000	2020 RMB'000
Wages, salaries and bonuses	11,440,494	6,582,641
Share-based compensation expenses	7,830,249	1,840,886
Pension costs — defined contribution plans (Note a)	832,389	299,883
Other social security costs, housing benefits and other employee benefits	1,766,975	893,550
	<u>21,870,107</u>	<u>9,616,960</u>

Note a: Employees of the Group companies in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group contributes funds which are calculated on fixed percentage of the employees' salary (subject to a floor and cap) as set by local municipal governments to each scheme locally to fund the retirement benefits of the employees.

(a) Five highest paid individuals

None of the five individuals whose emoluments were the highest in the Group for each of the years ended December 31, 2021 and 2020 were directors of the Group. The emoluments payable to these individuals for the years ended December 31, 2021 and 2020 are as follows:

	Year ended December 31,	
	2021 RMB'000	2020 RMB'000
Wages and salaries	25,645	23,604
Bonuses	18,680	14,968
Share-based compensation expenses	505,054	137,475
Pension costs — defined contribution plans	180	190
Other social security costs, housing benefits and other employee benefits	283	291
	<u>549,842</u>	<u>176,528</u>

Notes to the Consolidated Financial Statements

10 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(a) Five highest paid individuals (Continued)

The emoluments fell within the following bands:

	Number of individuals Year ended December 31,	
	2021	2020
HK\$29,500,001 to HK\$30,000,000	—	1
HK\$31,500,001 to HK\$32,000,000	—	1
HK\$35,000,001 to HK\$35,500,000	—	1
HK\$50,000,001 to HK\$50,500,000	—	1
HK\$51,000,001 to HK\$51,500,000	—	1
HK\$110,000,001 to HK\$110,500,000	1	—
HK\$114,500,001 to HK\$115,000,000	1	—
HK\$123,000,001 to HK\$123,500,000	1	—
HK\$128,000,001 to HK\$128,500,000	1	—
HK\$185,000,001 to HK\$185,500,000	1	—
	<u>5</u>	<u>5</u>

All of these individuals have not received any emolument from the Group as an inducement to join or leave the Group, and have not received any compensation for loss of office for the years ended December 31, 2021 and 2020.

Notes to the Consolidated Financial Statements

10 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(b) Benefits and interests of directors

The remuneration of every director and the chief executive is set out below:

For the year ended December 31, 2021:

Name	Fees RMB'000	Wages and salaries RMB'000	Bonuses RMB'000	Share-based compensation expenses RMB'000	Pension costs-defined contribution plans RMB'000	Other social security costs, housing benefits and other employee benefits RMB'000	Total RMB'000
<i>Chairman</i>							
SU Hua	—	2,671	3,250	—	53	77	6,051
<i>Executive Director</i>							
CHENG Yixiao	—	2,473	3,250	—	53	77	5,853
<i>Non-Executive Directors</i>							
LI Zhaohui	—	—	—	—	—	—	—
ZHANG Fei	—	—	—	—	—	—	—
SHEN Dou	—	—	—	—	—	—	—
LIN Frank	—	—	—	—	—	—	—
<i>Independent non-executive Directors</i>							
WANG Huiwen	377	—	—	—	—	—	377
HUANG Xuande	377	—	—	—	—	—	377
MA Yin	377	—	—	—	—	—	377
Total	1,131	5,144	6,500	—	106	154	13,035

Notes to the Consolidated Financial Statements

10 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(b) Benefits and interests of directors (Continued)

For the year ended December 31, 2020:

Name	Fees RMB'000	Wages and salaries RMB'000	Bonuses RMB'000	Share-based compensation expenses RMB'000	Pension costs — defined contribution plans RMB'000	Other social security costs, housing benefits and other employee benefits RMB'000	Total RMB'000
<i>Chairman</i>							
SU Hua	—	2,235	3,578	—	41	73	5,927
<i>Executive director</i>							
CHENG Yixiao	—	2,234	3,544	—	41	73	5,892
<i>Non-Executive directors</i>							
LI Zhaohui	—	—	—	—	—	—	—
ZHANG Fei	—	—	—	—	—	—	—
SHEN Dou	—	—	—	—	—	—	—
LIN Frank	—	—	—	—	—	—	—
Total	—	4,469	7,122	—	82	146	11,819

(i) Benefits and interests of directors

Except for directors disclosed above, there is no other benefits and interests offered to the other directors.

(ii) Directors' retirement and termination benefits

No director's retirement and termination benefit subsisted at the end of the year or at any time during the years ended December 31, 2021 and 2020.

(iii) Consideration provided to or receivable by third parties for making available directors' services

No consideration provided to or receivable by third parties for making available director's services subsisted at the end of the year or at any time during the years ended December 31, 2021 and 2020.

Notes to the Consolidated Financial Statements

10 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(b) Benefits and interests of directors (Continued)

(iv) Information about loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors

No loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors was subsisted at the end of the year or at any time during the years ended December 31, 2021 and 2020.

(v) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest whether directly or indirectly, subsisted at the end of the year or at any time during the years ended December 31, 2021 and 2020.

(vi) Inducement to join the Group and compensation for loss of office

No director received any emolument from the Group as an inducement to join or leave the Group or compensation for loss of office for the years ended December 31, 2021 and 2020.

11 FINANCE EXPENSE, NET

	Year ended December 31,	
	2021 RMB'000	2020 RMB'000
Finance income:		
Interest income from bank deposits	520,833	210,064
Others	2,975	—
	<u>523,808</u>	<u>210,064</u>
Finance expense:		
Interest expense from lease liabilities	(562,344)	(225,084)
Others	—	(20,268)
	<u>(562,344)</u>	<u>(245,352)</u>
Finance expense, net	<u>(38,536)</u>	<u>(35,288)</u>

Notes to the Consolidated Financial Statements

12 SUBSIDIARIES

The Company's major subsidiaries (including controlled and structured entities) during the years ended December 31, 2021 and 2020 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of operation.

				Effective interest held		
				As of December 31,		
Name	Place of incorporation/ establishment and kind of legal entity	Date of incorporation/ establishment	Particulars of issued/paid-in capital	2021	2020	Principal activities
Subsidiaries						
Directly held:						
Fortune Ever Global Limited	Hong Kong, limited liability company	March 25, 2014	HKD10,000	100%	100%	Investment holding and investment
Cosmic Blue Investments Limited	British Virgin Islands, limited liability company	March 16, 2017	—	100%	100%	Investment holding and investment
Indirectly held:						
Joyo Technology PTE. LTD.	Singapore, limited liability company	August 3, 2016	USD1	100%	100%	Development of software, provision of programming and advertising services
Beijing Dajia Internet Information Technology Co., Ltd.*	Beijing, China, limited liability company	July 2, 2014	RMB31,172,273,241	100%	100%	Development of software, hardware and network technology
Beijing Kuaishou Ads Co., Ltd.	Beijing, China, limited liability company	September 23, 2016	RMB60,000	100%	100%	Provision of online marketing and other services
Chengdu Magnetic Engine Media Co., Ltd.	Sichuan, China, limited liability company	September 25, 2020	—	100%	100%	Provision of online marketing services

Notes to the Consolidated Financial Statements

12 SUBSIDIARIES (CONTINUED)

				Effective interest held		
				As of December 31,		
Name	Place of incorporation/ establishment and kind of legal entity	Date of incorporation/ establishment	Particulars of issued/paid-in capital	2021	2020	Principal activities
Structured entities (Note a)						
Beijing Kuaishou Technology Co., Ltd.	Beijing, China, limited liability company	March 20, 2015	RMB10,000,000	100%	100%	Provision of live-streaming and online marketing services
Yooeee Xingji (Beijing) Technology Co., Ltd.	Beijing, China, limited liability company	November 3, 2006	RMB25,600,000	100%	100%	Provision of technology development, promotion and other services
Huai'an Kangxiangfu Culture Communication Co., Ltd.	Jiangsu, China, limited liability company	January 9, 2017	—	100%	100%	Provision of internet information services
Beijing Chenzhong Technology Co., Ltd.	Beijing, China, limited liability company	July 6, 2017	RMB2,015,000	100%	100%	Provision of online marketing and other services
Guizhou Fankuai Culture Communication Co., Ltd.	Guizhou, China, limited liability company	March 5, 2019	—	100%	100%	Provision of multimedia information technology services
Chengdu Kuaigou Technology Co., Ltd.	Sichuan, China, limited liability company	October 31, 2019	—	100%	100%	Provision of e-commerce and other services
Beijing Shunjie Zhongheng Technology Co., Ltd.	Beijing, China, limited liability company	July 5, 2021	—	100%	—	Provision of technology development and other services

* Registered as wholly foreign-owned enterprise under PRC law.

Note a: As described in Note 2.2, the Company does not have direct or indirect legal ownership in equity of these structured entities or their subsidiaries. Nevertheless, under certain Contractual Arrangements entered into with these structured entities and their registered owners, the Company and its other legally owned subsidiaries have rights to exercise power over these structured entities, receive variable returns from their involvement in these structured entities, and have the ability to affect those returns through their power over these structured entities. As a result, they are presented as structured entities of the Company.

Notes to the Consolidated Financial Statements

13 INCOME TAX

(a) Cayman Islands

The Company is incorporated as an exempted company with limited liability under the Companies Law of the Cayman Islands and is not subject to tax on income or capital gains. Additionally, the Cayman Islands do not impose a withholding tax on payments of dividends to shareholders. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

(b) British Virgin Islands (“BVI”)

The Group’s entities established under the International Business Companies Acts of the BVI are exempted from BVI income tax.

(c) Hong Kong Income Tax

Entities incorporated in Hong Kong are subject to Hong Kong profits tax of which the tax rate is 8.25% for assessable profits on the first HK\$2 million and 16.5% for any assessable profits in excess of HK\$2 million. No provision for Hong Kong profits tax was made as we had no estimated assessable profit that was subject to Hong Kong profits tax during the year ended December 31, 2021 (2020: Nil).

(d) PRC Enterprise Income Tax

The income tax provision of the Group in respect of its operations in the PRC was subject to statutory tax rate of 25% on the assessable profits for the year ended December 31, 2021 based on the existing legislation, interpretation and practices in respect thereof (2020: 25%).

Beijing Dajia Internet Information Technology Co., Ltd. (“**Beijing Dajia**”) was accredited as High and New Technology Enterprises enabling it to enjoy a preferential tax rate of 15% from 2020 to 2022. In addition, Beijing Dajia was granted as “Software Enterprise”, which entitled it to an income tax exemption for two years beginning with its first profitable year and a 50% reduction to a rate of 12.5% for the subsequent three years from 2017 to 2021. In 2020, Beijing Dajia also obtained the qualification of “Key National Software Enterprise” which entitled it to a further reduced preferential income tax rate of 10% for the year of 2019.

Notes to the Consolidated Financial Statements

13 INCOME TAX (CONTINUED)

(d) PRC Enterprise Income Tax (Continued)

According to the relevant laws and regulations promulgated by the State Taxation Administration of the PRC that was effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 150% of their research and development expense so incurred as tax deductible expense when determining their assessable profit for that year ("**Super Deduction**"). The State Taxation Administration of the PRC announced in September 2018 that enterprises engaging in research and development activities are entitled to claim 175% of their research and development expenses as Super Deduction from January 1, 2018. The Group has made its best estimate for the Super Deduction to be claimed for the Group's entities in ascertaining their assessable profits during the year.

(e) Withholding tax in mainland China ("WHT")

According to the New Corporate Income Tax Law, beginning January 1, 2008, distribution of profits earned by companies in mainland China since January 1, 2008 to foreign investors is subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investor, upon the distribution of profits to overseas-incorporated immediate holding companies.

The Group does not have any plan in the foreseeable future to require its subsidiaries in mainland China to distribute their retained earnings and intends to retain them to operate and expand its business in mainland China. Accordingly, no deferred income tax liability related to WHT on undistributed earnings was accrued as of the end of each reporting period.

The income tax benefits of the Group during the years ended December 31, 2021 and 2020 are analysed as follows:

	Year ended December 31,	
	2021 RMB'000	2020 RMB'000
Current income tax	(2,072,167)	(893,467)
Deferred income tax (Note 31)	3,097,322	1,459,015
Income tax benefits	1,025,155	565,548

Notes to the Consolidated Financial Statements

13 INCOME TAX (CONTINUED)

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the statutory tax rate of 25% in mainland China, being the tax rate applicable to the majority of consolidated entities as follows:

	Year ended December 31,	
	2021 RMB'000	2020 RMB'000
Loss before income tax	(79,102,256)	(117,200,790)
Tax calculated at statutory income tax rate of 25% in mainland China	19,775,564	29,300,198
Tax effects of:		
— Effect of different tax rates in other jurisdictions	(13,579,537)	(26,936,304)
— Effect of preferential income tax rates of certain subsidiaries	(886,815)	(1,040,720)
— Tax losses and temporary deductible timing differences for which no deferred tax assets was recognised	(3,864,390)	(705,414)
— Expenses not deductible for income tax purposes	(803,684)	(433,735)
— Utilization of previously unrecognised deductible tax losses and temporary differences	43,898	35,780
— Super deduction for research and development expenses	332,278	210,513
— Income not subject to tax	7,841	29,097
— Reversal of income tax expenses of prior year (Note a)	—	106,133
	<u>1,025,155</u>	<u>565,548</u>

Note a: Due to the changes in the applicable tax rate for Beijing Dajia as mentioned in Note 13(d), a reversal was made in the second quarter of 2020 for the current income tax expense of RMB106.1 million as accrued in 2019 (refer to Note 13(d) for details).

Notes to the Consolidated Financial Statements

14 LOSS PER SHARE

(a) Basic loss per share

Basic loss per share for the year are calculated by dividing the loss attributable to the Company's equity holders by the weighted average number of ordinary shares in issue during the year.

	Year ended December 31,	
	2021 RMB'000	2020 RMB'000
Net loss attributable to equity holders of the Company	(78,073,643)	(116,635,242)
Weighted average number of ordinary shares in issue (thousand shares)	3,833,009	931,245
Basic loss per share (expressed in RMB per share)	(20.37)	(125.25)

(b) Diluted loss per share

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

During the years ended December 31, 2021 and 2020, the Company had three categories of potential ordinary shares: Preferred Shares, share options and RSUs. As the Company incurred losses for the years ended December 31, 2021 and 2020, these potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilution. Accordingly, the amounts of diluted loss per share for the years ended December 31, 2021 and 2020 were the same as basic loss per share of the respective years.

Notes to the Consolidated Financial Statements

15 PROPERTY AND EQUIPMENT

The detailed information of property and equipment during the years ended December 31, 2021 and 2020 is as below:

	Buildings RMB'000	Servers, computers and equipment RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
At January 1, 2021						
Cost	—	12,315,894	29,566	253,481	25,173	12,624,114
Accumulated depreciation	—	(5,311,475)	(10,199)	(96,340)	—	(5,418,014)
Net book amount	—	7,004,419	19,367	157,141	25,173	7,206,100
Year ended December 31, 2021						
Opening net book amount	—	7,004,419	19,367	157,141	25,173	7,206,100
Currency translation differences	—	(4,537)	(10)	(564)	—	(5,111)
Additions	2,541,793	4,576,165	36,424	103,445	636,205	7,894,032
Transfer from construction in progress to leasehold improvements	—	—	—	141,666	(141,666)	—
Disposal	—	(5,176)	(125)	(609)	(52,671)	(58,581)
Depreciation charge	—	(3,827,465)	(11,295)	(147,150)	—	(3,985,910)
Business combination	—	24	1	99	—	124
Closing net book amount	2,541,793	7,743,430	44,362	254,028	467,041	11,050,654
At December 31, 2021						
Cost	2,541,793	16,851,672	65,172	488,604	467,041	20,414,282
Accumulated depreciation	—	(9,108,242)	(20,810)	(234,576)	—	(9,363,628)
Net book amount	2,541,793	7,743,430	44,362	254,028	467,041	11,050,654

Notes to the Consolidated Financial Statements

15 PROPERTY AND EQUIPMENT (CONTINUED)

	Buildings RMB'000	Servers, computers and equipment RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
At January 1, 2020						
Cost	—	8,401,480	15,945	122,734	34,029	8,574,188
Accumulated depreciation	—	(2,312,079)	(4,972)	(24,832)	—	(2,341,883)
Net book amount	—	6,089,401	10,973	97,902	34,029	6,232,305
Year ended December 31, 2020						
Opening net book amount	—	6,089,401	10,973	97,902	34,029	6,232,305
Currency translation differences	—	(792)	(15)	—	—	(807)
Additions	—	3,916,919	14,394	32,973	88,918	4,053,204
Transfer from construction in progress to leasehold improvements	—	—	—	97,774	(97,774)	—
Disposal	—	(691)	(237)	—	—	(928)
Depreciation charge	—	(3,000,418)	(5,748)	(71,508)	—	(3,077,674)
Closing net book amount	—	7,004,419	19,367	157,141	25,173	7,206,100
At December 31, 2020						
Cost	—	12,315,894	29,566	253,481	25,173	12,624,114
Accumulated depreciation	—	(5,311,475)	(10,199)	(96,340)	—	(5,418,014)
Net book amount	—	7,004,419	19,367	157,141	25,173	7,206,100

Notes to the Consolidated Financial Statements

15 PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation expenses have been charged to the consolidated income statement as follows:

	Year ended December 31,	
	2021 RMB'000	2020 RMB'000
Cost of revenues	3,790,217	2,980,192
Selling and marketing expenses	21,347	7,413
Administrative expenses	61,178	40,839
Research and development expenses	113,168	49,230
	<u>3,985,910</u>	<u>3,077,674</u>

16 LEASE

(a) Items recognised in the consolidated balance sheet

	As of December 31,	
	2021 RMB'000	2020 RMB'000
Right-of-use assets		
Internet data centers	10,101,628	4,435,397
Office buildings	2,431,689	764,315
Land use rights	28,428	—
	<u>12,561,745</u>	<u>5,199,712</u>

	As of December 31,	
	2021 RMB'000	2020 RMB'000
Lease liabilities		
Current	3,528,838	2,099,360
Non-current	10,079,847	3,608,041
	<u>13,608,685</u>	<u>5,707,401</u>

Additions to the right-of-use assets for the year ended December 31, 2021 was RMB10.4 billion (2020: RMB2.5 billion).

Notes to the Consolidated Financial Statements

16 LEASE (CONTINUED)

(b) Items recognised in the consolidated income statement and consolidated statement of cash flows

	Year ended December 31,	
	2021 RMB'000	2020 RMB'000
Depreciation charge of right-of-use assets		
— Internet data centers	2,220,689	1,434,374
— Office buildings	514,262	222,083
— Land use rights	491	—
Interest expense (included in finance expense, net)	562,344	225,084
Expense relating to short-term leases not included in lease liabilities (included in cost of revenues, selling and marketing expenses, administrative expenses and research and development expenses)	118,065	67,755
	<u>3,415,851</u>	<u>1,949,296</u>

The total cash outflows in financing activities for leases during the years ended December 31, 2021 and 2020 are as below:

	Year ended December 31,	
	2021 RMB'000	2020 RMB'000
Principal elements of lease payments	2,185,593	1,421,162
Related interest paid	562,344	225,084
	<u>2,747,937</u>	<u>1,646,246</u>

Notes to the Consolidated Financial Statements

17 INTANGIBLE ASSETS

The detailed information of intangible assets during the years ended December 31, 2021 and 2020 is as below:

	Goodwill (Note a) RMB'000	Licenses and copyrights RMB'000	Trademarks and domain name RMB'000	Software RMB'000	Others RMB'000	Total RMB'000
At January 1, 2021						
Cost	836,972	535,043	6,515	88,150	8,670	1,475,350
Accumulated amortization and impairment	—	(178,089)	(3,368)	(39,593)	(6,512)	(227,562)
Net book amount	836,972	356,954	3,147	48,557	2,158	1,247,788
Year ended December 31, 2021						
Opening net book amount	836,972	356,954	3,147	48,557	2,158	1,247,788
Additions	—	57,513	225	19,284	—	77,022
Disposals	—	(1,963)	—	—	—	(1,963)
Impairment charge	—	(4,499)	—	—	—	(4,499)
Amortization charge	—	(138,601)	(2,018)	(20,967)	(2,079)	(163,665)
Currency translation differences	—	(14)	—	—	—	(14)
Business combination	7,985	—	3,100	4,300	1,700	17,085
Closing net book amount	844,957	269,390	4,454	51,174	1,779	1,171,754
At December 31, 2021						
Cost	844,957	589,432	9,840	111,734	10,370	1,566,333
Accumulated amortization and impairment	—	(320,042)	(5,386)	(60,560)	(8,591)	(394,579)
Net book amount	844,957	269,390	4,454	51,174	1,779	1,171,754
At January 1, 2020						
Cost	836,972	301,966	3,543	68,573	8,670	1,219,724
Accumulated amortization	—	(71,222)	(1,671)	(22,787)	(3,736)	(99,416)
Net book amount	836,972	230,744	1,872	45,786	4,934	1,120,308
Year ended December 31, 2020						
Opening net book amount	836,972	230,744	1,872	45,786	4,934	1,120,308
Additions	—	234,113	2,972	19,577	—	256,662
Disposals	—	(321)	—	—	—	(321)
Amortization charge	—	(107,582)	(1,697)	(16,806)	(2,776)	(128,861)
Closing net book amount	836,972	356,954	3,147	48,557	2,158	1,247,788
At December 31, 2020						
Cost	836,972	535,043	6,515	88,150	8,670	1,475,350
Accumulated amortization	—	(178,089)	(3,368)	(39,593)	(6,512)	(227,562)
Net book amount	836,972	356,954	3,147	48,557	2,158	1,247,788

Notes to the Consolidated Financial Statements

17 INTANGIBLE ASSETS (CONTINUED)

Note a: For the purpose of impairment test of goodwill, goodwill is allocated to groups of CGUs. Such groups of CGUs represent the lowest level within the Group for which the goodwill is monitored for internal management purpose. The Group has only one CGU according to its business operation during the years ended December 31, 2021 and 2020. Impairment review on the goodwill of the Group has been conducted by the management as of December 31, 2021 and 2020 according to IAS 36 "Impairment of assets". The Group conducted the annual impairment test on goodwill for its CGU by comparing its recoverable amount to its carrying amount as on December 31, 2021. The recoverable amount of the CGU is determined based on the higher amount of value-in-use calculations and fair value less costs of disposal.

On December 31, 2021, the Group completed goodwill impairment test on its CGU. The fair value less disposal cost model was adopted to calculate the recoverable amount, which was determined by observable inputs in active capital market. As the recoverable amount was higher than the carrying amount, no impairment for the CGU was recorded.

Amortization expenses have been charged to the consolidated income statement as follow:

	Year ended December 31,	
	2021 RMB'000	2020 RMB'000
Cost of revenues	124,036	92,909
Selling and marketing expenses	275	—
Administrative expenses	28,997	25,867
Research and development expenses	10,357	10,085
	<u>163,665</u>	<u>128,861</u>

Notes to the Consolidated Financial Statements

18 FINANCIAL INSTRUMENTS BY CATEGORY

The detailed information of financial instruments by category as of December 31, 2021 and 2020 is as below:

	As of December 31,	
	2021 RMB'000	2020 RMB'000
Assets as per consolidated balance sheet		
Financial assets measured at fair value through profit or loss:		
— Investments in listed entities	176,903	82,646
— Investments in unlisted entities	2,844,187	3,843,315
— Wealth management products and others	9,121,736	3,607,802
Financial assets measured at amortized costs:		
— Trade receivables	4,450,092	2,428,039
— Prepayments, other receivables and other current assets (excluding prepaid promotion and advertising fees, recoverable VAT and other tax prepayments, rental prepayments, prepaid content cost and license fee and other prepayments)	524,831	165,811
— Other non-current assets	228,136	138,119
— Time deposits	7,825,420	3,229,095
— Restricted cash	2,415	3,698
— Cash and cash equivalents	32,612,419	20,391,545
Total	57,786,139	33,890,070

	As of December 31,	
	2021 RMB'000	2020 RMB'000
Liabilities as per consolidated balance sheet		
Financial liabilities measured at fair value through profit or loss:		
— Convertible redeemable preferred shares	—	185,372,816
Financial liabilities measured at amortized cost:		
— Accounts payables	20,021,082	11,544,297
— Other payables and accruals (excluding employee benefit payables, and other taxes payable)	5,381,932	3,396,986
— Lease liabilities	13,608,685	5,707,401
Total	39,011,699	206,021,500

Notes to the Consolidated Financial Statements

19 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	As of December 31,	
	2021 RMB'000	2020 RMB'000
Investments in an associate accounted for using the equity method		
— Listed entity	1,411,141	—
		Year ended December 31, 2021 RMB'000
At the beginning of the year		—
Addition		2,470,647
Share of loss		(86,658)
Exchange loss		(50,815)
Impairment provision		(922,033)
At the end of the year		1,411,141

For the year ended December 31 2021, an investment (the “Investment”) previously accounted as financial assets at fair value through profit or loss underwent initial public offering on the New York Stock Exchange, following which the investment was converted into investments accounted for using the equity method due to (i) the conversion of the Group’s investment in its preferred shares into ordinary shares upon its initial public offering, (ii) the Group exercises significant influence over the Investment through the board representation.

The Group performed impairment testing on the Investment with impairment indicators, including but not limited to market capitalization, financial position and business performance. The recoverable amount of the Investment is determined with reference to the higher of fair value less cost of disposal and value in use. In respect of the amount using value in use, significant estimates on assumptions, such as the forecast of the Investment’s future performance and the discount rate are made. In respect of amount based on fair value less cost of disposal, it was calculated by observable prices in the active market, which is level 1 in the valuation methods. Since the recoverable amount determined by its fair value less cost of disposal amounted to RMB1,411.1 million is lower than the carrying amount, the Group has recognized RMB922.0 million impairment provision of the Investment.

Notes to the Consolidated Financial Statements

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As of December 31,	
	2021 RMB'000	2020 RMB'000
Non-current assets		
Investments in unlisted entities	2,844,187	3,843,315
Investments in listed entity		
— United States listed	146,165	—
Wealth management products and others	310,271	—
	<u>3,300,623</u>	<u>3,843,315</u>
Current assets		
Investments in listed entity		
— Hong Kong listed	30,738	82,646
Wealth management products and others	8,811,465	3,607,802
	<u>8,842,203</u>	<u>3,690,448</u>
Total	<u>12,142,826</u>	<u>7,533,763</u>

Movements in financial assets at fair value through profit or loss are as below:

	Year ended December 31,	
	2021 RMB'000	2020 RMB'000
At the beginning of the year	7,533,763	11,160,542
Additions	73,569,288	48,657,244
Disposal	(67,426,383)	(52,084,645)
Transfer to investments accounted for using the equity method (Note 19)	(2,470,647)	—
Change in fair value through profit or loss	1,045,725	272,744
Deemed disposal due to business combination	(6,959)	—
Currency translation differences	(101,961)	(472,122)
At the end of the year	<u>12,142,826</u>	<u>7,533,763</u>

Notes to the Consolidated Financial Statements

21 TRADE RECEIVABLES

The detailed information of trade receivables during the years ended December 31, 2021 and 2020 is as below:

	As of December 31,	
	2021 RMB'000	2020 RMB'000
Trade receivables from contracts with customers	4,476,135	2,444,121
Less: credit loss allowances	(26,043)	(16,082)
	<u>4,450,092</u>	<u>2,428,039</u>

The Group generally grants a credit period of 90 days to its customers. Aging analysis of trade receivables based on invoice date is as follows:

	As of December 31,	
	2021 RMB'000	2020 RMB'000
Up to 3 months	4,358,887	2,339,276
3 to 6 months	117,248	104,845
	<u>4,476,135</u>	<u>2,444,121</u>

Movements on the Group's allowance for credit loss of trade receivables are as follows:

	Year ended December 31,	
	2021 RMB'000	2020 RMB'000
At the beginning of the year	(16,082)	(4,774)
Additional provision	(9,961)	(11,308)
At the end of the year	<u>(26,043)</u>	<u>(16,082)</u>

Notes to the Consolidated Financial Statements

22 PREPAYMENTS, OTHER RECEIVABLES AND OTHER CURRENT ASSETS

The detailed information of prepayments, other receivables and other current assets as of December 31, 2021 and 2020 is as below:

	As of December 31,	
	2021 RMB'000	2020 RMB'000
Recoverable VAT and other tax prepayments	1,347,416	1,574,753
Prepaid content cost and license fee	660,407	50,028
Prepaid promotion and advertising fees	591,975	416,436
Receivables from third parties	179,515	7,104
Deposit	177,095	82,060
Interest receivable	118,313	34,253
Rental prepayments	55,905	24,192
Loan receivables	16,933	32,625
Others	154,557	83,649
	3,302,116	2,305,100
Less: credit loss allowances	(23,798)	(19,680)
	3,278,318	2,285,420

23 CASH AND BANK BALANCES

(a) Cash and cash equivalents

	As of December 31,	
	2021 RMB'000	2020 RMB'000
Cash at bank and in hand	27,511,859	20,391,545
Time deposits with initial terms within three months	5,100,560	—
	32,612,419	20,391,545

Notes to the Consolidated Financial Statements

23 CASH AND BANK BALANCES (CONTINUED)

(a) Cash and cash equivalents (Continued)

Cash and cash equivalents are denominated in the following currencies:

	As of December 31,	
	2021 RMB'000	2020 RMB'000
RMB	15,441,937	8,710,497
USD	15,377,699	11,657,970
HKD	1,761,064	7
Others	31,719	23,071
	<u>32,612,419</u>	<u>20,391,545</u>

The weighted average effective interest rates on time deposits of the Group with initial terms within three months as of December 31, 2021 was 0.57% per annum (2020: Nil).

(b) Restricted cash

Restricted cash are denominated in the following currencies:

	As of December 31,	
	2021 RMB'000	2020 RMB'000
RMB	—	1,214
USD	2,415	2,484
	<u>2,415</u>	<u>3,698</u>

Notes to the Consolidated Financial Statements

23 CASH AND BANK BALANCES (CONTINUED)

(c) Time deposits

	As of December 31,	
	2021 RMB'000	2020 RMB'000
RMB	4,000,000	610,000
USD	3,825,420	2,619,095
	7,825,420	3,229,095

The interest rates on time deposits of the Group with initial terms over three months as of December 31, 2021 were in the range of 0.78% to 3.85% per annum (2020: 0.57% to 4.18%).

24 SHARE CAPITAL

Authorized:

	Number of ordinary shares '000	Nominal value of ordinary shares USD'000	Number of Preferred Shares '000	Nominal value of Preferred Shares USD'000
At January 1, 2020	7,443,544	40	1,990,418	10
Issuance of Series F-1 and F-2 Preferred Shares	(455,300)	(2)	455,300	2
Re-designation of ordinary shares to Preferred Shares	(3,439)	—	3,439	—
At December 31, 2020	6,984,805	38	2,449,157	12
Conversion of Preferred Shares to ordinary shares	2,449,157	12	(2,449,157)	(12)
At December 31, 2021	9,433,962	50	—	—

Notes to the Consolidated Financial Statements

24 SHARE CAPITAL (CONTINUED)

Issued:

	Number of ordinary shares '000	Nominal value of ordinary shares USD'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000
At January 1, 2021	930,672	5	30	—
Issuance relating to initial public offering (Note a)	415,956	2	14	39,220,652
Conversion of Preferred Shares to ordinary shares (Note 32)	2,449,157	12	84	235,084,462
Shares issued upon initial public offering from Share Incentive Plan	341,694	2	12	65,300
Exercise of share options and vesting of RSU	67,789	—	2	37,382
At December 31, 2021	4,205,268	21	142	274,407,796
	Number of ordinary shares '000	Nominal value of ordinary shares USD'000	Equivalent nominal value of ordinary shares RMB'000	
At January 1, 2020	934,111	5	30	
Re-designation of ordinary shares to Preferred Shares	(3,439)	—	—	
At December 31, 2020	930,672	5	30	

Note a: In February 2021, the Company completed its IPO of 365,218,600 shares at HK\$115 per share on the Main Board of The Stock Exchange of Hong Kong Limited and the underwriters of the Global Offering fully exercised the over-allotment option of an aggregate of 54,782,700 shares, among which 50,737,300 shares were newly allotted and issued by the Company. The issuance of ordinary shares relating to IPO, net of underwriting commissions and other issuance costs amounting to RMB681.8 million, led to an increase of share capital and share premium by RMB14.0 thousand and RMB39,220.7 million, respectively.

Notes to the Consolidated Financial Statements

25 OTHER RESERVES

The following table shows a breakdown of the balance sheet line item “other reserves” and the movements in these reserves during the years.

	Capital reserve <i>RMB'000</i>	Share-based compensation <i>RMB'000</i>	Currency translation differences (Note a) <i>RMB'000</i>	Statutory surplus reserve (Note b) <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
At January 1, 2021	(315,966)	3,707,965	8,509,584	202,971	(92,910)	12,011,644
Share-based compensation	—	7,830,249	—	—	—	7,830,249
Shares issued upon initial public offering from Share Incentive Plan	(46,105)	—	—	—	—	(46,105)
Currency translation differences	—	—	1,022,804	—	—	1,022,804
Appropriations to statutory reserves	—	—	—	37,080	—	37,080
Transfer of equity interests of a subsidiary to non-controlling interests	(1,998)	—	—	—	—	(1,998)
At December 31, 2021	(364,069)	11,538,214	9,532,388	240,051	(92,910)	20,853,674
At January 1, 2020	(194,235)	1,911,063	(2,127,280)	184,485	(95,314)	(321,281)
Share-based compensation	—	1,796,902	—	—	—	1,796,902
Currency translation differences	—	—	10,636,864	—	—	10,636,864
Fair value change on convertible redeemable preferred shares due to own credit risk	—	—	—	—	2,404	2,404
Re-designation of ordinary shares to Preferred Shares (Note 24)	(121,731)	—	—	—	—	(121,731)
Appropriations to statutory reserves	—	—	—	18,486	—	18,486
At December 31, 2020	(315,966)	3,707,965	8,509,584	202,971	(92,910)	12,011,644

Notes to the Consolidated Financial Statements

25 OTHER RESERVES (CONTINUED)

Note a: Currency translation differences represent the difference arising from the translation of the financial statements of companies within the Group that have a functional currency different from the reporting currency of RMB for the financial statements of the Group.

Note b: In accordance with the Companies Laws of the PRC and the stipulated provisions of the articles of association of subsidiaries with limited liabilities in the PRC, appropriation of net profits (after offsetting accumulated losses from prior years) should be made by these companies to their respective statutory surplus reserve funds and the discretionary reserve funds before distributions are made to the owners. The percentage of appropriation to statutory surplus reserve fund is 10%. The amount to be transferred to the discretionary reserve fund is determined by the equity owners of these companies. When the balance of the statutory surplus reserve fund reaches 50% of the registered capital, such transfer needs not to be made. Both the statutory surplus reserve fund and discretionary reserve fund can be capitalised as capital of an enterprise, provided that the remaining statutory surplus reserve fund shall not be less than 25% of the registered capital.

In addition, in accordance with the Law of the PRC on Enterprises with Foreign Investments and the stipulated provisions of the articles of association of wholly foreign-owned subsidiaries in the PRC, appropriation from net profits (after offsetting accumulated losses brought forward from prior years) should be made by these companies to their respective reserve fund. The percentage of net profit to be appropriated to the reserve fund is not less than 10% of the net profit. When the balance of the reserve fund reaches 50% of the registered capital, such transfer needs not be made. With approvals obtained from respective boards of directors of these companies, the reserve fund can be used to offset accumulated deficit or to increase capital.

26 DIVIDENDS

No dividends have been paid or declared by the Company during the year ended December 31, 2021 (2020: Nil).

Notes to the Consolidated Financial Statements

27 SHARE-BASED COMPENSATION

On December 22, 2014, the board of directors of the Company approved the establishment of Pre-IPO ESOP Plan with the purpose of attracting, motivating, retaining and rewarding certain employees, directors and other eligible persons. Pre-IPO ESOP Plan is valid and effective for 10 years from the approval of the board of directors. The maximum number of shares that may be issued under Pre-IPO ESOP Plan shall be 312,661,648 of ordinary shares. In February 2015, the shareholders of the Company authorized the increase of ordinary shares reserved for issuance under Pre-IPO ESOP Plan to 509,616,655 ordinary shares. In February 2018, the shareholders of the Company authorized the increase of ordinary shares reserved for issuance under Pre-IPO ESOP Plan to 711,946,697 ordinary shares. Pre-IPO ESOP Plan permits the awards of options.

The Post-IPO Share Option Scheme and RSU Scheme was approved and adopted by all the then Shareholders of the Company on January 18, 2021 to recognize and reward eligible persons for their contribution to the Group, to attract best available personnel, and to provide additional incentives to them. The Post-IPO Share Option Scheme and RSU Scheme commenced on February 5, 2021. Post-IPO Share Option Scheme will be expired on the tenth anniversary of the commencement date. Subject to any early termination as may be determined by the Board and Shareholders pursuant to the Post-IPO RSU Scheme, the Post-IPO RSU Scheme shall be valid and effective for the period of ten years commencing on the date of adoption.

Pre-IPO ESOP Plan

Share options granted to employees

The majority of share options have graded vesting terms, and will be vested from the grant date over 4 years on the condition that employees remain in service without any performance requirements. For granted share options with vesting schedule as 4 years, 25% of the aggregate number of granted share options are vested on the first anniversary of the grant date, and remaining granted share options are vested in equal tranches every month over the next thirty-six months.

The options may be exercised at any time after the IPO of the Company provided the options have vested and subject to the terms of the award agreement. The options are exercisable for a maximum period of 10 years after the date of grant.

Notes to the Consolidated Financial Statements

27 SHARE-BASED COMPENSATION (CONTINUED)

Pre-IPO ESOP Plan (Continued)

Share options granted to employees (Continued)

Movements in the number of share options granted and their related weighted average exercise prices (taking into account the effect of share split) are as follows (all share options are presented as after share split):

	Number of share options	Weighted average exercise price per share option USD
Outstanding as of January 1, 2021	204,769,081	0.16
Granted during the year	58,271,509	8.34
Forfeited during the year	(15,669,192)	2.36
Exercised during the year	(66,621,188)	0.09
Outstanding as of December 31, 2021	180,750,210	2.63
Exercisable as of December 31, 2021	68,553,626	0.13

	Number of share options	Weighted average exercise price per share option USD
Outstanding as of January 1, 2020	202,362,776	0.16
Granted during the year	106,041,023	0.11
Forfeited during the year	(14,443,772)	0.48
Net exercise of share options	(89,190,946)	0.04
Outstanding as of December 31, 2020	204,769,081	0.16
Exercisable as of December 31, 2020	—	—

The weighted-average remaining contract life for outstanding share options was 7.80 years as of December 31, 2021 (2020: 7.99 years). The weighted average price of the shares at the time these options were exercised was HKD86.60 per share during the year ended December 31, 2021.

Notes to the Consolidated Financial Statements

27 SHARE-BASED COMPENSATION (CONTINUED)

Pre-IPO ESOP Plan (Continued)

Fair value of share options

Before the Listing Date, the Group has used the discounted cash flow method to determine the underlying equity fair value of the Company and adopted the equity allocation model to determine the fair value of the underlying ordinary shares. Key assumptions, such as the discount rate and projections of future performance, are determined by the Group with best estimate.

Based on fair value of the underlying ordinary shares, the Group has used Binomial model to determine the fair value of the share option as of the grant date. Key assumptions are set as below:

	Year ended December 31,	
	2021	2020
Fair value per share (USD)	14.83	4.52–11.09
Exercise price (USD)	0.04–16.66	0.04–4.97
Risk-free interest rates	0.81%–0.82%	0.65%–1.92%
Dividend yield	0.00%	0.00%
Expected volatility	58.10%–58.20%	57.05%–58.77%
Expected terms	10 years	10 years

The weighted-average fair value of granted share options was US\$10.81 per share for the year ended December 31, 2021 (2020: US\$9.11).

Post-IPO Share Option Scheme

Between the Listing Date and December 31, 2021, no share options had been granted, exercised, cancelled or lapsed pursuant to the Post-IPO Share Option Scheme since its adoption and there is no outstanding share option under the Post-IPO Share Option Scheme.

Notes to the Consolidated Financial Statements

27 SHARE-BASED COMPENSATION (CONTINUED)

Post-IPO RSU Scheme

RSUs granted to employees

Movements in the number of RSUs granted to the Company's employees under the Post-IPO RSU Scheme and the respective weighted-average grant date fair value are as below:

	Number of RSUs	Weighted average grant date fair value per RSU USD
Outstanding as of January 1, 2021	—	—
Granted during the year	94,610,922	20.08
Forfeited during the year	(6,435,090)	24.39
Vested during the year	(1,169,325)	45.87
Outstanding as of December 31, 2021	87,006,507	19.41

The fair value of each RSU was determined by reference to the market price of the Company's shares at the respective grant date.

The share-based compensation expenses of RMB7.8 billion and RMB1.8 billion were recognised in the consolidated income statement for the years ended December 31, 2021 and 2020, respectively.

28 ACCOUNTS PAYABLES

Accounts payables and their aging analysis based on invoice date are as follows:

	As of December 31,	
	2021 RMB'000	2020 RMB'000
Up to 3 months	16,173,978	8,745,012
3 to 6 months	2,347,408	1,816,541
6 months to 1 year	1,145,454	898,262
Over 1 year	354,242	84,482
	20,021,082	11,544,297

Notes to the Consolidated Financial Statements

29 OTHER PAYABLES AND ACCRUALS

The breakdown of other payables and accruals are as follows:

	As of December 31,	
	2021 RMB'000	2020 RMB'000
Refundable deposits from customers	3,251,069	1,638,586
Employee benefit payables	2,993,926	1,916,142
Collection on behalf of others	1,873,310	1,671,334
Other taxes payable	747,509	450,098
Others	257,553	87,066
	9,123,367	5,763,226

30 ADVANCES FROM CUSTOMERS

The breakdown of advances from customers are as follows:

	As of December 31,	
	2021 RMB'000	2020 RMB'000
Advances from live streaming customers	1,683,750	1,699,624
Advances from online marketing services customers	1,795,887	1,571,975
Others	23,005	18,499
	3,502,642	3,290,098

The above mentioned advances from customers represented the contract liability in connection with the advances for the purchase of virtual items and advanced cash receipt for services including online marketing services and others. Revenue recognized from the advances from customers balance as of January 1, 2021 in the year of 2021 was RMB2.3 billion (2020 : RMB1.4 billion was recognized from the advances from customers balance as of January 1, 2020).

Notes to the Consolidated Financial Statements

31 DEFERRED INCOME TAX

The analysis of deferred tax assets and liabilities before offsetting, the offsetting amount, as well as the deferred tax assets and liabilities after offsetting are as follows:

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Deferred tax assets:		
To be recovered after 12 months	3,076,056	409,439
To be recovered within 12 months	2,364,813	1,932,632
	5,440,869	2,342,071
Deferred tax liabilities:		
To be recovered after 12 months	58,991	55,370
To be recovered within 12 months	5,131	5,001
	64,122	60,371
Offsetting amounts	35,645	28,770
Deferred tax assets after offsetting	5,405,224	2,313,301
Deferred tax liabilities after offsetting	28,477	31,601

The amounts of the deferred tax assets before offsetting the taxes are as follows:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
At the beginning of the year	2,342,071	877,231
Credited to the consolidated income statement	3,098,798	1,464,840
At the end of the year	5,440,869	2,342,071

Notes to the Consolidated Financial Statements

31 DEFERRED INCOME TAX (CONTINUED)

The amounts of the deferred tax liabilities before offsetting the taxes are as follows:

	Year ended December 31,	
	2021 RMB'000	2020 RMB'000
At the beginning of the year	60,371	54,546
Business combination	2,275	—
Debited to the consolidated income statement	1,476	5,825
At the end of the year	64,122	60,371

Deferred tax assets:

	Accrued liabilities and provisions RMB'000	Tax losses RMB'000	Fair value changes of financial assets RMB'000	Credit loss allowance RMB'000	Others RMB'000	Total RMB'000
At January 1, 2021	1,926,170	334,951	48,413	6,462	26,075	2,342,071
Credited to consolidated income statement	2,063,078	961,191	11,454	6,404	56,671	3,098,798
At December 31, 2021	3,989,248	1,296,142	59,867	12,866	82,746	5,440,869
At January 1, 2020	818,096	—	44,222	3,024	11,889	877,231
Credited to consolidated income statement	1,108,074	334,951	4,191	3,438	14,186	1,464,840
At December 31, 2020	1,926,170	334,951	48,413	6,462	26,075	2,342,071

Notes to the Consolidated Financial Statements

31 DEFERRED INCOME TAX (CONTINUED)

The unrecognized deferred tax assets for tax losses as of December 31, 2021 and 2020 are as the table below:

	As of December 31,	
	2021 RMB'000	2020 RMB'000
Deductible cumulative tax losses		
— To be carried forward indefinitely	14,095,524	3,914,287
— To be expired within following years*	3,191,005	954,195
	<u>17,286,529</u>	<u>4,868,482</u>
Unrecognized deferred tax assets:	<u>3,009,670</u>	<u>914,867</u>

Note*: As of December 31, 2021, the deductible cumulative tax losses will expire within 15 years (2020: 10 years).

Deferred tax liabilities:

	Fair value changes of financial assets RMB'000	Business combination RMB'000	Others RMB'000	Total RMB'000
At January 1, 2021	27,713	31,602	1,056	60,371
Business combination	—	2,275	—	2,275
Debited/(credited) to consolidated income statement	<u>6,593</u>	<u>(5,400)</u>	<u>283</u>	<u>1,476</u>
At December 31, 2021	<u>34,306</u>	<u>28,477</u>	<u>1,339</u>	<u>64,122</u>
At January 1, 2020	17,018	36,907	621	54,546
Debited/(credited) to consolidated income statement	<u>10,695</u>	<u>(5,305)</u>	<u>435</u>	<u>5,825</u>
At December 31, 2020	<u>27,713</u>	<u>31,602</u>	<u>1,056</u>	<u>60,371</u>

Notes to the Consolidated Financial Statements

32 CONVERTIBLE REDEEMABLE PREFERRED SHARES

Since the date of incorporation, the Company has completed several rounds of financing by issuing Preferred Shares to investors, namely, series A Preferred Shares, series B Preferred Shares, series B-1 Preferred Shares, series C Preferred Shares, series C-1 Preferred Shares, series D Preferred Shares, series D-1 Preferred Shares, series E Preferred Shares, series E-1 Preferred Shares, series F-1 Preferred Shares and series F-2 Preferred Shares.

The details of the issuance are set out in the table below (after taking into consideration of share split):

	Date of Issuance	Purchase Price (US\$/Share)	Number of Shares	Total consideration	
				USD'000	RMB'000
Series A Preferred Shares	June 20, 2014	0.00370	356,224,601	1,318	8,209
Series B Preferred Shares	July 22, 2014	0.04210	474,997,455	19,750	122,633
Series B-1 Preferred Shares	April 1, 2015	0.31170	6,416,275	2,000	12,395
Series C Preferred Shares	February 13, 2015	0.38963	282,319,024	110,000	688,238
Series C-1 Preferred Shares	July 9, 2015	0.46808	42,728,141	20,000	124,184
Series D Preferred Shares	January 21, 2016	0.69061	186,068,877	128,500	846,085
Series D-1 Preferred Shares	March 15, 2017	0.85945	407,236,905	350,000	2,419,863
Series E Preferred Shares	March 29, 2018	4.99699	200,120,473	1,000,000	6,300,116
Series E-1 Preferred Shares	September 30, 2019	5.24684	34,306,363	180,000	1,273,032
Series F-1 Preferred Shares	February 11, 2020	5.73742	104,576,622	600,000	4,191,055
Series F-2 Preferred Shares	February 11, 2020	6.84299	354,162,343	2,400,000	16,765,487
			<u>2,449,157,079</u>	<u>4,811,568</u>	<u>32,751,297</u>

All Preferred Shares were automatically converted into ordinary shares upon the IPO on February 5, 2021.

The key terms of the Preferred Shares are summarised as follows:

(a) Dividends rights

Prior to Series D Preferred Shares, each holder of Preferred Shares shall be entitled to receive from the Company, out of funds legally available, non-cumulative dividends per Preferred Share held by such holder accrued at the rate of six percent (6%), further modified as eight percent (8%) of the applicable original issue price per annum for Series D and other senior series Preferred Shares (as adjusted for any stock dividends, combinations or splits with respect to such shares), when and if declared by the board, prior and in preference to holders of all other current or future class or series of Shares of the Company, including the ordinary shares. The dividends should be paid in the following order: Series F-2 preferred shareholders and Series F-1 preferred shareholders, Series E-1 preferred shareholders, Series E preferred shareholders, Series D-1 preferred shareholders, Series D preferred shareholders, Series C-1 preferred shareholders, Series C preferred shareholders, Series B-1 preferred shareholders, Series B preferred shareholders, Series A preferred shareholders, ordinary shareholders.

Notes to the Consolidated Financial Statements

32 CONVERTIBLE REDEEMABLE PREFERRED SHARES (CONTINUED)

(b) Conversion feature

The Preferred Shares shall be converted into ordinary shares at the option of holders at any time after the considerations of each series of Preferred Shares were fully-paid, or automatically converted into ordinary shares at the then effective applicable conversion price upon the closing of the Qualified Initial Public Offering (the “**QIPO**”). In the event of the automatic conversion of the Preferred Shares, the person(s) entitled to receive the ordinary shares issuable upon such conversion of Preferred Shares shall not be deemed to have converted such Preferred Shares until immediately prior to the closing of such transaction.

QIPO means a firm underwritten public offering of the shares or other securities of the Company pursuant to a registration statement that is filed with and declared effective by the competent Governmental Authority in accordance with relevant securities Laws of the United States or Hong Kong or any other jurisdiction on an internationally recognised stock exchange in (i) the United States or Hong Kong or (ii) any other jurisdiction as approved by the board of directors, with the total pre-money market capitalization of the Company not less than certain amount and gross proceeds to the Company in excess of certain amount (prior to underwriting discounts, commissions and expenses).

(c) Redemption feature

For Series F-1 and F-2 preferred shareholders, at any time and from time to time after the earliest of (i) forty-eight months from the Series F-1 and Series F-2 Preferred Shares (collectively as “**Series F Preferred Shares**”) issuance date, (ii) any restructuring of the Company, (iii) the Company or founders of the Group breach the agreements made with preferred shareholders, (iv) main business of the Group conducted in the PRC being indefinitely shut down by any PRC Governmental Authority, or material license, permit or government approvals of the Group have been revoked, and (v) any holder of any other class of shares elects to exercise its redemption right, each holder of the Series F Preferred Shares issued and then outstanding may require the Company to redeem all, or any, of the issued and then outstanding Series F Preferred Shares held by such requesting holder(s). The redemption commencement date for Series F-1 and F-2 Preferred Shares is February 11, 2024.

Notes to the Consolidated Financial Statements

32 CONVERTIBLE REDEEMABLE PREFERRED SHARES (CONTINUED)

(c) Redemption feature (Continued)

For other series of Preferred Shares, the redemption terms are similar, except for the respective redemption commencement dates as set out below:

		Redemption Commencement date
Series C-1, C, B-1, B, A Preference Shares	Seventy-two months from the Series C Preferred Shares issuance date	February 13, 2021
Series D Preference Shares	Sixty months from the Series D Preferred Shares issuance date	January 21, 2021
Series D-1 Preference Shares	Forty-eight months from the Series D-1 Preferred Shares issuance date	March 15, 2021
Series E Preference Shares	Forty-eight months from the Series E Preferred Shares issuance date	March 29, 2022
Series E-1 Preference Shares	Forty-eight months from the Series E-1 Preferred Shares issuance date	September 30, 2023

The redemption price shall be paid by the Company to the preferred shareholders in amount equal to the greater of (i) and (ii) below: (i) one hundred percent (100%) of the original issue price on each Preferred Share, plus a simple eight percent (8%) per annum interest of the original issue price on each Preferred Share accrued during the period from the issuance date of each Preferred Share until the date on which the redemption price is paid in full, and any accrued but unpaid dividends thereon; (ii) the fair market value of such Preferred Share, the valuation of which shall be determined through an independent appraisal performed by an appraiser approved by the board of directors. In October 2020 all preferred shareholders agreed to modify the redemption commencement date to April 30 2022.

Notes to the Consolidated Financial Statements

32 CONVERTIBLE REDEEMABLE PREFERRED SHARES (CONTINUED)

(d) Liquidation preferences

Upon the occurrence of any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the assets of the Company legally available for distribution shall be distributed among the holders of the issued and outstanding shares (on an as-converted basis) in the following order and manner:

Each holder of Preferred Shares shall be entitled to receive for each Preferred Share held, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of previous Preferred Shares and ordinary shares or any other class or series of shares by reason of their ownership of such shares, the amount equal to one hundred percent (100%) of the applicable preferred issue price, plus all accrued or declared but unpaid dividends on such Preferred Share. If the assets and funds available for distribution shall be insufficient to permit the payment to such holders of the full preferred preference amount, the liquidation preference amount will be paid to the preferred shareholders in the following order: first to holders of Series F-1 and Series F-2 Preferred Shares, second to holders of Series E-1 Preferred Shares, third to holders of Series E Preferred Shares, fourth to Series D-1 Preferred Shares, fifth to Series D Preferred Shares, sixth to Series C-1 Preferred Shares, seventh to Series C Preferred Shares, eighth to Series B-1 Preferred Shares, ninth to Series B Preferred Shares and lastly to holders of Series A Preferred Shares.

The Group does not bifurcate any embedded derivatives from the host instruments and designates the entire instruments as financial liabilities at fair value through profit or loss with the changes in the fair value recorded in the consolidated income statement.

Notes to the Consolidated Financial Statements

32 CONVERTIBLE REDEEMABLE PREFERRED SHARES (CONTINUED)

The movements of the Preferred Shares are set out as below:

	RMB'000
At January 1, 2021	185,372,816
Change in fair value	51,275,797
— Includes: change in fair value due to own credit risk	—
Currency translation differences	(1,564,067)
Conversion into ordinary shares	(235,084,546)
At December 31, 2021	—
At January 1, 2020	69,444,163
Issuance of Series F-1 & F-2 Preferred Shares	20,956,542
Re-designation of Series F-1 & F-2 Preferred Shares from ordinary shares (Note 25)	163,809
Change in fair value	106,843,145
— Includes: change in fair value due to own credit risk	(2,404)
Currency translation differences	(12,034,843)
At December 31, 2020	185,372,816
Total unrealized gains and change in fair value for the year included in "Fair value changes of convertible redeemable preferred shares"	106,845,549

In February 2021, the Company completed its initial public offering on the Main Board of The Stock Exchange of Hong Kong Limited. Upon listing, all the convertible redeemable preferred shares were automatically converted into ordinary shares and were reclassified from liabilities to equity accordingly.

Changes in fair value of Preferred Shares were recorded in "fair value changes of convertible redeemable preferred shares" in the consolidated income statement, and the fair value changes in the Preferred Shares that are attributable to changes of credit risk of this liability are recorded in other comprehensive loss.

Notes to the Consolidated Financial Statements

33 CASH FLOW INFORMATION

(a) Cash (used in)/generated from operations

	Year ended December 31,	
	2021 RMB'000	2020 RMB'000
Loss before income tax	(79,102,256)	(117,200,790)
Adjustments for:		
Depreciation of property and equipment	3,985,910	3,077,674
Depreciation of right-of-use assets	2,735,442	1,656,457
Amortization of intangible assets	163,665	128,861
Credit loss allowances on financial assets	27,550	12,424
Impairment provision for investments	922,033	—
Impairment charge on intangible assets	4,499	—
Share-based compensation expenses	7,830,249	1,840,886
Net losses/(gains) on disposal of property, equipment, intangible assets and right-of-use assets	43,373	(90)
Fair value change of convertible redeemable preferred shares	51,275,797	106,845,549
Net fair value gains on financial assets at fair value through profit or loss	(1,045,725)	(272,744)
Share of losses of investments accounted for using the equity method	86,658	—
Dividends received	(287)	—
Finance expense, net	428,581	168,511
Net foreign exchange losses/(gains)	90,773	(35,884)
Changes in working capital:		
— Increase in trade receivables	(2,032,014)	(1,331,907)
— Increase in prepayments, other receivables and other current assets	(907,220)	(236,807)
— Decrease/(increase) in restricted cash	1,366	(2,471)
— Increase in accounts payables	7,964,398	3,972,861
— Increase in advances from customers	125,216	1,760,490
— Increase in other payables and accruals	3,376,942	2,735,658
— Increase in other non-current liabilities	2,496	—
Cash (used in)/generated from operations	(4,022,554)	3,118,678

Notes to the Consolidated Financial Statements

33 CASH FLOW INFORMATION (CONTINUED)

(b) Non-cash investing and financing activities

Non-cash transactions are about the changes in accounts payable related to property, equipment and intangible assets addition described in Note 15 and Note 17, the addition of right-of-use assets and lease liabilities described in Note 16, the share-based compensation described in Note 27 and the conversion of convertible redeemable preferred shares described in Note 32. Excluding these, there were no other material non-cash investing and financing transactions for the years ended December 31, 2021 and 2020.

(c) Reconciliation of liabilities generated from financing activities

	Liabilities from financing activities		
	Convertible redeemable preferred shares RMB'000	Lease liabilities RMB'000	Total RMB'000
Liabilities from financing activities as of January 1, 2021	185,372,816	5,707,401	191,080,217
Financing cash flows			
— Payments for principal elements of lease and related interest	—	(2,747,937)	(2,747,937)
Other changes			
— Conversion into ordinary shares	(235,084,546)	—	(235,084,546)
— Fair value changes of convertible redeemable preferred shares	51,275,797	—	51,275,797
— Foreign exchange adjustments	(1,564,067)	—	(1,564,067)
— Increase in lease liabilities from entering into new leases	—	10,405,676	10,405,676
— Lease modification	—	(318,799)	(318,799)
— Interest on lease liabilities	—	562,344	562,344
Liabilities from financing activities as of December 31, 2021	—	13,608,685	13,608,685

Notes to the Consolidated Financial Statements

33 CASH FLOW INFORMATION (CONTINUED)

(c) Reconciliation of liabilities generated from financing activities (Continued)

	Liabilities from financing activities			
	Convertible redeemable preferred shares RMB'000	Lease liabilities RMB'000	Borrowings RMB'000	Total RMB'000
Liabilities from financing activities as of January 1, 2020	69,444,163	4,625,032	—	74,069,195
Financing cash flows				
— Proceeds from issuance of convertible redeemable preferred shares	20,956,542	—	—	20,956,542
— Payments for principal elements of lease and related interest	—	(1,646,246)	—	(1,646,246)
— Proceeds from borrowings	—	—	300,000	300,000
— Repayment of borrowings	—	—	(300,000)	(300,000)
Other changes				
— Re-designation of Series F Preferred Shares from Ordinary Shares	163,809	—	—	163,809
— Fair value changes of convertible redeemable preferred shares	106,843,145	—	—	106,843,145
— Foreign exchange adjustments	(12,034,843)	—	—	(12,034,843)
— Increase in lease liabilities from entering into new leases	—	2,503,531	—	2,503,531
— Interest on lease liabilities	—	225,084	—	225,084
Liabilities from financing activities as of December 31, 2020	<u>185,372,816</u>	<u>5,707,401</u>	<u>—</u>	<u>191,080,217</u>

Notes to the Consolidated Financial Statements

34 COMMITMENTS

Significant capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

	As of December 31,	
	2021 RMB'000	2020 RMB'000
Intangible assets	41,448	8,220
Property and equipment	420,156	345,618
Investments	326,779	53,887
	788,383	407,725

35 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Parties are also considered to be related if they are subjected to common control. Members of key management and their close family members of the Group are also considered as related parties.

The following significant transactions were carried out between the Group and its related parties during the periods presented. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(a) Names and relationships with related parties

The following companies are significant related parties of the Group that had transactions with the Group during the years ended December 31, 2021 and 2020, and/or balances with the Group as of December 31, 2021 and 2020, respectively.

Company	Relationship
Tencent Holdings Limited and its subsidiaries	One of the Company's shareholders
Hangzhou Mockuai Technology Co., Ltd. and its subsidiaries	Investee of the Group
Zihu Technology Limited and its subsidiaries	Investee of the Group
SHAREit Technology Holdings Inc. and its subsidiaries	Investee of the Group

Notes to the Consolidated Financial Statements

35 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant transactions with related parties

		Year ended December 31,	
		2021	2020
		RMB'000	RMB'000
(i) Sales of services			
Investees of the Group	204,720	266,201	
One of the Company's shareholders	88,047	342,636	
	<u>292,767</u>	<u>608,837</u>	
		Year ended December 31,	
		2021	2020
		RMB'000	RMB'000
(ii) Purchases of services			
Investees of the Group	34,921	7,516	
One of the Company's shareholders	5,238,205	2,801,903	
	<u>5,273,126</u>	<u>2,809,419</u>	

(c) Balances with related parties

		As of December 31,	
		2021	2020
		RMB'000	RMB'000
(i) Prepayments and other receivables from related parties			
One of the Company's shareholders	273,999	100,694	
	<u>273,999</u>	<u>100,694</u>	

Notes to the Consolidated Financial Statements

35 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Balances with related parties (Continued)

As of December 31,		
	2021 RMB'000	2020 RMB'000
(ii) Trade receivables from related parties		
Investees of the Group	3,109	36,574
One of the Company's shareholders	13,188	16,465
	<u>16,297</u>	<u>53,039</u>
As of December 31,		
	2021 RMB'000	2020 RMB'000
(iii) Accounts payables to related parties		
Investees of the Group	9,606	3,339
One of the Company's shareholders	1,791,286	592,989
	<u>1,800,892</u>	<u>596,328</u>
As of December 31,		
	2021 RMB'000	2020 RMB'000
(iv) Advances from related parties		
Investee of the Group	9,173	34,464
One of the Company's shareholders	9,009	61
	<u>18,182</u>	<u>34,525</u>

All the balances with related parties above were business operation related and were considered as trade in nature during the years ended December 31, 2021 and 2020. All the balances with the related parties above were unsecured, non-interest bearing and repayable on demand.

Notes to the Consolidated Financial Statements

35 RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Key management personnel compensation

	Year ended December 31,	
	2021 RMB'000	2020 RMB'000
Wages and salaries	12,302	11,492
Bonuses	11,525	14,109
Share-based compensation expenses	17,486	40,022
Pension costs — defined contribution plans	210	133
Other social security costs, housing benefits and other employee benefits	308	284
	<u>41,831</u>	<u>66,040</u>

36 CONTINGENCIES

As of December 31, 2021 and 2020, the Group did not have any material contingent liabilities.

37 SUBSEQUENT EVENTS

There was no material subsequent events during the period from December 31, 2021 to the approval date of these consolidated financial statements by the Board on March 29, 2022.

Notes to the Consolidated Financial Statements

38 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

(a) Balance sheet of the Company

		As of December 31,	
	Note	2021 RMB'000	2020 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries		11,538,221	3,707,973
		<u>11,538,221</u>	<u>3,707,973</u>
Current assets			
Prepayments, other receivables and other current assets		63,830,123	17,688,067
Financial assets at fair value through profit or loss		—	1,998,104
Short-term time deposits		—	1,304,980
Cash and cash equivalents		6,158,772	10,651,587
		<u>69,988,895</u>	<u>31,642,738</u>
Total assets		<u>81,527,116</u>	<u>35,350,711</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	24	142	30
Share premium	24	274,407,796	—
Other reserves	38(b)	19,380,954	11,314,250
Accumulated losses		(212,278,843)	(161,389,396)
Total equity		<u>81,510,049</u>	<u>(150,075,116)</u>
LIABILITIES			
Non-current liabilities			
Convertible redeemable preferred shares	32	—	185,372,816
		<u>—</u>	<u>185,372,816</u>
Current liabilities			
Accounts payables		11,894	28,451
Other payables and accruals		5,173	24,560
		<u>17,067</u>	<u>53,011</u>
Total liabilities		<u>17,067</u>	<u>185,425,827</u>
Total equity and liabilities		<u>81,527,116</u>	<u>35,350,711</u>

Notes to the Consolidated Financial Statements

38 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(b) Other reserve movement of the Company

	Capital reserve <i>RMB'000</i>	Share-based compensation <i>RMB'000</i>	Currency translation differences <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
At January 1, 2021	(315,966)	3,707,965	8,015,161	(92,910)	11,314,250
Share-based compensation	—	7,830,249	—	—	7,830,249
Shares issued upon initial public offering from Share Incentive Plan	(46,105)	—	—	—	(46,105)
Currency translation differences	—	—	282,560	—	282,560
At December 31, 2021	(362,071)	11,538,214	8,297,721	(92,910)	19,380,954
At January 1, 2020	(194,235)	1,911,063	(1,801,806)	(95,314)	(180,292)
Share-based compensation	—	1,796,902	—	—	1,796,902
Currency translation differences	—	—	9,816,967	—	9,816,967
Fair value change on convertible redeemable preferred shares due to own credit risk	—	—	—	2,404	2,404
Re-designation of ordinary shares to Preferred Shares (Note 24)	(121,731)	—	—	—	(121,731)
At December 31, 2020	(315,966)	3,707,965	8,015,161	(92,910)	11,314,250

APPENDIX II

REPRODUCTION OF THE ANNUAL FINANCIAL STATEMENTS OF THE ISSUER AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021 AND ITS AUDITOR'S REPORT

The information set out below is a reproduction of the annual financial statements of the Issuer as at and for the year ended 31 December 2021 and its auditor's report.

SG Issuer
Société Anonyme

Financial statements,
Report of the Executive Board and Corporate Governance Statement and
Report of the Réviseur d'entreprises agréé

As at and for the year ended 31 December 2021

16, boulevard Royal
L-2449 Luxembourg
R.C.S. Luxembourg: B121.363

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Executive Board Members

As at 31 December 2021

EXECUTIVE BOARD MEMBERS

Chairman:

Mr Yves CACCLIN

Employee of Société Générale Luxembourg
11, avenue Emile Reuter, L-2420 Luxembourg

Members:

Mr Thierry BODSON

Employee of Société Générale Luxembourg
11, avenue Emile Reuter, L-2420 Luxembourg

Mr Alexandre GALLICHE

Employee of Société Générale Luxembourg
11, avenue Emile Reuter, L-2420 Luxembourg

Mr Pascal JACOB

Employee of Société Générale Luxembourg
11, avenue Emile Reuter, L-2420 Luxembourg

Mrs Estelle STEPHAN JASPARD

Employee of Société Générale
Tour Société Générale, 17, cours Valmy, F-92987 Paris-La Défense 7, France

Mr Laurent WEIL

Employee of Société Générale
Tour Société Générale, 17, cours Valmy, F-92987 Paris-La Défense 7, France

Mr Christian ROUSSON

Employee of Société Générale
Tour Société Générale, 17, cours Valmy, F-92987 Paris-La Défense 7, France

Supervisory Board Members

As at 31 December 2021

SUPERVISORY BOARD MEMBERS

Chairman:

Mr Pierre LESCOURRET

Employee of Société Générale
Basalte, 4 boulevard Franck Kupcka, F-92800 Puteaux, France

Members:

Mr Olivier BLANC

Employee of Société Générale Luxembourg
11, avenue Emile Reuter, L-2420 Luxembourg

Mr Angelo BONETTI (since 08 January 2021)

Employee of Société Générale
Tour Société Générale, 17, cours Valmy, F-92987 Paris - La Défense 7, France

Mr Gregory CLAUDY

Independent Director
225A, rue du Burgknapp, B-6717 Heinstert, Belgium

Mr Olivier FREITAS

Employee of Société Générale Luxembourg
11, avenue Emile Reuter, L-2420 Luxembourg

Mr Vincent ROBILLARD (until 08 January 2021)

Employee of Société Générale
Tour Société Générale, 17, cours Valmy, F-92987 Paris-La Défense 7, France

Audit Committee Members

As at 31 December 2021

AUDIT COMMITTEE MEMBERS

Chairman:

Mr Gregory CLAUDY

Independent Director

225A, rue du Burgknapp, B-6717 Heinstert, Belgium

Members:

Mr Olivier FREITAS

Employee of Société Générale Luxembourg

11, avenue Emile Reuter, L-2420 Luxembourg

Mr Olivier BLANC

Employee of Société Générale Luxembourg

11, avenue Emile Reuter, L-2420 Luxembourg

Management and Administration

As at 31 December 2021

MANAGEMENT AND ADMINISTRATION

Issuer

SG Issuer
16, Bd Royal, L-2449 Luxembourg, Luxembourg

Guarantor (if applicable, as specified in the Final Terms)

Société Générale
29, boulevard Haussmann, F-75009 Paris, France

Arranger and Dealer

Société Générale
Tour Société Générale, 17, cours Valmy, F-92987 Paris-La Défense 7, France

Security Trustee and Security Agent Trustee

The Bank of New York Mellon Corporate Trustee Services Limited
One Canada Square, London E14 5AL, United Kingdom

Collateral Custodian

The Bank of New York Mellon S.A., Luxembourg Branch
Vertigo Building, Polaris, 2-4, rue Eugène Ruppert, L-2453 Luxembourg, Luxembourg

Collateral Monitoring Agent

The Bank of New York Mellon London Branch
One Canada Square, London E14 5AL, United Kingdom

Custodian Agent, Issuing and Paying Agent, Registrar, Exchange Agent and Transfer Agent

Société Générale Luxembourg
11, avenue Emile Reuter, L-2420 Luxembourg, Luxembourg

Paying Agents

Société Générale
29, boulevard Haussmann, F-75009 Paris, France
&
Société Générale, New York Branch
1221, avenue of the Americas, New York NY 10020, United States of America

Warrant Agent

Société Générale Luxembourg
11, avenue Emile Reuter, L-2420 Luxembourg, Luxembourg

Legal advisers and Réviseur d'entreprises agréé

As at 31 December 2021

LEGAL ADVISERS AND RÉVISEUR D'ENTREPRISES AGRÉÉ

Legal advisers

To the Arranger as to English, French and U.S. laws

Allen & Overy LLP

52, avenue Hoche, CS 90005, 75379 Paris Cedex 08, France

To the Trustee as to English Law

Allen & Overy LLP

1 Bishops Square, London E1 6AD, United Kingdom

To the Arranger as to Luxembourg Law

Allen & Overy Luxembourg

5, avenue John F. Kennedy, L-1855 Luxembourg, Luxembourg

Independent Auditor (Réviseur d'entreprises agréé)

Ernst & Young S.A.

35E, Avenue John F. Kennedy, L-1855 Luxembourg, Luxembourg

Report of the Executive Board and Corporate Governance Statement

As at 31 December 2021

REPORT OF THE EXECUTIVE BOARD AND CORPORATE GOVERNANCE STATEMENT

The Directors of SG Issuer (the “Company” or “SGIS”) (each a « Director », collectively the « Executive Board ») present the financial statements and the Report of the Executive Board and Corporate Governance Statement of the Company for the year ended 31 December 2021.

1. ACTIVITIES AND REVIEW OF THE DEVELOPMENT OF THE BUSINESS

The purpose of SG Issuer is to issue Notes and Warrants with all types of underlyings including, without restriction, Shares, Index, Interest Rate, Dividend, Credit Risk, Foreign Exchange, Commodities, Funds, Warrants, allowing investors to access to the full pricing capabilities of Société Générale, which proposes an extensive range of investment strategies linked to these various asset classes.

Notes and Warrants issued by the Company can be sold in either Private Placements or Public Offerings.

Notes are mainly Debt Securities, Bonds, Certificates. Issuing Proceeds raised by the sale of the Notes are transferred to Société Générale Paris S.A. (“Société Générale”) through a Fully Funded Swap (“FFS”), which perfectly hedges SGIS for the full issue size.

Warrants are financial products like Turbos, inline Warrants, daily Leverage Certificates, etc., which aim to replicate the same financial exposure as buying (Call) or selling (Put) an asset such as a share or an index, at a predetermined price (strike price) on a predetermined date (expiry) and to offer different pay-off or exposures to investors.

Warrants are distributed by Société Générale mainly to clients in France, Belgium, Luxembourg, United-Kingdom, Sweden, Finland, Norway, Spain, Hong-Kong, the Netherlands, Italy and Singapore. Issuing proceeds raised by the sale of the Warrants are transferred to Société Générale through an option.

Payments in respect of the Notes and Warrants issued by the Company are unconditionally and irrevocably guaranteed by Société Générale.

On request of investors, the Company can issue Collateralised Notes or Warrants (“Secured Notes” or “Secured Warrants”) in order to propose an additional layer of protection to investors in case of default of Société Générale.

Notes and Warrants issuances are governed by the programs prepared by Société Générale.

The main programs for Notes are (i) the Debt Instruments Issuance Program, the Base Prospectus of which has been updated and approved by the CSSF on 4 June 2021 and (ii) the “Programme d'Emission de Titres de Créance”, the Base Prospectus of which has been updated and approved by the CSSF on 14 June 2021. Similarly, the main program for Warrants is the Warrants Issuance Program, for which the last updates have been approved by the CSSF on 28 June 2021.

In addition, (i) the German law Dual Language Debt Instruments Issuance Program has been updated and approved by the CSSF on 21 June 2021 and (ii) the Dual Language Leveraged and Tracking Products Issuance Program has been updated and approved by the CSSF on 9 July 2021.

The newly created UK Securities Issuance Program and Swiss Securities Issuance Program were respectively approved by the CSSF on 4 June 2021 and 2 July 2021.

The state of business of the Company at the closing of the financial year is adequately presented in the financial statements published hereby.

The decrease in total assets and liabilities (before impact of the offsetting) (see Note 4) is due to the evolution of the activity of issuing financial instruments and significant changes in the fair value of the notes.

Report of the Executive Board and Corporate Governance Statement (continued)

As at 31 December 2021

During the year ended 31 December 2021, 11 500 new Notes were issued (among which 87 secured Notes) and 1 750 Warrants were issued¹.

The Company did not exercise any research and development activity, does not have any branch, and did not acquire any own shares.

2. RISKS AND UNCERTAINTIES

The risks associated with the investment in the Notes or Warrants depend on several factors. Such factors will vary depending on the characteristics of the Notes or Warrants issued, in particular depending on the underlying type, the maturity, the secured / unsecured status of the Notes or Warrants, the interest rates incurred, the volatility of the underlying.

For each Note, the Company systematically hedges its position by contracting a FFS with Société Générale, with strictly identical characteristics. Also, for each Warrant, the Company systematically hedges its position by contracting an option with Société Générale, with strictly identical characteristics.

The legal documentation and the derivative instruments have been put in place in order to make sure that the assets match the liabilities at any time. Therefore, no market risk is supported by the Company. The risk management in relation to the Notes and Warrants is also described in Note 14 hereafter.

3. COVID-19 CRISIS

Two years after the outbreak of the Covid-19 pandemic, the year 2021 was marked by an economic upturn in several major economies, in particular as a result of the deployment of vaccines.

However, these dynamics are affected by persistent frictions in the global supply chains and labour markets, and by longer delivery times in the manufacturing sector and a reduced capacity of supply in the service sector, which have led to rising costs. Uncertainties remain regarding new developments in the sanitary crisis (emergence of the Omicron variant and slow deployment of vaccines in some countries).

4. FUTURE DEVELOPMENTS AND PERSPECTIVES

In the context of the acquisition by the Société Générale Group (SG Group) of the listed warrants activities from CommerzBank, Société Générale has decided that new warrants for this activity would mostly be done by another issuer of the Group starting from 1 April 2020. As this activity represented most of the Warrants issued by SGIS so far, the drop in new Warrants issuances continued in 2021. As expected by the Executive Board, the overall commission income of the Company decreased accordingly compared to 2020. The Company will however pursue its warrants issuance activity on the Asian markets until the Program updates in 2023, when the shift will be made to another issuer.

5. INFORMATION ON LITIGATIONS

During the year ended 31 December 2020, SG Issuer, as the Issuer of Notes linked to the credit risk of a French corporate, and Société Générale, as the Guarantor, were brought before the Courts of Paris (alongside other French financial institutions) by end investors to obtain compensation for the financial loss they suffered on their

¹ The number of issued Notes and Warrants does not take into account the issuances which have been issued and cancelled during the same financial period.

Report of the Executive Board and Corporate Governance Statement (continued)

As at 31 December 2021

investment in these securities. The French corporate was the subject of a “safeguard procedure”, which constitutes a credit event under the terms of the Notes which had a strong impact on the value of the Notes. These investors rely on unfounded allegations according to which SG Issuer and Société Générale were aware of the difficulties of the French corporate when setting up and marketing these Notes and that in doing so, they failed to meet their regulatory obligations (to act in an honest, fair and professional manner, to provide information on the product risks and to determine the suitability of the Notes for retail investors).

On 27 July 2021, the Company received a new letter from end investors in order to obtain compensation for the financial loss they suffered on their investment in securities issued by the Company. This letter relates to the same litigation described above.

For this litigation, along with any other litigation relating to securities issued by SG Issuer, SG Issuer is entitled to an indemnification by Société Générale in respect of any sum due by SG Issuer regarding potential damages or attorneys' fees.

6. SUBSEQUENT EVENTS

In February 2022, a number of countries (including the US, UK and EU) imposed new sanctions against certain entities (of which financial institutions) and individuals in Russia as a result of the official recognition of the Donetsk People Republic and Lugansk People Republic by the Russian Federation. Additional sanctions have been made following military operations initiated by Russia on 24 February 2022 against Ukraine including the restriction of the access of already sanctioned Russian banks to the international payments system SWIFT.

Such sanctions can impact not only the sanctioned entities and individuals including entities under their control but also Business Counterparties of these sanctioned entities. The results of the sanctions and the geopolitical instability have created an important volatility in the financial markets with a potential to adversely impact global economies and increase instability across markets.

The Executive Board has performed an analysis towards the Company's potential exposure to the above. The Executive Board regards these events as non-adjusting events after the reporting period. At the date of this report, the Company including its going concern is not significantly impacted (directly or indirectly) by the above and the situation including the possible impact of changing micro- and macroeconomic conditions will be continued to be monitored.

7. CORPORATE GOVERNANCE STATEMENT

The Executive Board of the Company is committed to maintaining the standards of corporate governance enforced at the level of the European Union and at level of the Société Générale Group. This statement describes the Company's governance principles and practices.

In compliance with its status, the Company is governed by an Executive Board and supervised by a dedicated Supervisory Board.

7.1 Executive Board

The Executive Board supervises and controls the Management and operations of the Company and is responsible for the Company system of risk management and internal control.

The Executive Board meetings are held on demand several times during the year.

The Board has quorum when more than half of its members are present. An opinion supported by more than half of the members present becomes a decision.

Report of the Executive Board and Corporate Governance Statement (continued)

As at 31 December 2021

Key tasks of the Executive Board:

- Ensures that the supervision of accounting is organized and monitored appropriately;
- Reviews and approves the Company's financial statements and condensed interim financial information;
- Supervises and controls operative management.

7.2 Supervisory Board

The Supervisory Board ensures permanently and by all means suited the control of the Management of the Company carried out by the Executive Board. However, this supervision has to be translated in no way by an intervention in the Management of the Company. The Supervisory Board can mandate advisory committees comprised of members of the Supervisory Board and/or of other non-members to lead different missions. The Supervisory Board can confer these advisory committees of the power or mandates permanently or temporary. These advisory committees cannot have the effect of restricting the powers of the Executive Board.

7.3 Audit Committee

The mission of the Audit Committee is to monitor the issues related to the preparation and control of accounting and financial information, to monitor the independence of the statutory auditors, as well as to monitor the efficiency of the internal control, measurement, supervision and risk control systems related to the accounting and financial processes. If needed, it gives recommendations and its opinion to the Supervisory Board.

An Audit Committee of the Company took place on 25 April 2022, during which the financial statements for the year ended 31 December 2021 and the external audit results were presented. At least one member of the committee must be independent, which is the case of the Chairman of the Company's Audit Committee.

7.4 Internal Audit

The Internal Audit of both Société Générale Luxembourg and Société Générale support the Company's Executive Board in overseeing the Company's activities and securing its operations by carrying out internal audits and providing consultative assistance. The objective of Internal Audit is to add value by making recommendations designed to improve the Company's functioning. Internal Audit is an independent function and its activities are based on international professional internal audit standards and rules of ethics.

The central task of Internal Audit is to audit the functioning of SG Issuer on a regular basis and evaluate its internal controls, risk management, and administrative function. The areas to be audited are determined by the projected financial and operational risks concerned. Internal Audit can also carry out special assignments at the request of management.

Internal Audit does not have any direct authority over the activities it reviews.

7.5 Controls framework

First level of controls is related to the execution of the procedures, guidelines and instructions established to ensure the proper and efficient functioning of the Company. They are executed by the involved teams in charge of the production.

A second level of control is ensured by Société Générale Luxembourg : Outsourced Essential Services ("OES") supervision (ensured by the Corporate department), Market Risk and Operational Risk (ensured by the Risk department), "Level 2 permanent control" activity (monitoring and assessment of the level 1 permanent control system)."

The Chief Financial Officer of the Company ensures the completeness of the procedural framework.

Report of the Executive Board and Corporate Governance Statement (continued)

As at 31 December 2021

7.6 New Products Committee

All the new activities and business of the Company are analysed and authorized by a dedicated New Products Committee (NPC). All involved departments within Société Générale are represented (operations, finance, risk, accounting standards, etc...) to assess the impact for the Company.

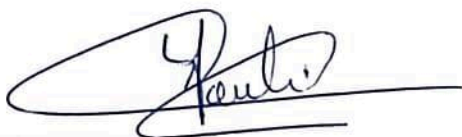
7.7 Service level agreements

The Company and several of its service providers are subsidiaries of the Société Générale Group.

Service Level Agreements ("SLAs") were signed by the Company with Société Générale Luxembourg and with Société Générale. The SLAs govern the relations between the entities as well as their respective obligations. The services supplied by Société Générale Luxembourg and Société Générale are listed in the appendices of the agreements (mainly General services, legal services, business continuity management services and financial services from Société Générale Luxembourg and operational services - Middle Office and Back Office - from Société Générale). In particular, the calculation of the remuneration related to the issuance of the Notes is delegated to Société Générale Paris Middle Office within the framework of the SLA.

Luxembourg, 27 April 2022

For the Executive Board



Yves CACCLIN
Chairman of the Executive Board



Thierry BODSON
Member of the Executive Board

Global Statement for the Financial Statements

As at 31 December 2021

GLOBAL STATEMENT FOR THE FINANCIAL STATEMENTS

To the best of our knowledge, the financial statements gives a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, and the Report of the Executive Board (management report) includes a fair presentation of the development and performance of the business and the position of the Company, together with a description of the main risks and uncertainties that it faces.

Luxembourg, 27 April 2022

Executive Board Member
For the Executive Board

A handwritten signature in blue ink, appearing to read 'Yves CACCLIN', with a large, sweeping initial 'Y'.

Yves CACCLIN
Chairman of the Executive Board

A handwritten signature in blue ink, appearing to read 'Thierry BODSON', with a large, sweeping initial 'T'.

Thierry BODSON
Member of the Executive Board

Independent auditor's report

To the sole Shareholder of
SG Issuer
16, boulevard Royal
L-2449 Luxembourg

Report on the audit of the financial statements

Opinion

We have audited the financial statements of SG Issuer S.A. (the "Company"), which comprise the statement of financial position as at 31 December 2021, and the statement of profit and loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (the "Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the EU Regulation N° 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements" section of our report. We are also independent of the Company in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Hedging of financial instruments issued

Description

The activity of the Company consists in issuing Notes and Warrants, which are subscribed by investors. These financial instruments are fully hedged with mirror transactions concluded with Société Générale S.A. replicating the financial instruments issued by the Company (see Note 4).

We have considered the hedging of financial instruments issued to be a key audit matter considering the financial risk which would result from inadequate hedging of the financial instruments issued by the Company.

How the matter was addressed in our audit

We tested the key controls implemented by the Company in relation with the issuance of financial instruments and the conclusion of mirror transactions with Société Générale S.A., as well as the key controls on the stock of financial instruments to ensure the effectiveness of the hedging.

We verified the intercompany reconciliation process between the Company and Société Générale S.A., and the intercompany reconciliations performed as at 31 December 2021.

For a sample of financial instruments issued by the Company as at 31 December 2021, we verified that the Company has contracted the mirror financial instruments with Société Générale S.A..

Also, we inquired about the existence of operational errors during the year and, if applicable, the related financial impact.

Other information

The Executive Board is responsible for the other information. The other information comprises the information included in the report of the Executive Board and Corporate Governance Statement but does not include the financial statements and our report of "réviseur d'entreprises agréé" thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Executive Board for the financial statements

The Executive Board is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS as adopted by the European Union, and for such internal control as the Executive Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Responsibilities of the “réviseur d'entreprises agréé” for the audit of the financial statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the “réviseur d'entreprises agréé” that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with the ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Board.
- Conclude on the appropriateness of Executive Board use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the “réviseur d'entreprises agréé” to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the “réviseur d'entreprises agréé”. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

We have been appointed as “réviseur d’entreprises agréé” by the General Meeting of the Shareholders on 30 April 2021 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 5 years.

The report of the Executive Board is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

The corporate governance statement, included in the report of the Executive Board, is the responsibility of the Executive Board. The information required by article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

We have checked the compliance of the financial statements of the Company as at 31 December 2021 with relevant statutory requirements set out in the ESEF Regulation that are applicable to the financial statements. For the Company, it relates to:

- Financial statements prepared in valid xHTML format;

In our opinion, the financial statements of the Company as at 31 December 2021, identified as “SG Issuer S.A. financial statements 12312021 ESEF”, have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.

We confirm that the prohibited non-audit services referred to in EU Regulation No 537/2014 were not provided and that we remained independent of the Company in conducting the audit.

Ernst & Young
Société anonyme
Cabinet de révision agréé



Dorian Rigaud

Luxembourg, 28 April 2022

Statement of Financial Position

As at 31 December 2021

	Notes	('000 EUR) 2021	('000 EUR) 2020
Cash and cash equivalents	3	36 384	44 293
Financial assets at fair value through profit or loss			
- <i>Mandatorily measured at fair value through profit or loss</i>	4.1	40 322 401	43 135 651
- <i>Trading derivatives</i>	4.1	714 838	674 352
Loans and receivables	5	50 021	49 902
Other assets	6	497 267	835 571
Total assets		41 620 911	44 739 769
Financial liabilities at amortised cost	4.3	76 412	65 342
Financial liabilities at fair value through profit or loss			
- <i>Designated at fair value through profit or loss</i>	4.2	40 323 850	43 146 652
- <i>Trading derivatives</i>	4.2, 13	714 854	676 965
Other liabilities	6	503 809	848 336
Tax liabilities	7	-	75
Total liabilities		41 618 925	44 737 370
Share capital	8.1	2 000	2 000
Share premium		-	-
Legal reserve	8.2	200	200
Other reserves	8.2	1	0
Profit for the financial year		(215)	199
Total equity		1 986	2 399
Total liabilities and equity		41 620 911	44 739 769

The accompanying Notes are an integral part of these financial statements.

Statement of Profit and Loss and Other Comprehensive Income

For the year ended 31 December 2021

		(‘000 EUR)	(‘000 EUR)
	Notes	2021	2020
Interest income	9	762	917
Commission income	10	45 174	48 748
Total revenues		45 936	49 665
Interest expenses	9	(29 567)	(18 409)
Net loss from financial instruments at fair value through profit or loss		(241)	(139)
Personnel expenses	11	(352)	(273)
Other operating expenses	12	(15 995)	(30 569)
Cost of risk	5	4	(1)
Total expenses		(46 151)	(49 391)
Profit before tax		(215)	274
Income tax	7	-	(75)
Profit for the financial year		(215)	199
Total comprehensive income for the financial year		(215)	199

The accompanying Notes are an integral part of these financial statements.

Statement of Changes in Equity
For the year ended 31 December 2021

	('000 EUR)	('000 EUR)	('000 EUR)	('000 EUR)	('000 EUR)	('000 EUR)	('000 EUR)	('000 EUR)
	Share capital	Share premium	Legal reserve	Other unavailable reserves	Other available reserves	Total reserves	Profit for the financial year	Total equity
As at 31 December 2019	2 000	-	200	-	-	200	148	2 348
Transfer to available reserves	-	-	-	-	-	-	-	-
Allocation of the result of the previous year before dividend distribution	-	-	-	-	148	148	(148)	-
Dividend to the sole shareholder	-	-	-	-	(148)	(148)	-	(148)
Capital increase/Allocation to the share premium account (Note 8.1)	-	34 981	-	-	-	-	-	34 981
Reimbursement of the share premium (Note 8.1)	-	(34 981)	-	-	-	-	-	(34 981)
Profit for the financial year 2020	-	-	-	-	-	-	199	199
As at 31 December 2020	2 000	-	200	-	-	200	199	2 399
Transfer to available reserves	-	-	-	-	199	199	(199)	-
Allocation of the result of the previous year before dividend distribution	-	-	-	-	-	-	-	-
Dividend to the sole shareholder	-	-	-	-	(199)	(199)	-	(199)
Capital increase/Allocation to the share premium account (Note 8.1)	-	16 926	-	-	-	-	-	16 926
Reimbursement of the share premium (Note 8.1)	-	(16 926)	-	-	-	-	-	(16 926)
Profit for the financial year 2021	-	-	-	-	-	-	(215)	(215)
As at 31 December 2021	2 000	-	200	-	-	1*	(215)	1 986

* Other reserves as at 31.12.2021 amount to KEUR 1 and relate to the retained earnings which the Company was not able to distribute as a dividend as they were indivisible by the number of shares. Due to rounding in KEUR, this KEUR 1 difference between the 2020 profit and the dividend distribution does not appear in the above table.

The accompanying Notes are an integral part of these financial statements.

Statement of Cash Flows
For the year ended 31 December 2021

	Notes	('000 EUR) 2021	('000 EUR) 2020
OPERATING ACTIVITIES			
Profit for the financial year		(215)	199
Net(increase)/decrease in financial assets	4.1	7 111 721	(3 866 206)
Net increase/(decrease) in financial liabilities	4.2	(7 062 711)	3 899 072
(Increase)/decrease in other assets	6	338 304	(404 583)
Increase/(decrease) in tax liabilities and other liabilities	6, 7	(344 676)	384 750
Taxes paid	7	75	75
<i>Non cash adjustments :</i>			
Net change in fair value and foreign exchange difference	4.1, 4.2	(33 278)	139
Change in cost of risk	5	(4)	1
NET CASH FLOWS FROM OPERATING ACTIVITIES		9 216	13 446
FINANCING ACTIVITIES			
Payment of capital surplus *	8.1	(16 926)	(34 981)
Dividend paid		(199)	(148)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		(17 125)	(35 129)
Cash and cash equivalents as at January 1 st	3	44 293	65 975
Net increase/(decrease) in cash and cash equivalents		(7 909)	(21 682)
Cash and cash equivalents as at December 31st		36 384	44 293
Additional information on operational cash flows from interest and dividends			
Interest paid		17 657	35 775
Interest received	9	767	917
Dividend received		-	-

* KEUR 16 926 for the year ended 31 December 2021 (and KEUR 34 981 for the year ended 31 December 2020) represent the share premium reimbursed by the Company to the shareholder (refer to Note 8.1).

Notes to the financial statements

As at 31 December 2021

NOTE 1 – CORPORATE INFORMATION

SG Issuer (hereafter the "Company" or "SGIS") is a Luxembourg company incorporated on 16 November 2006 as a public limited company ("Société Anonyme") for an unlimited period.

Since April 2013, the Company's corporate objects are to issue debt securities, bonds, certificates, warrants and any other debt securities or acknowledgements of debts or financial securities, whether or not accompanied by guarantees, with any type of underlying security, including, without limitation, company stock, any other capital security or security other than capital, index, currency, exchange rate, interest rate, dividend, credit risk, fund unit, investment company stock, term deposit, life assurance contract, loan, merchandise, term contract, option, Warrant or option coupons, allocated or unallocated precious metals, unit of account, basket or any other factor or any other type of underlying securities and any combination of the latter.

To that effect, the Company may purchase, hold, dispose of, lend, loan or resell, by any means, including in particular the use of trusts, in trust or repurchase, any type of assets whatever their names and forms and whether or not accompanied by guarantees, in particular financial instruments (financial securities - stocks, fund units, bonds, certificates, Warrants - or financial contracts - swaps, options or other) or any other debt securities, acknowledgements of debts or capital securities, receive or issue monetary loans (including loans convertible into shares of the Company) - within the group of companies to which the Company belongs - and to supply guarantees in any form (actual guarantees such as pledges, securities, mortgages or other - personal guarantees or any other form of guarantee) for their own account, for the account of the group of companies to which the Company belongs or on behalf of third parties.

The Company's financial year begins on 1 January and ends on 31 December each year.

The Company's capital is divided into 50 008 shares, of which 49 908 are held by SG Luxembourg and 100 are held by Société Générale.

The accounts of the Company are included in the consolidated accounts of Société Générale S.A. (hereafter "Société Générale" or the "parent Company"), which is the largest body of undertakings of which the Company forms a part as a subsidiary undertaking, and whose head-office is located at 29, boulevard Haussmann, 75009 Paris, France.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

2.1.1 Statement of compliance

The financial statements of the Company as at and for the year ended 31 December 2021 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and interpretations adopted by the International Accounting Standards Board ("IASB").

The financial statements as at and for the year ended 31 December 2021 were authorised for issue by the Supervisory Board on 27 April 2022.

2.1.2 Functional and presentation currency

The financial statements are prepared in Euro ("EUR"), which is the Company's functional currency and the currency of its share capital. Unless stated otherwise, the amounts in the financial statements are expressed in thousands of EUR (KEUR). The value "0" indicates the presence of a number, which is rounded to zero, while "-" represents the value nil.

Notes to the financial statements

As at 31 December 2021

2.1.3 Use of estimates and judgments

The preparation of the Company's financial statements requires Executive Board to make judgments, estimates and assumptions that affect the reported amount of figures recorded in the statement of profit and loss, on the unrealised or deferred gains and losses, on the valuation of assets and liabilities in the statement of financial position, and on information disclosed in the notes to the financial statements.

In order to make these assumptions and estimates, the Executive Board uses information available at the date of preparation of the financial statements and can exercise its judgment. By nature, valuations based on estimates include risks and uncertainties relating to their occurrence in the future. Consequently, actual future results may differ from these estimates and may then have a significant impact on the financial statements.

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Company's accounting policies, Executive Board has made the following judgments and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond Company's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognized in the financial statements with substantial Executive Board judgment and/or estimates are listed below with respect to judgments/estimates involved.

The use of significant estimates and judgment mainly concerns the following topics:

- Fair value in the statement of financial position of financial instruments not quoted in an active market which are classified as financial assets and liabilities at fair value through profit or loss (see Notes 4.1 and 4.2);
- The amount of impairment and provisions for credit risk related to financial assets measured at amortized cost (see Note 4.3);
- The analysis of the contractual cash flow characteristics of financial assets (see Note 2.3.3.1).

2.1.4 Segment reporting

No dedicated management reporting information is presented for SGIS to a chief decision maker; only the annual financial statements are presented to the Executive Board of SGIS in analysing the performance of the Company. The company has only one geographical area related to its revenue, which is France.

2.2 New accounting standards

2.2.1 New accounting standards applicable as at 1 January 2021

2.2.1.1 Amendments to IFRS 7, IAS 39 and IFRS 9 in the context of the Interest Rate Benchmark Reform ("IBOR reform")

Issued by the IASB on 27 August 2020 and adopted by the European Union on 14 January 2021

In the context of the interest rate reform – or IBOR reform – currently being implemented, the accounting standards applicable have been amended by the IASB. The objective of the first amendments, implemented by Société Générale Group since 31 December 2019, is to enable the continued application of hedge accounting treatments despite uncertainties regarding the timetable and specificities regarding the transition from current interest rate benchmarks to new ones; and to do so despite any possible changes to financial instruments indexed on the current interest rate benchmarks. These amendments will remain applicable until the uncertainties have been resolved. These amendments have no impact on the Company's financial statements considering it doesn't use hedge accounting.

Notes to the financial statements

As at 31 December 2021

The second phase of these amendments introduced by the IASB regards the treatment of the changes in financial instruments contracts in the framework of the IBOR reform. They have been adopted by the European Union on 14 January 2021, they were early-applied by Société Générale Group in its financial statements as at 31 December 2020 and by extension at the level of the Company.

The Company has assessed that these amendments do not have an impact on its financial statements.

2.2.1.2 Amendments to IFRS 4 – Extension of the temporary exemption from the application of IFRS 9

Amendments to IFRS 17 and IFRS 4 published by the IASB on 25 June 2020 and Regulation (EU) 2020/2097 published by the European Commission on 15 December 2020

These amendments allow financial conglomerates as defined by Directive 2002/87/EC to defer, until 1 January 2023, the application of IFRS 9 by their legal entities operating in the insurance sector.

The Company has assessed no effect from this standard as it has no insurance contracts.

2.2.1.3 Amendments to IFRS 16 “Leases” – COVID-19 related rent concessions beyond 30 June 2021

Issued by the IASB on 31 March 2021

The IASB extend by one year the period of application of the amendments related to IFRS 16 “Lease contract” related to the Covid-19 crisis and published on 28 May 2020. The amendments are to allow, as an option, tenants benefiting from rent relief in the context of the Covid-19 pandemic, not to analyze whether the concessions granted to them should be accounted for as modifications to rental contracts. This would imply spreading out the effects of the advantage granted over the term of the contract in profit or loss, they can recognize these reductions as negative variable rents (generating an immediate gain in profit or loss).

Thus, this simplification measure can be applied to rent relief relating to payments due until 30 June 2022.

In 2021, as in 2020, the Company did not benefit from any rent reduction following the Covid-19 crisis.

2.2.1.4 Decision of the IFRS Interpretations Committee (“IFRS IC”) of 20 April 2021 on IAS 19

At its 20 April 2021 meeting, the IFRS IC specified the method for determining the vesting schedule for a defined benefit plan with the following characteristics: staff members are entitled to a lump-sum benefit payment when they reach a specified retirement age, provided they are employed by the entity when they reach that age, and the amount of the retirement benefit depends on the length of employee service with the entity before the retirement age and is capped at a specified number of consecutive years of service.

The IFRS IC specified that, pursuant to IAS 19, the vesting period will be the period of service immediately before the retirement age, possibly capped, and that the total number of years of service cannot be used when greater than the cap used to calculate the benefit. The consecutive decision not to place the issue on the IFRS IC agenda was validated by the IASB on 24 May 2021.

The Company has assessed no impact from this decision as it has no defined benefit plan.

Notes to the financial statements

As at 31 December 2021

2.2.1.5 Decision of the IFRS Interpretations Committee ("IFRS IC") of 27 April 2021 on IAS 38

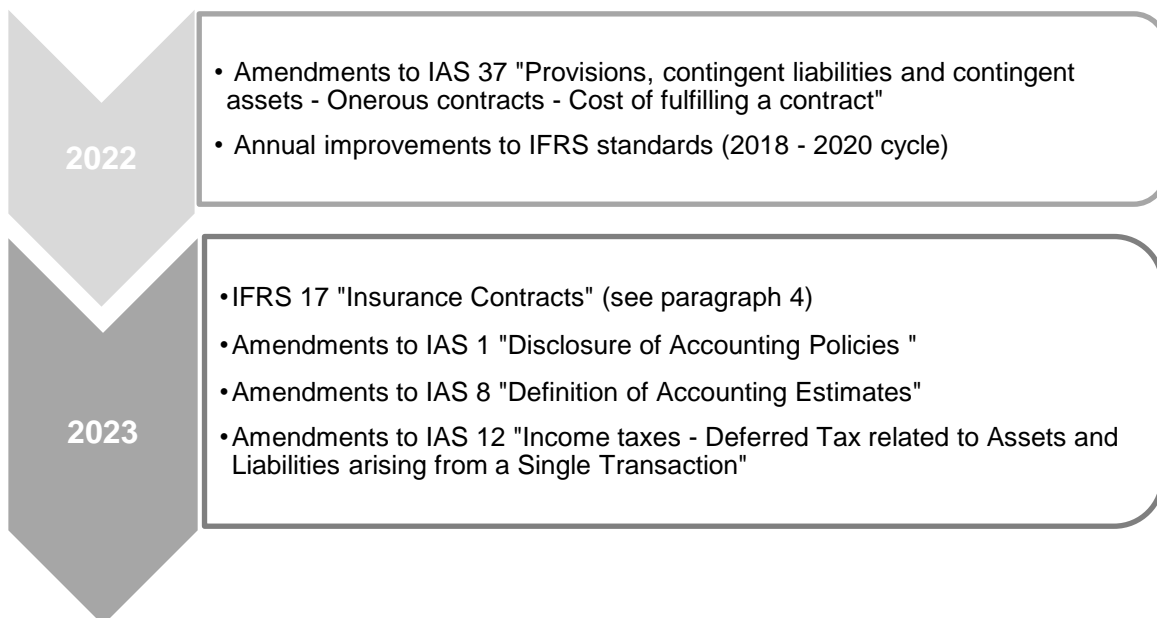
During its 27 April 2021 meeting, the IFR IC reiterated the accounting rules for a customer's costs of configuring or customizing the supplier's application in a 'Software as a Service' (SaaS) arrangement.

The Company has assessed no impact from this decision as it has no software asset.

2.2.2 Accounting standards, amendments or interpretations to be applied by the Company in the future

IASB publishes accounting standards, amendments and interpretations, some of which have not been adopted by the European Union as at 31 December 2021. They are required to be applied from annual periods beginning on 1 January 2022 at the earliest or on the date of their adoption by the European Union. They were therefore not applied by the Company as at 31 December 2021.

These standards are expected to be applied according to the following schedule:



2.2.2.1 Amendments to IAS 37 "Provisions, contingent liabilities and contingent assets" – Onerous contracts – Contract execution costs

Published by the IASB in May 2020

These amendments specify the costs to be used in determining the costs of performing a contract when analyzing onerous contracts. These amendments will be effective on or after the beginning of the first annual reporting period beginning on or after 1 January 2022.

At this stage, the Company does not expect any significant impact from these amendments.

Notes to the financial statements

As at 31 December 2021

2.2.2.2 Annual IFRS Improvements (2018 – 2020 Cycle)

Published by IASB on 14 May 2020

As part of the annual procedure for improving IFRS, the IASB published minor changes to IFRS 9 “Financial instruments” and IFRS 16 “Leases”. The IASB also published minor changes to IFRS 1 “First time adoption of International Financial Reporting Standards” and IAS 41 “Agriculture”, which is not applicable to the Company.

The amendment on IFRS 9 “Financial instruments” clarifies which fees an entity includes when performing the “10 per cent” test to assess whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.

The Company will integrate this new guidances in its accounting policy. At this stage, the Company does not expect any significant impact from these amendments.

The amendment to IFRS 16 clarifies the treatment of lease incentives related to reimbursement of leasehold improvements by the lessor. The amendment only relates to an illustrative example and as such will not result in any impact for the Company.

2.2.2.3 IFRS 17 “Insurance Contracts”

Issued by the IASB on 18 May 2017, amended on 25 June 2020.

This new standard will replace IFRS 4 “Insurance Contracts” that was issued in 2004 and which currently allows entities to use national requirements for the accounting of insurance contracts.

IFRS 17 provides new rules for the recognition, measurement, presentation and disclosure of insurance contracts that belong to its application scope (insurance contracts issued, reinsurance contracts held and investment contracts issued with discretionary participation features). The underwriting reserves currently recognised among liabilities in the statement of financial position will be replaced by a current value measurement of insurance contracts.

The Company expects no effect from this standard as it has no insurance contracts.

2.2.2.4 Amendments to IAS 1 “Classification of liabilities as current or non current”

Issued by the IASB on 23 January 2020

On 23 January 2020, the International Accounting Standards Board (IASB) issued amendments to IAS 1 Presentation of Financial Statements to clarify the requirements for classifying liabilities as current or non-current. More specifically:

- The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists ;
- Management expectations about events after the balance sheet date, for example on whether a covenant will be breached, or whether early settlement will take place, are not relevant ;
- The amendments clarify the situations that are considered settlement of a liability.

On 15 July 2020, the IASB issued Classification of Liabilities as Current or Non-current — Deferral of Effective Date (Amendment to IAS 1) deferring the effective date of the January 2020 amendments to IAS 1 for annual reporting periods beginning on or after 1 January 2023.

At this stage, the Company does not expect any significant impact from these amendments.

Notes to the financial statements

As at 31 December 2021

2.2.2.5 Amendments to IAS 1 “Information to be provided on accounting methods”

Issued by the IASB on 12 February 2021

These amendments aim to help companies to improve the relevance of the information on accounting methods provided in the Notes and its usefulness for investors and users of financial statements.

At this stage, the Company does not expect any significant impact from these amendments.

2.2.2.6 Amendments to IAS 8 “Definition of an accounting estimate”

Issued by the IASB on 12 February 2021

These amendments aim to facilitate the distinction between changes in accounting policies and changes in accounting estimates.

At this stage, the Company does not expect any significant impact from these amendments.

2.2.2.7 Amendments to IAS 12 “Income tax – Deferred tax for assets and liabilities related to the same transaction”

Issued by the IASB on 7 May 2021

These amendments clarify and narrow the scope of the exemption of not recognize deferred tax during the initial recognition of an assets and a liability, offered by IAS 12. Therefore, lease contracts and decommissioning obligations for which companies record both assets and liabilities are excluded and consequently they will have to book deferred taxes.

The objective of these amendments is to reduce the heterogeneity in the recognition of deferred tax relating to leases and decommissioning obligations.

The Company does not expect any significant impact from the amendment as it did not recognize any tax impact upon IFRS 16 application.

2.3 Summary of significant accounting policies

2.3.1 Foreign currency transactions

The Company maintains its books in EUR, which is the currency of the capital.

Assets and liabilities denominated in foreign currencies are translated into EUR at the exchange rates ruling at the reporting date. Foreign exchange differences arising on translation and realized exchange gains and losses are recognised in the statement of profit and loss and other comprehensive income in the caption “*Net gains from financial instruments at fair value through profit or loss*” and “*Interest Expenses*”.

Revenues and expenses in foreign currencies are translated into EUR at the exchange rates prevailing at the date of the transactions.

The most important foreign currency positions for the Company are USD, JPY, GBP, HKD and CHF. The following foreign exchange rates were used:

	USD	JPY	GBP	HKD	CHF
31.12.2021	1.1326	130.3800	0.8403	8.8333	1.0331
31.12.2020	1.2271	126.4900	0.8990	9.5142	1.0802

Notes to the financial statements

As at 31 December 2021

2.3.2 Cash and cash equivalents

Cash and cash equivalents comprise only cash repayable on demand.

Cash and cash equivalents in the Company are subject to impairment under IFRS 9 and are presented net of impairment (cf. Note 2.3.3.3).

2.3.3 Financial instruments

2.3.3.1 Classification of financial instruments

Classification of financial assets

Financial assets are classified under IFRS 9 based on the characteristics of their contractual cash flows and on how they are managed (business models).

For the debt instruments held, SGIS has defined its business model as “hold to collect” for the Fully Funded Swaps, for Cash and cash equivalents and for Loans and receivables. These assets are acquired in order to collect the contractual cash-flows attached to the assets. No sale has been made in the past years and no sale is anticipated in the future.

The Fully Funded Swaps (hereafter “FFS”) are economically assimilated to loans with embedded derivatives (the swap embedded in the FFS). This type of financial assets comply with the IFRS definition of debt instruments (fixed maturity, coupon calculated as a rate, no right nor interest/control in an entity). As these financial assets of SGIS contain embedded derivatives that modify the cash flows of the entire contract, the contract does not pass the Solely Payments of Principles and Interest (or “SPPI”) test and consequently these financial assets are mandatorily measured at Fair Value through Profit and Loss (“FVTPL”).

Cash and cash equivalents and Loans and receivables are SPPI compliant and are thus measured at amortised cost. Cash and cash equivalents and Loans and receivables are subject to impairment under IFRS 9 and are presented net of impairment.

The Options held, covering the Warrants issued, are Trading derivatives and thus measured at FVTPL.

Purchases and sales of financial assets recorded under Financial assets at fair value through profit or loss and Financial assets at fair value through other comprehensive income are recognised in the statement of financial position at the delivery-settlement date. Changes in fair value between the trade and settlement dates are recorded in the income statement or booked to shareholders’ equity depending on the accounting category of the relevant financial assets. Loans and receivables are recorded in statement of financial position on the date they are paid or at the maturity date for invoiced services. The trade date is the date on which the contractual commitment becomes binding and irrevocable for the Company.

Classification of financial liabilities

Financial liabilities are classified into one of the following two categories:

- Financial liabilities at fair value through profit or loss:

These are financial liabilities held for trading purposes, which by default include derivative financial liabilities not qualifying as hedging instruments and non-derivative financial liabilities designated by the Company upon initial recognition to be carried at fair value through profit or loss in accordance with the fair value option.

The Company has designated at fair value through profit or loss the notes issued because mirror transactions (Fully Funded Swaps or “FFS”) that are used to hedge those notes are measured mandatorily at fair value through profit and loss and thus reduce the accounting mismatch;

Notes to the financial statements

As at 31 December 2021

- Financial liabilities at amortised cost:

These include the other non-derivative financial liabilities and are measured at amortized cost.

2.3.3.2 Valuation of financial instruments

Definition of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In the absence of observable prices for identical assets or liabilities, the fair value of financial instruments is determined using another measurement technique that maximises the use of observable market input based on assumptions that market operators would use to set the price of the instrument in question.

Fair value hierarchy

The fair values of financial instruments include accrued interest as applicable.

For information purposes, in the notes to the financial statements, the fair value of financial instruments is classified using a fair value hierarchy that reflects the significance of the inputs used according to the following levels:

Level 1 (L1): instruments valued on the basis of quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 1 instruments carried at fair value on the statement of financial position include in particular shares listed in an active market, government or corporate bonds priced directly by external brokers/dealers, derivatives traded on organised markets (futures, options), and units of funds (including UCITS) whose net asset value is available on the statement of financial position date.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and if they reflect actual and regular market transactions on an arm's length basis.

Determining whether a market is inactive requires the use of indicators such as a sharp decline in trading volume and the level of activity in the market, a sharp disparity in prices over time and among the various above-mentioned market participants, or the fact that the latest transactions conducted on an arm's length basis did not take place recently enough.

Where a financial instrument is traded in several markets to which the Company has immediate access, its fair value is represented by the market price at which volumes and activity levels are highest for the instrument in question.

Transactions resulting from involuntary liquidations or distressed sales are usually not taken into account to determine the market price.

Level 2 (L2): instruments valued using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

These are instruments measured using a financial model based on observable market inputs. Prices published by an external source derived from the valuation of similar instruments are considered as data derived from prices.

Notes to the financial statements

As at 31 December 2021

Level 2 instruments include in particular non derivative financial instruments carried at fair value on the statement of financial position that are not directly quoted or do not have a quoted price on a sufficiently active market (e.g. corporate bonds, repos transactions, mortgage-backed securities, units of funds), and firm derivatives and options traded over-the-counter: interest rate swaps, caps, floors, swaptions, equity options, index options, foreign exchange options, commodity options and credit derivatives. The maturities of these instruments are linked to ranges of terms commonly traded in the market, and the instruments themselves can be simple or offer a more complex remuneration profile (e.g. barrier options, products with multiple underlying instruments), with said complexity remaining limited however. The valuation techniques used in this category are based on common methods shared by the main market participants.

Level 3 (L3): instruments valued using inputs that are not based on observable market data (referred to as unobservable inputs)

Level 3 instruments carried at fair value on the statement of financial position are predominantly instruments for which the sales margin is not immediately recognized in profit or loss.

Accordingly, Level 3 financial instruments include derivatives with longer maturities than those usually traded and/or with specifically-tailored return profiles. Similarly, debt measured at fair value is classified as Level 3 where the valuation of the associated embedded derivatives is also based on unobservable inputs.

The main L3 complex derivatives are:

- Equity derivatives: options with long maturities and/or incorporating bespoke remuneration mechanisms. These instruments are sensitive to market inputs (volatility, dividend rates, correlations, etc.). In the absence of market depth and an objective approach made possible by regularly observed prices, their valuation is based on proprietary methods (e.g. extrapolation from observable data, historical analysis). Hybrid equity instruments (i.e. having at least one non-equity underlying instrument) are also classified as L3 insofar as correlations between the different underlyings are generally unobservable;
- Interest rate derivatives: long-term and/or exotic options, products sensitive to correlation between different interest rates, different exchange rates, or between interest rates and exchange rates, for example for quanto products (in which the instrument is settled in a currency different from the currency of the underlying); they are liable to be classified as L3 because the valuation inputs are unobservable due to the liquidity of the correlated pair and the residual maturity of the transactions (e.g. exchange rate correlations are deemed unobservable for the USD/JPY);
- Credit derivatives: L3 credit derivatives mainly include baskets of instruments exposed to time to default correlation ("N to default" products in which the buyer of the hedge is compensated as of the Nth default, which are exposed to the credit quality of the issuers comprising the basket and to their correlation, or CDO Bespoke products, which are Collateralised Debt Obligations created specifically for a group of investors and structured according to their needs), as well as products subject to credit spread volatility;
- Commodity derivatives: this category includes products involving unobservable volatility or correlation inputs (i.e. options on commodity swaps or instruments based on baskets of underlyings).

At the level of SG Group, valuation models are determined in order to fully embed the impact of IFRS 13 as described above and use appropriate parameters and methodologies in order to determine L3 instruments valuation. Counterparty credit risk estimates relies on Credit Value Adjustments (CVA) and Debit Value Adjustments (DVA) calculations.

Different calculation methods can exist regarding the CVA-DVA / OCA (Own Credit Adjustment) impact calculation: derived from the yield discounting methodology, other from the Monte-Carlo EPE/ENE (Expected Positive / Negative Exposure). The methodology for calculation of CVA-DVA (OCA not applicable to the Company) applied to SGIS (the same as the SG Group) is the yield discounting methodology.

The valuation methods used by the Company to establish the fair value of financial instruments are detailed below.

Notes to the financial statements

As at 31 December 2021

The fair values of financial instruments include accrued interest as applicable.

- For Unsecured Notes and Fully Funded Swaps

The fair value for both the unsecured Notes (liabilities) and the Fully Funded Swap (FFS) (assets) is calculated by discounting the expected future cash flows with the risk free curve. To take the credit adjustment into account, the risk free curve is adjusted with Société Générale Group's credit spread curve. A dedicated process has been implemented using Société Générale Group and SGIS operational teams' input. This process is fully functional, constantly monitored as of today.

- For Secured and Repack Notes

Secured Notes are Notes which are collateralized with assets deposited on segregated or pooled accounts with external custodian (The Bank of New York Mellon S.A., Luxembourg Branch, hereafter "BNY Mellon Luxembourg") and pledged in favor of the Note holders.

Repack Notes are Notes which allow investors to calibrate the funding yield of their structure by selecting a bond (the "Reference Bond") issued by a third-party issuer (the "Reference Bond Issuer").

The collateral assets are composed of eligible securities.

Should Société Générale defaults, the pledge on the assets is to be enforced; the Notes holders are exposed to credit risk of the collateral (external securities). Therefore, as Société Générale and SGIS are mere risk pass-through, the credit risk premium (external bonds issuers) shall not be adjusted with Société Générale credit spread. Thus, no additional credit adjustment is needed for the secured Notes.

The fair value of the Secured Notes and the Repack Notes and the associated FFS is computed, for each accounting period, by discounting the expected future cash flows by a composite Repo rate curve.

- For Warrants and Options

For financial instruments recognised at fair value in the statement of financial position, fair value is determined primarily on the basis of the prices quoted in an active market. These prices can be adjusted if none are available on the statement of financial position date or if the clearing value does not reflect transaction prices.

However, due especially to the varied characteristics of financial instruments traded over-the-counter on the financial markets, a large number of financial products traded by the Company does not have quoted prices in the markets.

The base models may not fully capture all factors relevant to the valuation of SGIS on these financial instruments such as credit risk (CVA), own credit (DVA) and/or funding costs (FVA). Therefore, SGIS applies various techniques (from the Group) to estimate the credit risk associated with its financial instruments measured at fair value.

The reevaluation differences attributable to the Company's credit risk are thus determined using valuation models which take into account the most recent financing terms and conditions on the markets along with the residual maturity of the related liabilities.

- For secured notes issued by the Company, as investors are not exposed to the Company's risk, no own credit risk should impact the fair value of the instruments and as such, no adjustment has to be calculated.
- For unsecured notes, investors are not contractually exposed to the Company's credit risk but to Société Générale Group's own credit risk.

SGIS valuation models therefore reflects the absence of credit risk, and structured bonds are not impacted by Own Credit Adjustments within the entity.

Notes to the financial statements

As at 31 December 2021

Deferred margin related to main unobservable inputs

The Company does not apply deferred margin related to its main unobservable inputs as margin on Notes and Warrants issued are offset by a similar margin on Fully Funded Swaps and Options purchased.

2.3.3.3 Impairments and provisions

Some financial assets involve credit risk which exposes the Company to a potential loss if the counterparties were to be unable to respect their financial commitments. The Company is remunerated for bearing this risk by a portion of the contractual interest that it receives on those assets; this is known as the credit margin.

This potential loss, or expected credit loss, is recognised in profit or loss without waiting for the occurrence of a default event on a specific counterparty.

For loans and receivables measured at amortised cost or fair value through other comprehensive income, the expected credit loss, as assessed by the Company, is recognised in profit or loss. On the statement of financial position, this potential loss is recognised as an impairment that reduces the carrying amount of assets measured at amortised cost. Impairments are written-back in case of a subsequent decrease of credit risk. No impairment is recognised on cash and cash equivalents. The Company does not have loan commitments or financial guarantees contracts.

Impairment and provisions for credit risk

To determine the amount of impairment or loss allowances to be recorded at each reporting date, these exposures are classified into one of three categories based on the increase in credit risk observed since initial recognition. An impairment or loss allowance shall be recognised for the exposures in each category as follows:

- Exposures classified in Stage 1: At the initial recognition date, the exposures are systematically classified in Stage 1, unless they are underperforming/credit-impaired on acquisition. Stage 1 exposures are impaired for the amount of credit losses that the Company expects to incur within 12 months (12-month expected credit losses), based on past data and the current situation;
- Exposures classified in Stage 2: To identify Stage 2 exposures, the significant increase in credit risk is assessed by the Company, taking into account the counterparty's credit risk rating, the magnitude of the change in the counterparty's credit rating and the existence of payments of more than 30 days;
- Exposures classified in Stage 3 (doubtful outstandings): The Company determines whether or not there is objective evidence of impairment (default event).

Stage 2 and 3 exposures are impaired for the amount of credit losses that the Company expects to incur over the life of the exposures (lifetime expected credit losses), taking into consideration past data, the present situation and reasonable forecast changes in economic conditions, and relevant macroeconomic factors through to maturity.

Impairments / Reversal of impairments

Impairments / Reversal of impairments includes net reversals of impairment and loss allowances for credit risk, losses on irrecoverable loans and amounts recovered on amortised receivables.

2.3.3.4 Offsetting financial assets and financial liabilities

A financial asset and a financial liability are offset and the net amount presented on the statement of financial position when the Company has a legally enforceable right to set off the recognised amounts and intends either to settle the asset and liability on a net basis, or to realise the asset and settle the liability simultaneously. The legal right to set off the recognised amounts must be enforceable in all circumstances, in both the normal course of business and in the event of default of one of the counterparties.

Notes to the financial statements

As at 31 December 2021

The financial instruments issued by the Company are subscribed by the investors through Société Générale as a lead manager during the issuance period and as a market maker for a secondary market. The instruments which are unsold are held by SG.

The treatment is applied based on IAS 32 paragraph 42: "A financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position when, and only when, an entity:

- Currently has a legally enforceable right to set off the recognized amounts; and
- Intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously."

In December 2014, a cash netting clause was added in the legal framework with Société Générale Personne Morale and the Company consequently acquired a legally enforceable right to offset the recognized amount with the same counterparty (Société Générale). The assets (the Fully Funded Swaps) and the liabilities (the Notes) are settled (and intended to be settled) simultaneously.

In June 2017, the Company added a new cash netting clause in the legal framework with Société Générale Personne Morale and the Company consequently acquired a legally enforceable right to offset the recognized amount with the same counterparty (Société Générale). The assets (OTC Options) and the liabilities (the Warrants) are settled (and intended to be settled) simultaneously.

In application of IAS 32 - Offsetting a financial asset and a financial liability, the Company proceeds to the accounting netting of the non-sold amounts. The impact of the off-setting for the non-sold Notes and the corresponding Fully Funded Swaps and impact of the off-setting for the non-sold Warrants and the corresponding options are described in Note 4.1 and Note 4.2.

2.3.4 Other assets and other liabilities

Settlement accounts for trades are included in other assets or other liabilities and are presented separately in distinctive captions on assets or liabilities side (cf. Note 6).

2.3.5 Shareholders' equity

Equity are the resources contributed to the Company by external shareholders as capital, as well as the cumulative and undistributed results (retained earnings).

The statement "Changes in Shareholders' Equity" presents the various changes that affect the components of equity over the reporting period.

2.3.6 Interest income and expense

Interest is recognized as expense or income over the life of the financing service granted or received, proportionally to the principal amount outstanding.

Interest income and expense are recorded in the statement of profit and loss under Interest and similar income and Interest and similar expense for all financial instruments measured using the effective interest method (instruments at amortised cost and debt instruments at fair value through other comprehensive income).

The effective interest rate is taken to be the rate used to net discount future cash inflows and outflows over the expected life of the instrument in order to establish the net book value of the financial asset or liability. The calculation of this rate considers the future cash flows estimated on the basis of the contractual provisions of the financial instrument without taking account of possible future credit losses and also includes commissions paid or received between the parties where these may be assimilated to interest, directly linked transaction costs, and all types of premiums and discounts.

Notes to the financial statements

As at 31 December 2021

Where a financial asset is classified in Stage 3 for impairment, subsequent interest income is measured at the effective interest rate applied to the net carrying amount of the financial asset with an offsetting entry equal to the outstanding financial asset before impairment.

2.3.7 Fee income and expense

Fee income and Fee expense combine fees on services rendered and received, as well as fees on pledge security granted that cannot be assimilated to interest. Fees that can be assimilated to interest are integrated into the effective interest rate on the associated financial instrument and are recorded under Interest income and Interest expenses.

The Company recognizes fee income or expense for an amount equivalent to the remuneration for the service provided and depending on the progress transferring control of these services:

- Fees for ongoing services, such as custody fees and administration costs are recognized as income over the life of the service;
- Fees for one-off services, such as issuance and listing fees are recognized as income when the service is provided.

The possible mismatch between the payment date of the service provided and the date of execution of the service gives assets and liabilities depending on the type of contract and mismatch which are recognized under Other Assets and Other Liabilities. For example : supplier contracts generate trade payables, accrued expenses or prepaid expenses.

Income related to the issuance of Notes and Warrants falls under the scope of IFRS 15 and as such, is considered separately as income generated by 2 services when the Company performs its activities:

- The issuing fee recognized upfront for the initiation and the structuration of the issuance;
- Account and security servicing during the lifecycle of the security.

2.3.8 Other operating expenses

The Company records operating expenses according to the type of services to which they refer.

Other operating expenses mainly include lease payments, building maintenance and other costs, travel and business expenses, outsourcing and advisory fees and marketing and advertising expenses. Detail is provided in Note 12.

2.3.9 Income tax

Income tax includes current taxes and deferred taxes:

- Current taxes correspond to the amount of taxes due (or refundable) as calculated according to the taxable profit base for the reporting period;
- Deferred taxes correspond to the amount of taxes resulting from past transactions and that will be payable (or refundable) in a future reporting period.

2.3.9.1 Current tax

Current tax is based on the taxable profit and determined in accordance with the rules established by the local taxation authorities, upon which income taxes are payable. This tax expense also includes net allowances for tax adjustments pertaining to income tax.

Notes to the financial statements

As at 31 December 2021

Tax credits arising in respect of interest from loans and income from securities are recorded in the relevant interest account as they are applied in settlement of income taxes for the year. The related tax charge is included under Income tax in the statement of profit and loss.

2.3.9.2 Deferred tax

Deferred taxes are recognized whenever the Company identifies a temporary difference between the accounting base and tax base for assets and liabilities that will affect future tax payments or from tax loss carried forward.

The amount is based on the tax rate enacted or substantively enacted which is expected to apply when the asset is realized or the liability settled. These deferred taxes are adjusted in the event of changes to tax rates. This amount is not discounted to present value. The Company off-sets its deferred tax assets against liabilities as there is both legal right to offset its current tax assets and liabilities and it is the Company's intention to settle on a net basis.

2.3.10 Other commitments linked to secured notes

In relation to each Serie of Secured Notes, in order to secure its obligations in respect of such Notes, the Company enters into a pledge agreement which will be governed by the Luxembourg act dated 5 August 2005 on financial collateral arrangements, as amended. Under each Pledge Agreement, the Company will grant first ranking security over the Collateral Assets contained in one or more accounts held by the Company with BNY Mellon Luxembourg (or such other custodian or account bank as is specified in the applicable Final Terms, pursuant to the terms of a custodian agreement between, inter alia, the Company and the collateral custodian). The security granted under each Pledge Agreement will be granted either in favour of:

- In the case of English Law Notes, The Bank of New York Mellon Corporate Trustee Services Limited or such other security trustee as is specified in the applicable Final Terms as security trustee on behalf of itself and the relevant Noteholders and the other relevant Secured Parties (as defined in the Additional Terms and Conditions for Secured Notes) or;
- In the case of French Law Notes, directly in favour of the relevant Noteholders and the other relevant Secured Parties as represented by The Bank of New York Mellon Corporate Trustee Services Limited or such other security agent as is specified in the applicable Final Terms as security agent.

Following the occurrence of a Secured Note Acceleration Event (as defined in the Additional Terms and Conditions for Secured Notes), all Noteholders whose Notes have become immediately due and payable will first be entitled to claim for any outstanding amounts due to them under the terms of the Guarantee. If neither the Issuer nor the Guarantor (pursuant to the terms of the Guarantee) has paid all amounts due to Noteholders within a period of 3 Business Days following the occurrence of a Secured Note Acceleration Event, Noteholders may send a notice in writing to the Security Trustee (in the case of English Law Notes) or the Security Agent (in the case of French Law Notes) requesting that the relevant Pledge Agreement be enforced in accordance with the terms of the Base Prospectus.

The Company borrows the securities to be pledged from Société Générale Group. In accordance with IFRS 9, the borrowing of the securities to be pledged by the Company is not assimilated to the transfer of assets and thus does not result in recognition in the statement of financial position. The risks and rewards associated to the securities remain in Société Générale Group and as such are not presented in the Company's statement of financial position.

The pledged securities are accounted as an off balance-sheet commitment "Securities pledged". The committed amount is re-measured at each closing to reflect the value of the securities pledged.

Notes to the financial statements

As at 31 December 2021

2.5 Brexit

The United Kingdom organised on 23 June 2016 a referendum at which a majority of British people voted to leave the European Union (Brexit).

After having been postponed several times, the United Kingdom withdrawal agreement entered into force on 31 January 2020 with transition period which ended on 31 December 2020. The law of European union has also ceased to apply to the United Kingdom since 1 January 2021.

Despite the unfavourable health and political context, the negotiations conducted between the United Kingdom and the European Union resulted on 24 December 2020 in a Trade and cooperation agreement excluding financial services. To date, the European Commission has granted British clearing houses temporary equivalence status until 30 June 2022.

The impacts on the Company's operations have been analysed, and they mainly relate to transactions in GBP, as a result the Company had very limited impacts due to Brexit. The Company continues to follow the ongoing negotiations and has taken into account the short-/mid-/long-term consequences of the Brexit in the assumptions and estimates selected to prepare the financial statements.

2.6 Covid-19 crisis

Two years after the outbreak of the Covid-19 pandemic, the year 2021 was marked by an economic upturn in several major economies, in particular as a result of the deployment of vaccines.

However, these dynamics are affected by persistent frictions in the global supply chains and labour markets, and by longer delivery times in the manufacturing sector and a reduced capacity of supply in the service sector, which have led to rising costs. Uncertainties remain regarding new developments in the sanitary crisis (emergence of the Omicron variant and slow deployment of vaccines in some countries).

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents amount to KEUR 36 384 as at 31 December 2021 (31 December 2020: KEUR 44 293) and are mainly composed of cash held with Société Générale Luxembourg and Société Générale.

As of 31 December 2021 and 2020, this caption only contained cash that was repayable on demand.

Notes to the financial statements

As at 31 December 2021

NOTE 4 – FINANCIAL INSTRUMENTS**4.1 Financial assets measured at fair value through profit or loss**

	31.12.2021 (‘000 EUR)	31.12.2020 (‘000 EUR)
Financial assets at fair value through profit or loss		
- Mandatorily at fair value through profit or loss (Fully Funded Swaps)	40 322 401	43 135 651
- Trading derivatives (Options)	714 838	674 352
Total	41 037 239	43 810 003

As at 31 December 2021, financial assets mandatorily at fair value through profit or loss (Fully Funded Swaps) amount to KEUR 40 322 401 (31 December 2020: KEUR 43 135 651) and replicate all the Notes issued by the Company (see Note 4.2). Differences between the fair value of Fully Funded Swaps and Notes arise due to late settlements.

As at 31 December 2021, Trading derivatives (Options) amount to KEUR 714 838 (31 December 2020: KEUR 674 352) and replicate all the Warrants issued by the Company (see Note 4.2). Differences between the fair value of Options and Warrants arise due to late settlements.

As at 31 December 2021, the impact of the offsetting of financial assets and financial liabilities (decrease in the balance sheet) is KEUR 34 911 227 for the non-sold Notes and the corresponding Fully Funded Swaps (31 December 2020: KEUR 43 040 180) and KEUR 4 573 937 for the non-sold Warrants and the corresponding Options (31 December 2020: KEUR 9 324 545) (see Note 4.2).

The movements in financial assets at fair value through profit or loss were as follows:

	(‘000 EUR) Mandatorily at fair value through profit or loss	(‘000 EUR) Trading derivatives	(‘000 EUR) Total
As at 1 January 2021	43 135 651	674 352	43 810 003
Acquisition	58 001 584	37 797 100	97 798 684
Maturity/Disposal/Liquidation/Cancellation	(61 564 451)	(43 346 069)	(104 910 520)
Change in fair value and foreign exchange difference	(7 379 336)	(1 161 153)	(8 540 489)
Offsetting of Assets and Liabilities (Change)	8 128 953	4 750 608	12 879 561
As at 31 December 2021	40 322 401	714 838	41 037 239
	(‘000 EUR) Mandatorily at fair value through profit or loss	(‘000 EUR) Trading derivatives	(‘000 EUR) Total
As at 1 January 2020	52 893 265	5 786 274	58 679 539
Acquisition	24 577 807	43 734 538	68 312 345
Maturity/Disposal/Liquidation/Cancellation	(15 955 857)	(48 488 524)	(64 444 381)
Change in fair value and foreign exchange difference	(5 377 903)	2 274 582	(3 103 321)
Offsetting of Assets and Liabilities (Change)	(13 001 661)	(2 632 518)	(15 634 179)
As at 31 December 2020	43 135 651	674 352	43 810 003

Notes to the financial statements

As at 31 December 2021

4.2 Financial liabilities measured at fair value through profit or loss

	31.12.2021 (‘000 EUR)	31.12.2020 (‘000 EUR)
Financial liabilities at fair value through profit or loss		
- Designated at fair value through profit or loss (Notes)	40 323 850	43 146 652
- Trading derivatives (Warrants)	714 854	676 965
Total	41 038 704	43 823 617

As at 31 December 2021, the Company has issued secured and unsecured Notes for a total amount of KEUR 40 323 850 (31 December 2020: KEUR 43 146 652):

- 21 230 unsecured Notes were issued (stock) for a total amount of KEUR 33 959 581 (31 December 2020: 25 095 unsecured Notes were issued (stock) for a total amount of KEUR 37 165 082);
- 592 secured Notes were issued (stock) for a total amount of KEUR 6 364 269 (31 December 2020: 613 secured Notes were issued (stock) for a total amount of KEUR 5 981 570).

In addition to the guarantee on first demand granted by Société Générale on unsecured and secured Notes, subscribers of the secured Notes issued by the Company benefit from additional collateral assets securing the payment due under the Notes terms, structured in form of a pledge governed by Luxembourg Law. This pledge may only be enforced following a default of the Company or Société Générale in its role of Guarantor.

Pledged collateral assets are deposited on an account held in the name of the Company with an authorised custodian not belonging to the Société Générale Group and are pledged in favour of the Notes holders.

As at 31 December 2021, securities deposited at BNY Mellon Luxembourg as collateral for secured issuances amount to KEUR 4 836 039 (31 December 2020: KEUR 3 924 732).

As at 31 December 2021, the Company also issued Warrants for a total amount of KEUR 714 854 (31 December 2020: KEUR 676 965). Refer to Note 14 for further details on Off-balance sheet items related to the Warrants activity.

As at 31 December 2021, the impact of the offsetting (decrease in the balance sheet) is KEUR 34 911 227 for the non-sold Notes and the corresponding Fully Funded Swaps (31 December 2020: KEUR 43 040 180) and KEUR 4 573 937 for the non-sold Warrants and the corresponding Options (31 December 2020: KEUR 9 324 545) (see Note 4.1).

The movements in financial liabilities at fair value through profit or loss were as follows:

	(‘000 EUR) Designated at fair value through profit or loss	(‘000 EUR) Trading derivatives	(‘000 EUR) Total
As at 1 January 2021	43 146 652	676 965	43 823 617
Acquisition	58 009 740	38 802 115	97 811 855
Cancelled/Liquidation/Maturity Disposal	(61 547 326)	(43 355 236)	(104 902 562)
Change in fair value and foreign exchange difference	(7 414 169)	(1 159 598)	(8 573 767)
Offsetting of Assets and Liabilities (Change)	8 128 953	4 750 608	12 879 561
As at 31 December 2021	40 323 850	714 854	41 038 704

Notes to the financial statements

As at 31 December 2021

	('000 EUR) Designated at fair value through profit or loss	('000 EUR) Trading derivatives	('000 EUR) Total
As at 1 January 2020	52 889 867	5 788 693	58 678 560
Acquisition	24 671 673	43 256 910	67 928 583
Cancelled/Liquidation/Maturity Disposal	(16 034 970)	(48 011 195)	(64 046 165)
Change in fair value and foreign exchange difference	(5 378 257)	2 275 075	(3 103 182)
Offsetting of Assets and Liabilities (Change)	(13 001 661)	(2 632 518)	(15 634 179)
As at 31 December 2020	43 146 652	676 965	43 823 617

4.3 Financial liabilities measured at amortised cost

As at 31 December 2021 and 2020, financial liabilities at amortised cost are mainly composed of a convertible bond of KEUR 48 000, issued by the Company and fully subscribed by Société Générale Luxembourg, with maturity in 2022. Conversion may occur each year.

On this convertible bond, the Company pays to Société Générale Luxembourg both variable interests calculated on Euribor 3M plus a margin of 2.05% (total rate of 1.478% as at 31 December 2021) and activity related interests. Activity related interests means an amount equal to 100% of the activity related profit generated by the Company.

The convertible bond maturity shall be automatically extended by successive periods of one year, unless either the Issuer or the Holder has exercised its right to terminate the bond on the scheduled maturity date. The conversion option belongs to the Holder.

As at 31 December 2021, the Company also has amounts due to banks related to the Company's overdrafts current accounts for KEUR 152 (31 December 2020: KEUR 406).

NOTE 5 – LOANS AND RECEIVABLES

As at 31 December 2021 and 2020, loans and receivables only consist in deposits with Société Générale Luxembourg, which represent the reinvestment of the Company's share capital, reserves and other available funds.

As at 31 December 2020, expected credit losses calculated on loans and receivables in accordance with IFRS 9 amounted to KEUR (5). As at 31 December 2021, the diminution of the expected credit losses resulted in a reversal of the IFRS9 impairment amounting to KEUR 4, as presented in the Caption reversal of Cost of Risk in the Statements of Profit and Loss.

NOTE 6 – OTHER ASSETS AND OTHER LIABILITIES

As at 31 December 2021 and 2020, other assets and other liabilities are composed of settlement accounts, as presented below:

	('000 EUR) 31.12.2021	('000 EUR) 31.12.2020
Settlement accounts on securities transactions	234 782	788 415
Miscellaneous receivables	262 485	47 156
Total other assets	497 267	835 571

Notes to the financial statements

As at 31 December 2021

	('000 EUR) 31.12.2021	('000 EUR) 31.12.2020
Settlement accounts on securities transactions	212 151	774 392
Deferred income	4 904	7 198
Miscellaneous payables	286 754	66 746
Total other liabilities	503 809	848 336

Miscellaneous payables and receivables mainly consist of premium payables on Warrants and receivables on financial instruments replicating the Warrants issued.

NOTE 7 – TAXATION

The Company is liable for all taxes applicable to Luxembourg commercial companies.

Since 2007, the Company has been part of a tax integration group led by SG Luxembourg, as authorised by the article 164 bis LIR and has concluded a Tax Sharing Agreement (the “Agreement”) with SG Luxembourg. Under the Agreement, the Company pays to SG Luxembourg, with respect to each financial year, an amount equal to the tax which would be levied on the profits of the Company in the absence of any tax consolidation with the Parent.

The rate of current tax applied as of 31 December 2021 is 24.94 % (31 December 2020: 24.94%). The current tax rate includes the corporate tax and the municipal tax.

For the year ended 31 December 2021, tax expenses are nil (31 December 2020: KEUR 75).

NOTE 8 – SHAREHOLDERS’ EQUITY**8.1 Share capital and share premium**

As at 31 December 2020, the subscribed and fully paid share capital, 100% held by SG Luxembourg, was EUR 2 000 280, divided into 50 007 shares with nominal value of EUR 40 each.

By resolution adopted on 15 January 2021, the Executive Board decided to increase the authorized capital of the Company from EUR 2 000 280 to EUR 2 000 320 by the issue of a new share with a nominal value of EUR 40, subscribed by the sole shareholder. In the context of the capital increase, the 2020 activity related interests amounting to EUR 16 925 951 have been allocated to the Share Premium. This Share premium has been paid to Société Générale Luxembourg and Société Générale in June 2021.

The Company manages its capital to ensure it will be able to continue as a going concern. The capital amount may be increased, subject to the approval of the Shareholders, if the Company’s activity evolves, incurring specific additional risks.

Notes to the financial statements

As at 31 December 2021

8.2 Reserves**8.2.1 Legal reserve**

In accordance with the Luxembourg law, the Company is required to allocate a minimum of 5% of its annual net profit to a Legal reserve until this reserve equals 10% of the subscribed share capital. This reserve may not be distributed.

As at 31 December 2021 and 2020, the legal reserve amounts to KEUR 200.

8.2.2 Other reserves

Since 2013, the Company is fiscally integrated in its parent company Société Générale Luxembourg. Société Générale Luxembourg constitutes the Net Wealth Tax reserve for the Company. As a consequence, no additional Net Wealth Tax reserve has been constituted by the Company since 2013.

As at 31 December 2021 the amount of other reserves is 1 KEUR (31 December 2020 : nil).

NOTE 9 – INTEREST INCOME AND EXPENSES

	('000 EUR) 31.12.2021	('000 EUR) 31.12.2020
Interest income on cash and cash equivalents	1	21
Interest income on loans and receivables	761	896
Total interest income	762	917
Interest expenses on financial liabilities at amortised cost (note 4.3)	(28 975)	(17 720)
Interest expenses on financial liabilities at fair value	(592)	(691)
Total interest expenses	(29 567)	(18 409)
Net interest margin	(28 805)	(17 492)

NOTE 10 – COMMISSION INCOME

Commission income can be broken down as follows:

	('000 EUR) 31.12.2021	('000 EUR) 31.12.2020
Issuing upfront fees on Notes	34 814	37 407
Servicing fees on Notes	8 437	7 009
Commission on Warrants	1 923	4 332
Commission income	45 174	48 748

As at 31 December 2021, KEUR 4 904 are retained as deferred income under the caption "other liabilities" (2020 : KEUR 7 198) (cf. Note 6).

Notes to the financial statements

As at 31 December 2021

NOTE 11 – PERSONNEL EXPENSES

	('000 EUR) 31.12.2021	('000 EUR) 31.12.2020
Wages and salaries	(270)	(212)
Social charges and associated costs	(32)	(44)
Pension related costs	(50)	(17)
Total	(352)	(273)

The Company had 3 full-time equivalent during the year ended 31 December 2021 (2020: 3).

The annual cost of pension is calculated and invoiced by Société Générale Luxembourg, based on SG Luxembourg's group total cost of pensions and according to the number of the Company's full time equivalent employees.

NOTE 12 – OTHER OPERATING EXPENSES

	('000 EUR) 31.12.2021	('000 EUR) 31.12.2020
Issuance fees	(12 840)	(26 146)
Other operating charges	(3 155)	(4 423)
Total	(15 995)	(30 569)

Issues fees mainly consist of listing fees, collateral monitoring agent fees, maintenance of registers fees and trading fees.

Other operating charges are mainly composed of operating costs related to the Company (including audit fees) as well as activities outsourced to Société Générale S.A. and Société Générale Luxembourg.

Remuneration of the Réviseur d'entreprises agréé

The fees paid by the Company to its Réviseur d'entreprises agréé were as follows:

	('000 EUR) 31.12.2021	('000 EUR) 31.12.2020
Statutory audit of the financial statements	200	245
Other assurance services	40	40
Total	240	285

NOTE 13 – OFF-BALANCE SHEET

As at 31 December 2021, financial instruments to be issued (engagement taken before 31 December 2021 with value date after 31 December 2021) amount to KEUR 3 302 045 (31 December 2020: KEUR 2 498 866).

All the Warrants issued are fully hedged by concluding identically equipped OTC options with Société Générale.

Notes to the financial statements

As at 31 December 2021

Warrants issuance summary

The Warrants issued as at 31 December 2021 and 2020 break down as follows:

Warrant Type	Category of Underlying	Type of Underlying	Option Type	31 December 2021			31 December 2020		
				Quantity	Notional ('000 EUR)	Fair Value ('000 EUR)	Quantity	Notional ('000 EUR)	Fair Value ('000 EUR)
Basket warrant	Basket	Index	Call	1	12 361	14 230	1	11 409	12 299
Commodity Future Warrant	Future	Mutual Fund	Put	-	-	-	10	37 801	142
		Commodity Future	Call	4	10 118	15	6	13 251	3
			Put	12	19 243	6 755	12	19 777	10 734
Commodity Warrant	Commodity	Bruts	Call	6	472 930	0	6	436 509	0
		Index	Call	-	-	-	1	500	309
		Mutual Fund	Call	11	19 085	2	17	25 860	0
			Put	15	27 211	0	58	96 407	111
		Precious metals	Call	-	-	-	4	9 333	0
			Put	10	24 817	0	10	22 906	0
		Future Contract	Call	-	-	-	1	124 275	3 572
Currency Warrant	Currency	Currency	Call	42	0	0	60	18 978	45
			Put	48	117 867	0	85	270 190	0
Equity Warrant	Equity	American Depositary Receipt	Call	3	27 636	51	4	21 681	330
		Mutual Fund	Put	-	-	-	1	417	2
			Call	4	119 231	25	2	77 778	3
		Ordinary Share	Call	1 247	20 296 419	147 944	1 534	21 602 883	209 139
			Put	411	4 902 718	27 245	814	6 622 179	(11 836)
		Own Share	Call	4	22 850	322	12	36 680	161
			Put	1	750	0	5	3 719	129
		Preference	Call	-	-	-	6	12 621	137
			Put	1	1 500	0	4	6 453	0

Notes to the financial statements

As at 31 December 2021

				31 December 2021			31 December 2020		
Warrant Type	Category of Underlying	Type of Underlying	Option Type	Quantity	Notional ('000 EUR)	Fair Value ('000 EUR)	Quantity	Notional ('000 EUR)	Fair Value ('000 EUR)
Real Estate Investment Trust	REIT	REIT	Call	5	124 066	48	10	94 519	82
			Put	2	1 309	9	2	1 233	42
Index Warrant	Index	Index	Call	301	11 226 503	458 857	802	29 010 394	481 932
			Put	200	11 032 836	44 857	384	7 525 299	(59 540)
Fund Warrant	Fund	Mutual Fund	Call	121	492 810	11 653	175	1 115 036	26 814
			Put	-	-	-	-	-	-
		Fund	Call	1	10 000	2 841	1	10 000	2 355
Total Call				1 750	32 834 009	635 988	2 642	52 621 707	737 182
Total Put				700	16 128 251	78 866	1 385	14 606 381	(60 217)
Total Warrants				2 450	48 962 260	714 854	4 027	67 228 088	676 965

Notes to the financial statements

As at 31 December 2021

NOTE 14 – RISK MANAGEMENT

The Company and several of its service providers are subsidiaries of the Société Générale Group and therefore benefit from Société Générale's internal control systems.

For any further information on the risks relating to the Group, investors and/or Noteholders should refer to the "Risk and Capital Adequacy" section of the Registration Document (<https://www.societegenerale.com>).

14.1 Market risk

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

The Company issues Notes and Warrants. The Notes are systematically hedged with FFS concluded with Société Générale, with strictly identical characteristics. In the same way, the Warrants issued are hedged with Options concluded with Société Générale, with strictly identical characteristics.

The risks associated with the investment in the Notes and Warrants depend on several factors. Such factors vary depending on the characteristics of the Notes and Warrants issued, in particular depending on the underlying, the maturity of the Notes, the Secured / Unsecured status of the Notes, the interest rates incurred, the volatility of the underlying, etc.

The main risks in relation to investments in Notes and Warrants issued by the Company are described in the Base Prospectus under the section "Risk Factor".

Because of its structure (perfect match between the assets and the liabilities), the impact of an immediate change of a market parameter would have no consequence on the net profit of the Company.

The Company is also exposed to structural interest rate risk, namely through the following transactions: reinvestment of available equity by participating interests or loans to the Company's treasury (SG Luxembourg) with hedged interest rate risk. The structural interest rate risk is monitored via the sensitivity of the economic value of the positions measured through modified duration.

Modified duration is calculated based on the change in the net present value of positions subsequent to a 1% change in the rate curve. Exposure monitoring is based on the determination of modified duration over the short (up to one year), medium (one to five years) and long (more than five years) term.

14.2 Credit risk

Credit risk is the risk that a third party will not be able to meet its contractual obligation.

The Company only contracts financial instruments with SG Luxembourg and Société Générale. Therefore, the credit risk of the Company is limited to the credit risk on SG Luxembourg and Société Générale. Should this situation evolve, specific limits would be proposed to limit the credit risk incurred.

As at 31 December 2021 and 2020, no financial assets were past due nor impaired.

All the Notes and Warrants issued by the Company benefit from a guarantee provided by Société Générale, meaning that payments in respect of the instruments issued by the Company are unconditionally and irrevocably guaranteed by Société Générale (the Guarantor).

As at 31 December 2021, the rating of Société Générale is A from Standard & Poor's and A1 from Moody's.

Notes to the financial statements

As at 31 December 2021

14.3 Interest rate risk

Interest rate risk is the risk that changes in market interest rates may adversely affect the value of the assets and liabilities of the Company. Due to the financial instruments contracted by the Company with Société Générale to hedge the financial instruments issued, the Company is not significantly exposed to interest rate risk.

14.4 Liquidity risk

Liquidity risk is the risk that the Company may be unable to meet the payment obligations associated with its financial liabilities when they fall due.

The Company does not face any material liquidity risk thanks to the perfect replication between the contractual obligations of:

- The financial instruments issued by the Company; and
- The financial assets replicating the financial instruments issued by the Company.

Analysis per remaining contractual maturities

As at 31 December 2021, analysis per remaining contractual maturities is as follows:

31.12.2021 - EUR' 000	< 3 months	From 3 months to 1 year	From 1 to 5 years	> 5 years	Without fixed maturity	Total
Cash and cash equivalents	36 384	-	-	-	-	36 834
Financial assets at fair value through profit or loss						
- <i>Mandatorily at fair value through profit or loss</i>	4 962 258	5 330 466	14 553 618	15 476 059	-	40 322 401
- <i>Trading derivatives</i>	446 656	137 616	129 885	681	-	714 838
Loans and receivables	48 021	200	800	1 000	-	50 021
Other assets	497 267	-	-	-	-	497 267
Total assets	5 990 586	5 468 282	14 684 303	15 477 740	-	41 620 911
Financial liabilities at amortised cost	48 152	28 260	-	-	-	76 412
Financial liabilities at fair value through profit or loss						
- <i>Designated at fair value through profit or loss</i>	4 960 778	5 330 013	14 557 368	15 475 691	-	40 323 850
- <i>Trading derivatives</i>	446 143	137 603	130 427	681	-	714 854
Other liabilities	503 809	-	-	-	-	503 809
Tax liabilities	-	-	-	-	-	-
Total liabilities	5 958 882	5 495 876	14 687 795	15 476 372	-	41 618 925

Notes to the financial statements

As at 31 December 2021

As at 31 December 2020 analysis per remaining contractual maturities is as follows:

31.12.2020 - EUR' 000	< 3 months	From 3 months to 1 year	From 1 to 5 years	> 5 years	Without fixed maturity	Total
Cash and cash equivalents	44 293	-	-	-	-	44 293
Financial assets at fair value through profit or loss						
- <i>Mandatorily at fair value through profit or loss</i>	3 402 805	8 286 764	16 244 254	15 201 828	-	43 135 651
- <i>Trading derivatives</i>	76 606	199 233	335 032	63 481	-	674 352
Loans and receivables		200	48 702	1 000		49 902
Other assets	835 571	-	-	-	-	835 571
Total assets	4 359 275	8 486 197	16 627 988	15 266 309	-	44 739 769
Financial liabilities at amortised cost	405	16 937	48 000	-	-	65 342
Financial liabilities at fair value through profit or loss						
- <i>Designated at fair value through profit or loss</i>	3 406 716	8 286 877	16 243 680	15 209 379	-	43 146 652
- <i>Trading derivatives</i>	86 103	198 394	329 063	63 405	-	676 965
Other liabilities	848 336	-	-	-	-	848 336
Tax liabilities	75	-	-	-	-	75
Total liabilities	4 341 635	8 502 208	16 620 743	15 272 784	-	44 737 370

14.5 Fair Value measurement

According to the fair value hierarchy established by IFRS 13, Level 3 (L3) comprises products valued using inputs that are not based on observable market data (referred to as unobservable inputs).

For these products, fair value is determined using models based on valuation techniques commonly used by market participants to measure financial instruments, such as discounted future cash flows for Notes or the Black & Scholes formula for certain options, and using valuation parameters that reflect current market conditions as at the statement of financial position date. These valuation models are validated independently by the experts from the Market Risk Department of the Group's Risk Division.

Furthermore, the parameters used in the valuation models, whether derived from observable market data or not, are checked by the Finance Division of Société Générale, in accordance with the methodologies defined by the Market Risk Department.

The Notes and the related FFS are classified as Level 3 when the valuation of the associated embedded derivatives (underlying of the Notes) is also based on unobservable market data.

On each element of an identified list of unobservable parameters, it comes to determining the uncertainty of marking, and cross sensitivities with this uncertainty for a confidence interval of the value of the positions.

In parallel, marking the levels of each of these parameters is collected and reported in the Note.

The methods for determining the level of uncertainty, as well as calculating the confidence interval from sensitivities depend on each parameter.

Transfers from Level 2 to Level 3 are determined at the end of each month and occur in case of a modification within a parameter (e.g. no longer linked to the deal, modification of the observability rule of the parameter).

Notes to the financial statements

As at 31 December 2021

Estimates of Level 3 instruments and other most significant unobservable inputs as at 31 December 2021 (by type of underlyings):

Type of underlyings	Assets In million EUR	Liabilities In million EUR	Main products	Valuation techniques used	Significant unobservable inputs	Range of unobservable inputs Min & Max
Equity / funds	17 164	17 162	Simple and complex derivatives on funds, equities or baskets on stocks	Various option models on funds, equities or baskets on stocks	Equity volatilities	[3.0% ; 84.8%]
					Equity dividends	[0.0% ; 15.8%]
					Unobservable correlations	[-100% ; 100 %]
					Hedge funds volatilities	[7.1% ; 20.0%]
					Mutual funds volatilities	[1.7% ; 26.1%]
Rates and Forex	4 017	4 018	Hybrid forex / interest rate or credit / interest rate derivatives	Hybrid forex interest rate or credit interest rate option pricing models	Correlations	[-33.55% ; 90%]
			Forex derivatives	Forex option pricing models	Forex volatilities	[0.0% ; 45.5%]
			Interest rate derivatives whose notional is indexed on the prepayment behaviour on European collateral pools	Prepayment modeling	Constant prepayment rates	[0.0% ; 20.0%]
			Inflation instruments and derivatives	Inflation pricing models	Inflation/ inflation correlations	[55.0% ; 88.90%]
Credit	3 547	3 547	Collateralized Debt Obligations and index tranches	Recovery and base correlation projection models	Time to default correlations	[0% ; 100%]
			Other credit derivatives	Credit default models	Recovery rate variance for single name underlyings	[0% ; 100%]
					Time to default correlations	[0% ; 100%]
					Quanto correlations	[-50% ; 40%]
					Unobservable credit spreads	[0 bps ; 1 000 bps]
Commodity	0	0	Derivatives on commodities baskets	Option models on commodities	Commodities correlations	0
Total	24 728	24 727				

Unobservable inputs add a degree of uncertainty in the valuation of Level 3 instruments. However, by its very nature, and considering mirror transactions are concluded with Société Générale to hedge the financial liabilities issued by the Company, the Company has no market risk exposure. The impact of an immediate change in an unobservable parameter would have no consequence on the net profit or net equity of the Company. Moreover, changes in an unobservable parameter would have by underlying a minor effect on both assets and liabilities.

Notes to the financial statements

As at 31 December 2021

The fair values together with the carrying amounts shown in the statement of financial position are as follows:

31.12.2021 – EUR' 000	Carrying amount	Fair value
Cash and cash equivalents	36 384	36 384
Financial assets at fair value through profit or loss		
- <i>Mandatorily at fair value through profit or loss</i>	40 322 401	40 322 401
- <i>Trading derivatives</i>	714 838	714 838
Loans and receivables *	50 021	50 141
Other assets	497 267	497 267
Total assets	41 620 911	41 621 031
Financial liabilities at amortised cost *	76 412	76 456
Financial liabilities at fair value through profit or loss		
- <i>Designated at fair value through profit or loss</i>	40 323 850	40 323 850
- <i>Trading derivatives</i>	714 854	714 854
Other liabilities	503 809	503 809
Tax liabilities	-	-
Total liabilities	41 618 925	41 618 969
31.12.2020 - EUR' 000	Carrying amount	Fair value
Cash and cash equivalents	44 293	44 293
Financial assets at fair value through profit or loss		
- <i>Mandatorily at fair value through profit or loss</i>	43 135 651	43 135 651
- <i>Trading derivatives</i>	674 352	674 352
Loans and receivables *	49 902	51 057
Other assets	835 571	835 571
Total assets	44 739 769	44 740 924
Financial liabilities at amortised cost *	65 342	66 995
Financial liabilities at fair value through profit or loss		
- <i>Designated at fair value through profit or loss</i>	43 146 652	43 146 652
- <i>Trading derivatives</i>	676 965	676 965
Other liabilities	848 336	848 336
Tax liabilities	75	75
Total liabilities	44 737 370	44 739 023

* For Loans and receivables and Financial liabilities at amortised cost, the fair values are calculated by discounting the expected future cash flows under a EUR risk free curve adjusted with Société Générale Group credit spread curve (EUR swap curve from Bloomberg and Société Générale credit spread curve provided by Risk department Paris). Determining fair value is dependent on many factors and can be an estimate of what value may be obtained in the open market at any point in time.

Notes to the financial statements

As at 31 December 2021

The fair value hierarchy of IFRS 13

As at 31 December 2021, the Company determined the fair values of its financial instruments on the basis of the following hierarchy:

31.12.2021 - EUR' 000	Level 1	Level 2	Level 3	Total
<i>Financial assets at fair value through profit or loss</i>				
- <i>Mandatorily at fair value through profit or loss</i>		16 020 681	24 301 720	40 322 401
<i>Commodities instruments</i>	-	26 454	217	26 671
<i>Credit derivatives/securities</i>	-	697 098	3 251 872	3 948 970
<i>Equity and index securities</i>	-	12 016 561	16 759 072	28 775 633
<i>Foreign exchange instruments/securities</i>	-	1 834 388	278 068	2 112 456
<i>Interest rate instruments/securities</i>	-	1 240 393	3 739 272	4 975 665
<i>Other financial instruments</i>	-	205 787	273 219	479 006
- <i>Trading derivatives</i>		288 790	426 048	714 838
<i>Equity and Index instruments</i>	-	273 342	404 530	677 872
<i>Foreign exchange instruments / securities</i>	-	-	-	-
<i>Other financial instruments</i>	-	15 448	21 518	36 966
<i>Financial liabilities at fair value through profit or loss</i>				
- <i>Designated at fair value through profit or loss</i>		16 021 886	24 301 964	40 323 850
<i>Commodities instruments</i>	-	26 454	217	26 671
<i>Credit derivatives/securities</i>	-	697 094	3 251 908	3 949 002
<i>Equity and index securities</i>	-	12 016 515	16 759 108	28 775 623
<i>Foreign exchange instruments/securities</i>	-	1 834 393	278 240	2 112 633
<i>Interest rate instruments/securities</i>	-	1 241 541	3 739 272	4 980 813
<i>Other financial instrument</i>	-	205 889	273 219	479 108
- <i>Trading derivatives</i>		290 305	424 549	714 854
<i>Equity and Index instruments</i>	-	274 869	403 031	677 900
<i>Foreign exchange instruments / securities</i>	-	-	-	-
<i>Other financial instruments</i>	-	15 436	21 518	36 954

Notes to the financial statements

As at 31 December 2021

As at 31 December 2020, the Company determined the fair values of its financial instruments on the basis of the following hierarchy:

31.12.2020 - EUR' 000	Level 1	Level 2	Level 3	Total
<i>Financial assets at fair value through profit or loss</i>				
- <i>Mandatorily at fair value through profit or loss</i>		16 742 790	26 392 861	43 135 651
<i>Commodities instruments</i>	-	65 635	5 146	70 781
<i>Credit derivatives/securities</i>	-	757 733	3 868 234	4 625 967
<i>Equity and index securities</i>	-	13 294 655	17 941 949	31 236 604
<i>Foreign exchange instruments/securities</i>	-	769 582	1 507 575	2 277 157
<i>Interest rate instruments/securities</i>	-	1 540 967	2 557 228	4 098 195
<i>Other financial instruments</i>	-	314 218	512 729	826 947
- <i>Trading derivatives</i>		293 242	381 110	674 352
<i>Equity and Index instruments</i>	-	283 580	352 688	636 268
<i>Foreign exchange instruments / securities</i>	-	121	-	121
<i>Other financial instruments</i>	-	9 541	28 422	37 963
<i>Financial liabilities at fair value through profit or loss</i>				
- <i>Designated at fair value through profit or loss</i>		16 756 021	26 390 631	43 146 652
<i>Commodities instruments</i>	-	65 635	5 146	70 781
<i>Credit derivatives/securities</i>	-	758 637	3 867 054	4 625 691
<i>Equity and index securities</i>	-	13 300 879	17 941 049	31 241 928
<i>Foreign exchange instruments/securities</i>	-	769 390	1 507 425	2 276 815
<i>Interest rate instruments/securities</i>	-	1 541 023	2 557 228	4 098 251
<i>Other financial instrument</i>	-	320 457	512 729	833 186
- <i>Trading derivatives</i>		283 392	393 573	676 965
<i>Equity and Index instruments</i>	-	275 506	357 534	633 040
<i>Foreign exchange instruments / securities</i>	-	45	-	45
<i>Other financial instruments</i>	-	7 841	36 039	43 880

Notes to the financial statements

As at 31 December 2021

The following table describes the variation in Level 3 by financial instruments (in KEUR):

Financial liabilities at fair value through profit or loss	Balance at 01.01.2021	Acquisitions (Issuance)	Change in fair value	Reimbursements	Transfers from L2 to L3	Transfers from L3 to L2	Offsetting of the assets and liabilities	Balance 31.12.2021
<i>Designated at fair value through P&L</i>	26 390 631	22 113 738	(4 754 765)	(19 580 881)	(45 521)	(2 395 451)	2 574 213	24 301 964
Equity and index instrument	17 941 049	18 987 257	(3 780 648)	(15 578 985)	(306 452)	(1 657 050)	1 153 937	16 759 108
Commodity instruments	5 146	-	37	(7 144)	-	-	2 178	217
Credit derivatives	3 867 054	399 880	(319 179)	(1 191 397)	126 712	(147 073)	515 911	3 251 908
Foreign exchange instruments	1 507 425	67 123	(57 072)	(2 150 255)	105 807	(117 696)	922 908	278 240
Interest rate instruments	2 557 228	2 518 317	(546 831)	(326 766)	12 343	(468 141)	(6 878)	3 739 272
Others financial instruments	512 729	141 161	(51 072)	(326 334)	16 069	(5 491)	(13 843)	273 219
<i>Trading derivatives</i>	393 573	18 037	116 864	(108 627)	957	(11 088)	14 833	424 549
Equity and index instruments	357 534	7 155	123 383	(102 783)	1 027	(203)	16 918	403 031
Foreign exchange instruments	-	-	10 885	(10 885)	-	-	-	-
Other financial instruments	36 039	10 882	(17 404)	5 041	(70)	(10 885)	(2 085)	21 518

The above figures are valued on the liabilities side at fair value through profit or loss. Variations of Level 3 of financial instruments in assets are not presented because the figures are similar.

Notes to the financial statements

As at 31 December 2021

Transfers from Level 3 to Level 2

The consensus data provided by external counterparties are considered observable if the underlying market is liquid and if the prices provided are confirmed by actual transactions. For high maturities, these consensus data are not observable. This is the case for the implied volatility used for the valuation of options with maturities of more than five years. However, when the residual maturity of the instrument falls below five years, its fair value becomes sensitive to observable parameters.

Transfers from Level 2 to Level 3

Transfers from Level 2 to Level 3 can occur in case of a modification within a parameter (no longer linked to the deal, modification of the observability rule of the parameter, etc...).

14.6 Operational risk

Operational risk is the risk of loss or fraud caused by defects or failures in internal procedures or systems, human error or external events, including IT risk and management risk. Particular attention is paid to compliance risk, which receives enhanced monitoring.

The Company participates in the effort to strengthen the management and monitoring of operational risk led by the Société Générale Group. This effort is guided by the Operational Risk Department, which reports to the Société Générale Group Risk Department, and is relayed by different Group operational risk monitoring units responsible for implementing the policies and directives issued by the Société Générale Group and monitoring and controlling operational risks.

The monitoring arrangement mainly relies on four processes supervised by the operational risk departments: periodic risk and control self-assessment (RCSA), collect of internal data on losses due to operational errors with exhaustive real-time reporting of incidents, pattern analyses, and permanent control system.

These procedures are supplemented by a crisis management unit and a business continuity plan.

NOTE 15 – RELATED PARTIES

During the year, the Company entered into transactions with related parties. Those transactions along with related balances as at 31 December 2021 and 2020 are presented below. Related parties are considered to be a party that has the ability to control the Company or exercise significant influence over the Company in making financial or operational decisions. The Company has a related party relationship with SG Luxembourg, its parent company (SG) and with its Executive Board Members, Supervisory Board Members and Executive Officers. As disclosed below in the table, the Company entered into transactions with SG Luxembourg, its parent company (SG) and other SG Group entities.

The issued Notes are sold to Société Générale as market maker, such Notes being expected to be subscribed *in fine* by third party investors, either for their own account or via distribution network. Moreover, all Notes are guaranteed by Société Générale.

Also, the Company borrows securities from Société Générale, which serve as collateral for the secured Notes issued by the Company.

Notes to the financial statements

As at 31 December 2021

As at 31 December 2021 EUR' 000	Société Générale (Parent Company)	SG Luxembourg	Other SG Group entities
Cash and cash equivalents	34 204	1 382	289
Financial assets at fair value through profit or loss			
- <i>Mandatorily at fair value through profit or loss</i>	40 322 401	-	-
- <i>Trading derivatives</i>	714 838	-	-
Loans and receivables	-	50 021	-
Other assets	497 267	-	-
Total assets	41 568 710	51 403	289
Financial liabilities at amortised cost	56	76 205	-
Financial liabilities at fair value through profit or loss			
- <i>Designated at fair value through profit or loss*</i>	-	-	-
- <i>Trading derivatives*</i>	-	-	-
Other liabilities	500 580	-	-
Tax liabilities	-	-	-
Total liabilities	500 636	76 205	-
Interest income	1	761	-
Commission income	45 174	-	-
Total revenues	45 175	761	-
Interest expenses	(648)	(28 819)	-
Personnel expenses	-	(352)	-
Other operating charges	(1 590)	(8 442)	(2 418)
Total expenses	(2 238)	(37 713)	(2 418)
Total comprehensive income for the financial year	42 937	(37 713)	(2 418)
Financial commitments	3 302 045	-	-
Financial commitments-collateral to be returned	4 836 039	-	-

*The financial liabilities at fair value through profit or loss appearing on the statement of financial position are the financial instruments issued by the Company and subscribed by investors, who are not related parties.

Notes to the financial statements

As at 31 December 2021

As at 31 December 2020 EUR' 000	Société Générale (Parent Company)	SG Luxembourg	Other SG Group entities
Cash and cash equivalents	33 538	31	10 032
Financial assets at fair value through profit or loss			
- <i>Mandatorily at fair value through profit or loss</i>	43 135 651	-	-
- <i>Trading derivatives</i>	674 352	-	-
Loans and receivables	-	49 902	-
Other assets	835 571	-	-
Total assets	44 679 112	49 933	10 032
Financial liabilities at amortised cost	-	64 936	-
Financial liabilities at fair value through profit or loss			
- <i>Designated at fair value through profit or loss*</i>	-	-	-
- <i>Trading derivatives*</i>	-	-	-
Other liabilities	845 107	-	-
Tax liabilities	-	75	-
Total liabilities	845 107	65 011	-
Interest income	30	896	-
Commission income	48 748	-	-
Total revenues	48 778	896	-
Interest expenses	(690)	(17 720)	-
Personnel expenses	-	(273)	-
Other operating charges	(2 832)	(20 709)	(3 377)
Total expenses	(3 522)	(38 702)	(3 377)
Total comprehensive income for the financial year	45 256	(37 806)	(3 377)
Financial commitments	2 498 866	-	-
Financial commitments-collateral to be returned	3 924 732	-	-

* The financial liabilities at fair value through profit or loss appearing on the statement of financial position are the financial instruments issued by the Company and subscribed by investors, who are not related parties.

Notes to the financial statements

As at 31 December 2021

NOTE 16 – REMUNERATION, ADVANCES AND LOANS GRANTED TO MEMBERS OF THE ADMINISTRATIVE OR SUPERVISORY BODY

The independent director of the Company, earned a remuneration of EUR 28 000 for his services related to the year ended 31 December 2021 (31 December 2020: EUR 28 000).

As at 31 December 2021 and 2020, no other payment, advance or loans were given to members of the administrative or supervisory body.

NOTE 17 – INFORMATION ON LITIGATIONS

During the year ended 31 December 2020, SG Issuer, as the Issuer of Notes linked to the credit risk of a French corporate, and Société Générale, as the Guarantor, were brought before the Courts of Paris (alongside other French financial institutions) by end investors to obtain compensation for the financial loss they suffered on their investment in these securities. The French corporate was the subject of a “safeguard procedure”, which constitutes a credit event under the terms of the Notes which had a strong impact on the value of the Notes. These investors rely on unfounded allegations according to which SG Issuer and Société Générale were aware of the difficulties of the French corporate when setting up and marketing these Notes and that in doing so, they failed to meet their regulatory obligations (to act in an honest, fair and professional manner, to provide information on the product risks and to determine the suitability of the Notes for retail investors).

On 27 July 2021, the Company received a new letter from end investors in order to obtain compensation for the financial loss they suffered on their investment in securities issued by the Company. This letter relates to the same litigation described above.

For this litigation, along with any other litigation relating to securities issued by SG Issuer, SG Issuer is entitled to an indemnification by Société Générale in respect of any sum due by SG Issuer regarding potential damages or attorneys' fees.

NOTE 18 – SUBSEQUENT EVENTS

By resolution adopted on 14 January 2022, the Executive Board decided to increase the capital of the Company from EUR 2 000 320 to EUR 2 000 360 by the issue of a new share with a nominal value of EUR 40, subscribed by Société Générale Luxembourg S.A.. After this increase, the subscribed and fully paid share capital is EUR 2 000 360, divided into 50 009 shares with a nominal value of EUR 40 each. Such increase resulted in an allocation of EUR 28 243 758 to the share premium account.

In February 2022, a number of countries (including the US, UK and EU) imposed new sanctions against certain entities (of which financial institutions) and individuals in Russia as a result of the official recognition of the Donetsk People Republic and Lugansk People Republic by the Russian Federation. Additional sanctions have been made following military operations initiated by Russia on 24 February 2022 against Ukraine including the restriction of the access of already sanctioned Russian banks to the international payments system SWIFT.

Such sanctions can impact not only the sanctioned entities and individuals including entities under their control but also Business Counterparties of these sanctioned entities. The results of the sanctions and the geopolitical instability have created an important volatility in the financial markets with a potential to adversely impact global economies and increase instability across markets.

The Executive Board has performed an analysis towards the Company's potential exposure to the above. The Executive Board regards these events as non-adjusting events after the reporting period. At the date of this report, the Company including its going concern is not significantly impacted (directly or indirectly) by the above and the situation including the possible impact of changing micro- and macroeconomic conditions will be continued to be monitored.

APPENDIX III

REPRODUCTION OF THE PRESS RELEASE DATED 5 MAY 2022 CONTAINING THE GUARANTOR'S CONSOLIDATED FINANCIAL RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2022

The information set out below is a reproduction of the press release dated 5 May 2022 containing the Guarantor's consolidated financial results for the first quarter ended 31 March 2022.

RESULTS AT MARCH 31ST 2022

Press release

Paris, May 5th 2022

VERY GOOD FIRST QUARTER

Strong increase in revenues of +16.6% vs. Q1 21 (+16.1%*) with a solid performance by all the businesses particularly in Global Markets, Financial Services and Financing & Advisory

Cost to income ratio of 56.4%⁽¹⁾, excluding contribution to the Single Resolution Fund, with a positive jaws effect in all the businesses

Cost of risk at 39 basis points, around 31 basis points excluding the Russian assets currently being sold

2022 cost of risk expected between 30 and 35 basis points

Underlying Group net income of EUR 1.57 billion⁽¹⁾ (EUR 0.84 billion on a reported basis), an increase of +21.3% vs. Q1 21

Underlying profitability (ROTE) of 11.9%⁽¹⁾ (6.0% on a reported basis)

CAPITAL POSITION

CET 1 ratio of 12.9%⁽²⁾ at end-March 2022, around 370 basis points above the regulatory requirement

Residual net impact on capital at closing of around -6 basis points from the contemplated disposal of our activities in Russia⁽³⁾

Confirmation of the distribution policy for 2021

CET 1 ratio 200-250 basis points minimum above the regulatory requirement, including after entry into force of the regulation finalising the Basel III reform

FURTHER PROGRESS IN OUR STRATEGIC INITIATIVES

Planned acquisition of LeasePlan by ALD: signing of the framework agreement

Partnership between Boursorama and ING: signing of the definitive agreement

Planned merger of the retail banking networks in France: new branding of French networks and conclusion of key agreements in terms of human resources

Sustainable finance: new target increased to EUR 300 billion for the period 2022-2025

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

"This first quarter confirms the robustness and resilience of our business model, with a strong performance by all our businesses in a more uncertain environment, improved operating leverage and a contained cost of risk. The planned disposal, currently being finalised, of our activities in Russia, following the abrupt change in this country's outlook, will enable the Group to withdraw in an effective and orderly manner, ensuring continuity for both its employees and its customers. With new milestones achieved this quarter, the Group is determinedly pursuing the implementation of its strategic initiatives and remains focused on its ambition of sustainable and profitable growth, combined with an attractive shareholder distribution."

(1) Underlying data (see methodology note No. 5 for the transition from accounting data to underlying data)

(2) Phased-in ratio (fully-loaded ratio of 12.8%)

(3) After reversal of rating migrations for 14 basis points recorded in Q1 22 on the related Russian assets

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

1. GROUP CONSOLIDATED RESULTS

In EURm	Q1 22	Q1 21	Change	
Net banking income	7,281	6,245	+16.6%	+16.1%*
Operating expenses	(5,329)	(4,748)	+12.2%	+12.5%*
<i>Underlying operating expenses⁽¹⁾</i>	<i>(4,325)</i>	<i>(4,097)</i>	+5.6%	+5.8%*
Gross operating income	1,952	1,497	+30.4%	+27.3%*
<i>Underlying gross operating income⁽¹⁾</i>	<i>2,956</i>	<i>2,148</i>	+37.6%	+35.3%*
Net cost of risk	(561)	(276)	x 2.0	x 2.0*
Operating income	1,391	1,221	+13.9%	+10.6%*
<i>Underlying operating income⁽¹⁾</i>	<i>2,395</i>	<i>1,872</i>	+27.9%	+25.5%*
Net profits or losses from other assets	2	6	-66.7%	-64.8%*
Income tax	(353)	(283)	+24.8%	+24.8%*
Net income	1,040	947	+9.8%	+5.7%*
O.w. non-controlling interests	198	133	+48.9%	+48.2%*
Reported Group net income	842	814	+3.4%	-0.9%*
<i>Underlying Group net income⁽¹⁾</i>	<i>1,574</i>	<i>1,298</i>	+21.3%	+18.1%*
ROE	5.3%	5.2%		
ROTE	6.0%	5.9%		
<i>Underlying ROTE⁽¹⁾</i>	<i>11.9%</i>	<i>10.1%</i>		

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

Societe Generale's Board of Directors, which met on May 4th, 2022 under the chairmanship of Lorenzo Bini Smaghi, examined the Societe Generale Group's results for Q1 2022. The various restatements enabling the transition from underlying data to published data are presented in the methodology notes (section 10.5).

As announced on April 11th, 2022, **an agreement has been signed to sell Rosbank and its Russian insurance subsidiaries**. This operation is expected to be closed in the few coming weeks.

As a reminder the impact of the disposal of Rosbank and the Group's Russian insurance activities on the Group's CET1 ratio is expected to be around -20 basis points⁽²⁾, including around - 6 basis points of residual net impact expected at closing after reversal of rating migrations recorded in Q1 22 on the related Russian assets. This contemplated disposal would lead to the accounting in the Group's income statement⁽³⁾ of the write-off of the net book value of the divested activities (~EUR 2 billion⁽⁴⁾) and an exceptional non-cash item with no impact on the Group's capital ratio (~EUR 1.1 billion⁽⁴⁾), which corresponds to the normative reversal of the conversion reserve in the Group's income statement.

Net banking income

Net banking income was substantially higher in Q1 22, up +16.6% (+16.1%*) vs. Q1 21, driven by a very good momentum in all the businesses.

French Retail Banking's performance was substantially higher, with net banking income (excluding PEL/CEL provision) up +6.4% vs. Q1 21, reflecting an upward momentum on net interest income as well as financial and service commissions.

(2) On the basis of the asset value at December 31st, 2021, based on a EUR/RUB exchange rate of 85

(3) Accounted in "net profit or loss on other assets"

(4) Based on non-audited estimated data as of February 28, 2022 and a EUR/RUB exchange rate of 92. The final impact would be calculated based on the data and the foreign exchange rate at the closing date. The accounting period would depend on the closing date

International Retail Banking & Financial Services enjoyed strong revenue growth (+19.3%* vs. Q1 21). Financial Services (+43.6%* vs. Q1 21) and Insurance (+6.0%* vs. Q1 21) enjoyed an excellent momentum. International Retail Banking also benefited from a strong rebound in its activities (+13.1%* vs. Q1 21).

Global Banking & Investor Solutions delivered an excellent performance, with revenues up +18.1% (+16.9%*) vs. Q1 21. Financing & Advisory enjoyed a very good momentum, with revenues up +24.4% (+20.9%*) vs. Q1 21, while the revenues of Global Markets & Investor Services were substantially higher (+19.1%, +15.4%*) than in Q1 21.

Operating expenses

In Q1 22, operating expenses totalled EUR 5,329 million on a reported basis and EUR 4,325 million on an underlying basis (restated for transformation costs and the linearisation of IFRIC 21), an increase of +5.6% vs. Q1 21. This increase can be explained primarily by the rise in variable costs linked to the growth in revenues (EUR +93 million), the increase in the contribution to the Single Resolution Fund (EUR +69 million), currency effects and the increase in other expenses (EUR +31 million).

Driven by a very positive jaws effect, underlying gross operating income grew substantially (+38%) to EUR 2,956 million and the underlying cost to income ratio, excluding the Single Resolution Fund, improved by nearly 7 points (56.4% vs. 63.3% in Q1 21).

Cost of risk

In Q1 22, the cost of risk stood at 39 basis points, an increase vs. Q1 21 (21 basis points) due primarily to the consequences of the crisis in Ukraine on Russian exposure, or EUR 561 million (vs. EUR 276 million in Q1 21). It breaks down into a provision on non-performing loans of EUR 313 million and a provision on performing loans of EUR 248 million.

Excluding Russian activities which are currently being sold, the cost of risk remains limited at 31 basis points and breaks down into a provision on non-performing loans of EUR 277 million and a provision on performing loans of EUR 148 million.

Moreover, the Societe Generale Group has offshore international exposure (exposure at default) to Russian counterparties amounting to EUR 2.8 billion at March 31st, 2022. Exposure at risk on this portfolio is estimated at less than EUR 1 billion. The associated cost of risk was EUR 218 million in Q1 2022.

There is only negligible market exposure to Russian external counterparties.

The Group's provisions on performing loans amounted to EUR 3,614 million at end-March, an increase of EUR 259 million vs. Q4 21.

The non-performing loans ratio amounted to 2.9%⁽¹⁾ at March 31st 2022, stable vs. end-December 2021 (2.9%). The Group's gross coverage ratio for doubtful outstandings stood at 49%⁽²⁾ at March 31st 2022.

The cost of risk is expected to be between 30 and 35 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	Q1 22	Q1 21
Reported Group net income	842	814
Underlying Group net income ⁽¹⁾	1,574	1,298

In EURm	Q1 22	Q1 21
ROTE	6.0%	5.9%
Underlying ROTE ⁽¹⁾	11.9%	10.1%

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

Earnings per share amounts to EUR 0.87 in Q1 22 (EUR 0.79 in Q1 21). Underlying earnings per share amounts to EUR 1 over the same period (EUR 0.83 in Q1 21).

2. THE GROUP'S FINANCIAL STRUCTURE

Group **shareholders' equity** totalled EUR 65.9 billion at March 31st, 2022 (EUR 65.1 billion at December 31st, 2021). Net asset value per share was EUR 69.23 and tangible net asset value per share was EUR 61.53.

The consolidated balance sheet totalled EUR 1,609 billion at March 31st, 2022 (EUR 1,464 billion at December 31st, 2021). The net amount of customer loan outstandings at March 31st, 2022, including lease financing, was EUR 495 billion (EUR 488 billion at December 31st, 2021) – excluding assets and securities purchased under resale agreements. At the same time, customer deposits amounted to EUR 523 billion, vs. EUR 502 billion at December 31st, 2021 (excluding assets and securities sold under repurchase agreements).

At April 26th, 2022, the parent company had issued EUR 19.7 billion of medium/long-term debt, having an average maturity of 5.9 years and an average spread of 43 basis points (vs. the 6-month midswap, excluding subordinated debt). The subsidiaries had issued EUR 0.7 billion. In total, the Group had issued EUR 20.4 billion of medium/long-term debt.

The LCR (Liquidity Coverage Ratio) was well above regulatory requirements at 140% at end-March 2022 (137% on average in Q1), vs. 129% at end-December 2021. At the same time, the NSFR (Net Stable Funding Ratio) was at a level of 112% at end-March 2022.

The Group's **risk-weighted assets** (RWA) amounted to EUR 376.6 billion at March 31st, 2022 (vs. EUR 363.4 billion at end-December 2021) according to CRR2/CRD5 rules. Risk-weighted assets in respect of credit risk represent 84.1% of the total, at EUR 316.8 billion, up 3.9% vs. December 31st, 2021.

At March 31st, 2022, the Group's **Common Equity Tier 1** ratio stood at 12.9%, or around 370 basis points above the regulatory requirement. The CET1 ratio at March 31st, 2022 includes an effect of +12 basis points for phasing of the IFRS 9 impact. Excluding this effect, the fully-loaded ratio amounts to 12.8%. The Tier 1 ratio stood at 15.1% at end-March 2022 (15.9% at end-December 2021) and the total capital ratio amounted to 17.9% (18.8% at end-December 2021).

The Group is aiming for a CET 1 ratio between 200-250 basis points above the regulatory requirement including after the entry into force of the regulation finalising the Basel III reform.

The **leverage ratio** stood at 4.3% at March 31st, 2022 (4.9% at end-December 2021).

With a level of 30.5% of RWA and 8.7% of leverage exposure at end-March 2022, the Group's TLAC ratio is above the Financial Stability Board's requirements for 2022. At March 31st, 2022, 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".

3. FRENCH RETAIL BANKING

In EURm	Q1 22	Q1 21	Change
Net banking income	2,188	2,023	+8.2%
<i>Net banking income excl. PEL/CEL</i>	<i>2,165</i>	<i>2,035</i>	<i>+6.4%</i>
Operating expenses	(1,720)	(1,611)	+6.8%
<i>Underlying operating expenses⁽¹⁾</i>	<i>(1,550)</i>	<i>(1,483)</i>	<i>+4.5%</i>
Gross operating income	468	412	+13.6%
<i>Underlying gross operating income⁽¹⁾</i>	<i>615</i>	<i>552</i>	<i>+11.4%</i>
Net cost of risk	(47)	(129)	-63.6%
Operating income	421	283	+48.8%
Net profits or losses from other assets	0	3	-100.0%
Reported Group net income	313	212	+47.6%
<i>Underlying Group net income⁽¹⁾</i>	<i>422</i>	<i>312</i>	<i>+35.2%</i>
RONE	10.6%	6.9%	
<i>Underlying RONE⁽¹⁾</i>	<i>14.3%</i>	<i>10.2%</i>	

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

Note: including Private Banking activities following the restatement in Q1 22 (France and International operations). Including activities transferred after the disposal of Lyxor

Societe Generale and Cr dit du Nord networks

Average loan outstandings were 1% higher than in Q1 21 at EUR 211 billion. Loan production grew +36% vs. Q1 21, with home loans rising +39% vs. Q1 21 and medium/long-term loans to corporate and professional customers (excluding State Guaranteed Loans) climbing +68% vs. Q1 21.

Average outstanding balance sheet deposits including BMTN (negotiable medium-term notes) continued to rise (+5% vs. Q1 21) to EUR 241 billion.

As a result, the average loan/deposit ratio stood at 88% in Q1 22 vs. 92% in Q1 21.

Insurance assets under management totalled EUR 91 billion at end-March 2022, up +2% year-on-year. Gross life insurance inflow amounted to EUR 2.7 billion in Q1 22, with the unit-linked share accounting for 39%.

Property/casualty insurance premiums and personal protection insurance premiums were up +2% vs. Q1 21.

Boursorama

The bank consolidated its position as the leading online bank in France, with more than 3.7 million clients at end-March 2022, thanks to the onboarding of 388,000 new clients in Q1 22 (+90% vs. Q1 21). Boursorama is aiming to have between 4 million and 4.5 million clients at end-2022, one year ahead of schedule relative to its plan.

Average outstanding loans rose +29% vs. Q1 21 to EUR 14 billion. Home loan outstandings were up +30% vs. Q1 21.

Average outstanding savings including deposits and financial savings were 19% higher than in Q1 21 at EUR 37 billion, while outstanding deposits were up +24% vs. Q1 21. Life insurance outstandings were 7% higher than in Q1 21, with the unit-linked share accounting for 45%. Brokerage recorded more than 2 million transactions in Q1 22.

Private Banking

Private Banking activities were transferred to French Retail Banking in Q1 2022. The scope includes France and international operations as well as the activities transferred at the time of the disposal of Lyxor. The business enjoyed strong commercial activity in all the regions. Assets under management totalled EUR 150 billion, up +8% vs. Q1 21. Net inflow was buoyant at EUR 2.7 billion in Q1 22, despite the volatility of the financial markets. Net banking income totalled EUR 322 million in Q1 22, up +21.2% vs. Q1 21.

Net banking income excluding PEL/CEL

Revenues (excluding PEL/CEL) totalled EUR 2,165 million, up +6.4% vs. Q1 21. Net interest income (excluding PEL/CEL) was up +2.8% vs. Q1 21, driven by loans to corporate customers and Private Banking but partially impacted by the effect of the higher rate on the Livret A passbook savings account. Commissions increased by +6.9% vs. Q1 21, driven by the good performance of financial commissions and the rebound in service commissions.

Operating expenses

Operating expenses amounted to EUR 1,720 million (+6.8% vs. Q1 21) and EUR 1,550 million on an underlying basis (+4.5% vs. Q1 21). The cost to income ratio (after linearisation of the IFRIC 21 charge and restated for the PEL/CEL provision) stood at 71.6%, an improvement of 1.3 points vs. Q1 21, representing a positive jaws effect.

Cost of risk

The cost of risk amounted to EUR 47 million or 8 basis points in Q1 22, a substantial decline compared to Q1 21 (22 basis points). In Q4 21, the cost of risk represented a write-back of 3 basis points.

Contribution to Group net income

The contribution to Group net income was EUR 313 million in Q1 22 vs. EUR 212 million in Q1 21. RONE (after linearisation of the IFRIC 21 charge and restated for the PEL/CEL provision) stood at 14.3% in Q1 22 (16.1% excluding Boursorama).

4. INTERNATIONAL RETAIL BANKING & FINANCIAL SERVICES

In EURm	Q1 22	Q1 21	Change	
Net banking income	2,223	1,862	+19.4%	+19.3%*
Operating expenses	(1,183)	(1,089)	+8.6%	+8.3%*
<i>Underlying operating expenses⁽¹⁾</i>	<i>(1,091)</i>	<i>(1,017)</i>	+7.3%	+7.0%*
Gross operating income	1,040	773	+34.5%	+35.0%*
<i>Underlying gross operating income⁽¹⁾</i>	<i>1,132</i>	<i>845</i>	+34.0%	+34.4%*
Net cost of risk	(325)	(142)	x 2.3	x 2.3*
Operating income	715	631	+13.3%	+13.8%*
Net profits or losses from other assets	2	2	+0.0%	+11.0%*
Reported Group net income	400	392	+2.0%	+2.6%*
<i>Underlying Group net income⁽¹⁾</i>	<i>453</i>	<i>434</i>	+4.4%	+5.0%*
RONE	14.5%	15.7%		
<i>Underlying RONE⁽¹⁾</i>	<i>16.5%</i>	<i>17.4%</i>		

(1) Adjusted for the linearisation of IFRIC 21

International Retail Banking's outstanding loans totalled EUR 92.7 billion, up +5.4%* vs. Q1 21. Outstanding deposits increased by +6.5%* vs. Q1 21, to EUR 92.4 billion.

For the Europe scope, outstanding loans were up +6.0%* vs. end-March 2021 at EUR 60.6 billion, driven by a positive momentum in all the regions: +8.3%* in the Czech Republic, +9.1%* in Romania, and +2.3%* in Western Europe. Outstanding deposits rose +3.1%* to EUR 54.3 billion.

In Africa, Mediterranean Basin and French Overseas Territories, outstanding loans increased by +1.6%* when adjusted for changes in Group structure and at constant exchange rates. Outstanding deposits continued to enjoy a healthy momentum, up +6.2%*.

In the Insurance business, the life insurance savings business continued to benefit from a good momentum, with outstandings up +4%* at end-March 2022 vs. end-March 2021 at EUR 134 billion. The share of unit-linked products in outstandings was 36%, an increase of +2 points vs. March 2021. Gross life insurance savings inflow was 7%* higher in Q1 22 than in Q1 21, with the share of unit-linked products remaining at a high level of 43%, up 3 points vs. March 2021. Protection insurance saw an increase of +7%* vs. Q1 21, bolstered by property/casualty premiums up +12%*.

Financial Services also enjoyed a very healthy momentum. Operational Vehicle Leasing and Fleet Management posted record net banking income, up +53%*, due to the business' good performance and continued very strong demand for used cars. The fleet consisted of 1.7 million contracts, including 1.4 million financed vehicles, an increase of +4.8% vs. end-March 2021. Equipment Finance continued to grow, with new leasing business up +3.1%* vs. Q1 21. Outstanding loans rose +1.4% vs. end-March 2021, to EUR 14.5 billion (excluding factoring).

Net banking income

Net banking income amounted to EUR 2,223 million in Q1 22, up +19.3%* vs. Q1 21.

International Retail Banking's net banking income totalled EUR 1,343 million in Q1 22, an increase of +13.1%*.

Revenues in Europe climbed +15.6%* vs. Q1 21, due primarily to substantial growth in net interest income as a result of the rise in rates (+17%* vs. Q1 21), particularly in the Czech Republic (+34%* vs. Q1 21).

The Africa, Mediterranean Basin and French Overseas Territories scope posted revenues up +7.2%* vs. Q1 21 at EUR 466 million, with activity that remained buoyant in Sub-Saharan Africa (+9%* vs. Q1 21).

The Insurance business posted net banking income up +6.0%* vs. Q1 21, at EUR 250 million.

Financial Services' net banking income was substantially higher (+43.6%*) than in Q1 21, at EUR 630 million. This performance benefited primarily from the activities of ALD which continued to post strong growth in the used car sale result (EUR 3,101 per vehicle in Q1 22).

Operating expenses

Operating expenses rose by only +8.3%* on a reported basis (+7.0%* on an underlying basis) vs. Q1 21 to EUR 1,183 million, resulting in a positive jaws effect. The underlying cost to income ratio stood at 49.1% in Q1 22, lower than in Q1 21 (54.6%).

In International Retail Banking, operating expenses were 7.4%* higher than in Q1 21.

In the **Insurance** business, operating expenses rose +7.4%* vs. Q1 21, with a cost to income ratio of 47.2% (39.3% on an underlying basis).

In **Financial Services**, operating expenses increased by +11.4%* vs. Q1 21, generating a very positive jaws effect.

Cost of risk

In Q1 22, the cost of risk amounted to 92 basis points (EUR 325 million), vs. 44 basis points in Q1 21. Excluding Russian activities which are currently being sold, the increase in the cost of risk remained limited with a level of 59 basis points.

Contribution to Group net income

The contribution to Group net income totalled EUR 400 million in Q1 22, an increase of +2.6%* vs. Q1 21.

Underlying RONE stood at 16.5% in Q1 22 (vs. 17.4% in Q1 21) and around 23% excluding Russian activities which are currently being sold. In International Retail Banking, underlying RONE was 7.3% (around 18% excluding Russian activities which are currently being sold) and 28.0% in Financial Services and Insurance.

5. GLOBAL BANKING & INVESTOR SOLUTIONS

In EURm	Q1 22	Q1 21	Variation	
Net banking income	2,755	2,333	+18.1%	+16.9%*
Operating expenses	(2,172)	(1,893)	+14.7%	+15.7%*
<i>Underlying operating expenses⁽¹⁾</i>	<i>(1,611)</i>	<i>(1,526)</i>	+5.6%	+6.7%*
Gross operating income	583	440	+32.5%	+21.7%*
<i>Underlying gross operating income⁽¹⁾</i>	<i>1,144</i>	<i>807</i>	+41.7%	+35.2%*
Net cost of risk	(194)	(3)	x 64.7	x 76.7*
Operating income	389	437	-11.0%	-18.4%*
Reported Group net income	302	347	-13.0%	-19.9%*
<i>Underlying Group net income⁽¹⁾</i>	<i>734</i>	<i>629</i>	+16.6%	+11.3%*
RONE	8.6%	10.4%		
<i>Underlying RONE⁽¹⁾</i>	<i>20.8%</i>	<i>18.8%</i>		

(1) Adjusted for the linearisation of IFRIC 21

Note: excluding Private Banking activities following the restatement in Q1 22 (France and International operations). Including activities transferred after the disposal of Lyxor

Net banking income

Global Banking & Investor Solutions delivered a remarkable performance in Q1 driven by all the businesses, with revenues of EUR 2,755 million, significantly higher (+18.1%) than the already high level in Q1 21. The sharp increase in Q1 22 illustrates the relevance of the strategy presented in May 2021 and the quality of its execution.

In Global Markets & Investor Services, net banking income totalled EUR 1,965 million in Q1 22 (+19.1% vs. Q1 21), in a volatile environment, driven by good client activity and the rise in rates.

Global Markets turned in an excellent performance in Q1 22 (EUR 1,777 million), up +20.5% vs. Q1 21, benefiting from a strong commercial momentum in all segments. This very good result can be seen in all the businesses (Equities, Fixed Income, Currency), products (Flow&Hedging, Investment Solutions and financing) and geographical regions.

The Equity activity enjoyed an excellent quarter (EUR 1,010 million, +19.5% vs. Q1 21), driven by strong client activity in all the businesses, particularly in listed products and prime services. The structured products portfolio remained stable, with good risk management.

Fixed Income & Currency activities posted substantially higher revenues (+21.7% vs. Q1 21) at EUR 767 million in a favourable market environment. Very buoyant client activity benefited all the businesses, and particularly Fixed Income activities.

There was a significant increase in Securities Services' revenues in Q1, up +7.4% vs. Q1 21, at EUR 188 million, reflecting the increase in rates as well as a higher level of commissions. Securities Services' assets under custody and assets under administration amounted to EUR 4,375 billion and EUR 676 billion respectively.

Financing & Advisory posted revenues of EUR 790 million, up +24.4% vs. Q1 21.

The Global Banking & Advisory business, up +24.1% vs. Q1 21, capitalised on the good market momentum, particularly in activities related to Natural Resources, Trade Commodity Finance and Infrastructure as well as in property financing.

The Asset-Backed Products platform continued to grow, with a positive return from initiatives carried out on the Financial Sponsors client segment.

Investment Banking enjoyed a good quarter, despite a sharp slowdown in primary market activity since end-February.

Global Transaction and Payment Services continued to experience strong growth, up +26.2% vs. Q1 21, primarily on the back of the increase in rates and volumes.

Operating expenses

Operating expenses totalled EUR 2,172 million in Q1 22, an increase of +14.7% vs. Q1 21 on a reported basis, and +5.6% on an underlying basis. This increase can be explained by the rise in variable costs, related to the increase in earnings, and IFRIC 21 charges (the contribution to the Single Resolution Fund amounted to EUR 622 million in Q1 22 vs. EUR 411 million in Q1 21 for Global Banking & Investor Solutions). There was a significant improvement in the cost to income ratio of 7 points (58.5% vs. 65.4% in Q1 21 on an underlying basis), with a positive jaws effect.

Cost of risk

The cost of risk amounted to 45 basis points (or EUR 194 million) in Q1 22, including EUR 152 million related to offshore exposure to Russia.

Contribution to Group net income

The contribution to Group net income was EUR 302 million on a reported basis and EUR 734 million on an underlying basis (+16.6% vs. Q1 21).

Global Banking & Investor Solutions posted a significant underlying RONE of 20.8% in Q1 22 (24.1% when restated for the impact of the contribution to the Single Resolution Fund), an improvement compared to RONE of 18.8% in Q1 21.

6. CORPORATE CENTRE

In EURm	Q1 22	Q1 21
Net banking income	115	27
Operating expenses	(254)	(155)
<i>Underlying operating expenses⁽¹⁾</i>	<i>(73)</i>	<i>(71)</i>
Gross operating income	(139)	(128)
<i>Underlying gross operating income⁽¹⁾</i>	<i>42</i>	<i>(44)</i>
Net cost of risk	5	(2)
Net profits or losses from other assets	-	1
Income tax	12	36
Reported Group net income	(173)	(137)
<i>Underlying Group net income⁽¹⁾</i>	<i>(52)</i>	<i>(69)</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 function 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 115 million in Q1 22 vs. EUR 27 million in Q1 21. It includes in particular the positive value changes of financial instruments corresponding to the economic hedging of the Group's equity securities.

Operating expenses totalled EUR 254 million in Q1 22 vs. EUR 155 million in Q1 21. They include the Group's transformation costs for a total amount of EUR 143 million relating to the activities of French Retail Banking (EUR 104 million), Global Banking & Investor Solutions (EUR 14 million) and the Corporate Centre (EUR 25 million). Underlying costs came to EUR 73 million in Q1 22 compared to EUR 71 million in Q1 21.

Gross operating income totalled EUR -139 million in Q1 22 vs. EUR -128 million in Q1 21. Underlying gross operating income came to EUR +42 million in Q1 22 vs. EUR -44 million in Q1 21.

The Corporate Centre's contribution to Group net income was EUR -173 million in Q1 22 vs. EUR -137 million in Q1 21. The Corporate Centre's contribution to Group net income on an underlying basis was EUR -52 million.

7. 2022 FINANCIAL CALENDAR

2022 and 2023 Financial communication calendar

May 17 th , 2022	2022 General Meeting
May 25 th , 2022	Dividend detachment
May 27 th , 2022	Dividend payment
August 3 rd , 2022	Second quarter and first half 2022 results
November 4 th , 2022	Third quarter and nine-month 2022 results
February 8 th , 2023	Fourth quarter and FY 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.

8. APPENDIX 1: FINANCIAL DATA

GROUP NET INCOME BY CORE BUSINESS

In EURm	Q1 22	Q1 21	Variation
French Retail Banking	313	212	+47.6%
International Retail Banking and Financial Services	400	392	+2.0%
Global Banking and Investor Solutions	302	347	-13.0%
Core Businesses	1,015	951	+6.7%
Corporate Centre	(173)	(137)	-26.3%
Group	842	814	+3.4%

NB: Amounts restated in Q1 22 to take into account the transfer of Private Banking activities (French and international) to the French Retail Banking. Includes activities transferred after the disposal of Lyxor

CONSOLIDATED BALANCE SHEET

In EURm	31.03.2022	31.12.2021
Cash, due from central banks	230,086	179,969
Financial assets at fair value through profit or loss	419,946	342,714
Hedging derivatives	13,683	13,239
Financial assets at fair value through other comprehensive income	40,342	43,450
Securities at amortised cost	19,748	19,371
Due from banks at amortised cost	74,490	55,972
Customer loans at amortised cost	501,542	497,164
Revaluation differences on portfolios hedged against interest rate risk	172	131
Investments of insurance companies	172,741	178,898
Tax assets	4,647	4,812
Other assets	95,796	92,898
Non-current assets held for sale	16	27
Investments accounted for using the equity method	115	95
Tangible and intangible fixed assets	32,139	31,968
Goodwill	3,739	3,741
Total	1,609,202	1,464,449

In EURm	31.03.2022	31.12.2021
Due to central banks	12,618	5,152
Financial liabilities at fair value through profit or loss	391,805	307,563
Hedging derivatives	17,839	10,425
Debt securities issued	135,384	135,324
Due to banks	157,560	139,177
Customer deposits	528,620	509,133
Revaluation differences on portfolios hedged against interest rate risk	(1,631)	2,832
Tax liabilities	1,683	1,577
Other liabilities	122,461	106,305
Non-current liabilities held for sale	-	1
Insurance contracts related liabilities	150,098	155,288
Provisions	5,047	4,850
Subordinated debts	16,101	15,959
Total liabilities	1,537,585	1,393,586
Shareholder's equity	-	-
Shareholders' equity, Group share	-	-
Issued common stocks and capital reserves	21,836	21,913
Other equity instruments	7,534	7,534
Retained earnings	36,270	30,631
Net income	842	5,641
Sub-total	66,482	65,719
Unrealised or deferred capital gains and losses	(630)	(652)
Sub-total equity, Group share	65,852	65,067
Non-controlling interests	5,765	5,796
Total equity	71,617	70,863
Total	1,609,202	1,464,449

10. APPENDIX 2: METHODOLOGY

1 –The financial information presented for the quarter ending 31 March 2022 was examined by the Board of Directors on May 4th, 2022 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 2022 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, 2021 (pages 482 et seq. of Societe Generale's 2022 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 2022 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:

Q1 22 (In EURm)	Operating Expenses	Cost of risk	Net profit or losses from other assets	Income tax	Group net income	Business
Reported	(5,329)	(561)	2	(353)	842	
(+) IFRIC 21 linearisation	860			(218)	626	
(+) Transformation charges*	143			(37)	106	Corporate Center ⁽¹⁾
Underlying	(4,325)	(561)	2	(608)	1,574	

Q1 21 (In EURm)	Operating Expenses	Cost of risk	Net profit or losses from other assets	Income tax	Group net income	Business
Reported	(4,748)	(276)	6	(283)	814	
(+) IFRIC 21 linearisation	601			(141)	448	
(+) Transformation charges*	50			(14)	36	Corporate Center ⁽²⁾
Underlying	(4,097)	(276)	6	(438)	1,298	

(*) Exceptional item

(1) Q1 22 transformation charges related to French Retail Banking (EUR 104m), Global Banking & Investor Solutions (EUR 14m) and Corporate Centre (EUR 25m)

(2) Q1 21 transformation charges related to French Retail Banking (EUR 38m), Global Banking and Investor Solutions (EUR 1m) and Corporate Center (EUR 11m)

6 - Cost of risk in basis points, coverage ratio for doubtful outstandings

The cost of risk is defined on pages 43 and 663 of Societe Generale's 2022 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		Q1 22	Q1 21
French Retail Banking	Net Cost Of Risk	47	129
	Gross loan Outstandings	242,645	233,953
	Cost of Risk in bp	8	22
International Retail Banking and Financial Services	Net Cost Of Risk	325	142
	Gross loan Outstandings	140,547	130,196
	Cost of Risk in bp	92	44
Global Banking and Investor Solutions	Net Cost Of Risk	194	3
	Gross loan Outstandings	170,749	138,305
	Cost of Risk in bp	45	1
Corporate Centre	Net Cost Of Risk	(5)	2
	Gross loan Outstandings	14,413	12,963
	Cost of Risk in bp	(12)	4
Societe Generale Group	Net Cost Of Risk	561	276
	Gross loan Outstandings	568,354	515,416
	Cost of Risk in bp	39	21

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 2022 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 2022 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 (in EURm)	Q1 22	Q1 21
Shareholders' equity Group share	65,852	62,920
Deeply subordinated notes	(8,178)	(9,179)
Undated subordinated notes	-	(273)
Interest of deeply & undated subordinated notes, issue premium amortisations ⁽¹⁾	(65)	(51)
OCI excluding conversion reserves	120	(723)
Dividend provision ⁽²⁾	(415)	(353)
ROE equity end-of-period	55,029	52,340
Average ROE equity	54,669	51,771
Average Goodwill	(3,624)	(3,928)
Average Intangible Assets	(2,753)	(2,506)
Average ROTE equity	48,292	45,337
Group net Income (a)	842	814
Underlying Group net income (b)	1,574	1,298
Interest on deeply subordinated notes and undated subordinated notes (c)	(119)	(144)
Cancellation of goodwill impairment (d)	2	-
Adjusted Group net Income (e) = (a) + (c) + (d)	725	670
Adjusted Underlying Group net Income (f) = (b) + (c)	1,457	1,154
Average ROTE equity (g)	48,292	45,337
ROTE [quarter: (4*e/g)]	6.0%	5.9%
Average ROTE equity (underlying) (h)	49,024	45,821
Underlying ROTE [quarter: (4*f/h)]	11.9%	10.1%

(1) Interest net of tax, payable or paid to holders of deeply subordinated notes & undated subordinated notes, issue premium amortisations

(2) The dividend to be paid is calculated based on a pay-out ratio of 50% of the underlying Group net income, after deduction of deeply subordinated notes and on undated subordinated notes

RONE calculation: Average capital allocated to Core Businesses

In EURm	Q1 22	Q1 21	Change
French Retail Banking	11,822	12,208	-3.2%
International Retail Banking and Financial Services	11,018	9,963	+10.6%
Global Banking and Investor Solutions	14,128	13,404	+5.4%
Core Businesses	36,968	35,576	+3.9%
Corporate Center	17,701	15,975	+10.8%
Group	54,669	51,550	+6.1%

NB: Amounts restated in Q1 22 to take into account the transfer of Private Banking activities (French and international) to the French Retail Banking. Includes activities transferred after the disposal of Lyxor

8 - Net assets and tangible net assets

Net assets and tangible net assets are defined in the methodology, page 46 of the Group's 2022 Universal Registration Document. The items used to calculate them are presented below:

End of period (in EURm)	Q1 22	2021	2020
Shareholders' equity Group share*	65,852	65,067	61,710
Deeply subordinated notes	(8,178)	(8,003)	(8,830)
Undated subordinated notes	-	-	(264)
Interest of deeply & undated subordinated notes, issue premium amortisations ⁽¹⁾	(65)	20	19
Bookvalue of own shares in trading portfolio	(78)	37	301
Net Asset Value*	57,531	57,121	52,936
Goodwill	(3,624)	(3,624)	(3,928)
Intangible Assets	(2,773)	(2,733)	(2,484)
Net Tangible Asset Value*	51,134	50,764	46,524
Number of shares used to calculate NAPS**	831,044	831,162	848,859
Net Asset Value per Share	69.2	68.7	62.4
Net Tangible Asset Value per Share	61.5	61.1	54.8

(*) Amounts restated compared with the financial statements published in 2020 (See Note 1.7 of the 2021 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

(1) Interest net of tax, payable or paid to holders of deeply subordinated notes & undated subordinated notes, issue premium amortisations

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 2022 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 2022 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)	Q1 22	2021	2020
Existing shares	845,248	853,371	853,371
Deductions			
Shares allocated to cover stock option plans and free shares awarded to staff	6,021	3,861	2,987
Other own shares and treasury shares	8,124	3,249	-
Number of shares used to calculate EPS*	831,103	846,261	850,385
Group net Income	842	5,641	(258)
Interest on deeply subordinated notes and undated subordinated notes	(119)	(590)	(611)
Capital gain net of tax on partial buybacks	-	-	-
Adjusted Group net income	723	5,051	(869)
EPS (in EUR)	0.87	5.97	(1.02)
Underlying EPS** (in EUR)	1.00	5.52	0.97

(*) 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

(**) Calculated on the basis of underlying Group net income (excluding linearisation of IFRIC 21)

10 - The Societe Generale Group's Common Equity Tier 1 capital

It 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 131,000 members of staff in 66 countries and supports on a daily basis 26 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**, 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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