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 Meituan

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 products[1] 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 may have the ability to determine the outcome of most matters. 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 sideway 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 Meituan (the **"Underlying Stock"**)
ISIN:	LU2348853594
Company:	Meituan (RIC: 3690.HK)
Underlying Price[3] and Source:	HK$173.7 (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]:	7.50%, 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
Expected Listing Date:	18 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.

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:	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.
Cash Settlement Amount:	In respect of each Certificate, shall be an amount payable in the Settlement Currency equal to: Closing Level multiplied by the Notional Amount per Certificate 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.
Hedging Fee Factor:	In respect of each Certificate, shall be an amount calculated as: Product (for t from 2 to Valuation Date) of (1 – Management Fee x (ACT (t-1;t) ÷ 360)) x (1 – Gap Premium (t-1) x (ACT (t-1;t) ÷ 360)), where: "**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; 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 Rate[3]: 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 Business Day:	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 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:	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. 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.
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

$\mathbf{LSL_t}$	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):

$\mathrm{LSL_1} = 1000$

On each subsequent Observation Date(t):

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

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

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

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

$$\mathrm{FC_{t-1,t}} = (\mathrm{Leverage} - 1) \times \frac{\mathrm{Rate_{t-1}} \times \mathrm{ACT(t-1,t)}}{\mathrm{DayCountBasisRate}}$$

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

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

CB means the Cost of Borrowing applicable that is equal to 3.00%.

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

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

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

$\mathbf{S_t}$ 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.

$\mathbf{Rate_t}$	means, in respect of each Observation Date(t), the Overnight HKD Hong Kong Interbank Offered Rate (HIBOR) Fixing, as published on Reuters RIC HIHKDOND= 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.
$\mathbf{Rfactor_t}$	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 : $$Rfactor_t = 1 - \frac{Div_t}{\mathbf{S_{t-1}}}$$ where 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.
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	means, in respect of the Reference Rate any of the following has occurred or will occur: (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.

<u>Extraordinary Strategy Adjustment for Performance Reasons ("Air Bag Mechanism")</u>

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 ($\mathrm{LSL_{IRD}}$) should be computed as follows :

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

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

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

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

(1) for k = 1 :

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

(2) for k > 1 :

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

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

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

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

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

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

(1) for k=0

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

(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)

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

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

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

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

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

n	means the number of Intraday Restrike Events that occurred on the relevant Intraday Restrike Date.
Intraday Restrike Event	means in respect of an Observation Date(t) : (1) provided no Intraday Restrike Event has previously occurred on such Observation Date (t), the increase at any Calculation Time of the Underlying Stock price by 15% or more compared with the relevant Underlying Stock Price $\mathbf{IS_{IR(0)}}$ as of such Calculation Time. (2) if k Intraday Restrike Events have occurred on the relevant Intraday Restrike Date, the increase at any Calculation Time of the Underlying Stock price by 15% or more compared with the relevant Underlying Stock Price $\mathbf{IS_{IR(k)}}$ as of such Calculation Time.
Calculation Time	means any time between the TimeReferenceOpening and the TimeReferenceClosing, provided that the relevant data is available to enable the Calculation Agent to determine the Leverage Inverse Strategy Level.
TimeReferenceOpening	means the scheduled opening time for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto).
TimeReferenceClosing	means the scheduled closing time for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto).
Intraday Restrike Event Observation Period	means in respect of an Intraday Restrike Event, the period starting on and excluding the Intraday Restrike Event Time and finishing on and including the sooner between (1) the time falling 15 minutes after the Intraday Restrike Event Time and (2) the TimeReferenceClosing. Where, during such period, the Calculation Agent determines that (1) the trading in the Underlying Stock is disrupted or subject to suspension or limitation or (2) the Relevant Stock Exchange for the Underlying Stock is not open for continuous trading, the Intraday Restrike Event Observation Period will be extended to the extent necessary until (1) the trading in the Underlying Stock is no longer disrupted, suspended or limited and (2) the Relevant Stock Exchange for the Underlying Stock is open for continuous trading.
Intraday Restrike Event Time	means in respect of an Intraday Restrike Event, the Calculation Time on which such event occurs.

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

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

1. Form, Status and Guarantee, Transfer and Title

(a) *Form*. The Certificates (which expression shall, unless the context otherwise requires, include any further certificates issued pursuant to Condition 11) are issued subject to and with the benefit of:-

(i) a master instrument by way of deed poll (the "**Master Instrument**") dated 18 June 2021, made by SG Issuer (the "**Issuer**") and Société Générale (the "**Guarantor**"); and

(ii) a warrant agent agreement (the "**Master Warrant Agent Agreement**" or "**Warrant Agent Agreement**") dated any time before or on the Closing Date, made between the Issuer and the Warrant Agent for the Certificates.

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

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

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

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

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

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

(i) *pari passu* with all other direct, unconditional, unsecured and unsubordinated obligations of the Guarantor outstanding as of the date of the entry into force of the law no. 2016-1691 (the "**Law**") on 11 December 2016;

(ii) *pari passu* with all other present or future direct, unconditional, unsecured and senior preferred obligations (as provided for in Article L. 613-30-3 I 3° of the Code) of the Guarantor issued after the date of the entry into force of the Law on 11 December 2016;

(iii) junior to all present or future claims of the Guarantor benefiting from the statutorily preferred exceptions; and

(iv) senior to all present and future senior non-preferred obligations (as provided for in Article L.613-30-3 I 4° of the Code) of the Guarantor.

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

(c) Transfer. The Certificates are represented by a global warrant certificate ("**Global Warrant**") which will be deposited with The Central Depository (Pte) Limited ("**CDP**"). Certificates in definitive form will not be issued. Transfers of Certificates may be effected only in Board Lots or integral multiples thereof. All transactions in (including transfers of) Certificates, in the open market or otherwise, must be effected through a securities account with CDP. Title will pass upon registration of the transfer in the records maintained by CDP.

(d) *Title*. Each person who is for the time being shown in the records maintained by CDP as entitled to a particular number of Certificates shall be treated by the Issuer, the Guarantor and the Warrant Agent as the holder and absolute owner of such number of Certificates, notwithstanding any notice to the contrary. The expression "**Certificate Holder**" shall be construed accordingly.

(e) *Bail-In*. By the acquisition of Certificates, each Certificate Holder (which, for the purposes of this Condition, includes any current or future holder of a beneficial interest in the Certificates) acknowledges, accepts, consents and agrees:

(i) to be bound by the effect of the exercise of the Bail-In Power (as defined below) by the Relevant Resolution Authority (as defined below) on the Issuer's liabilities under the Certificates, which may include and result in any of the following, or some combination thereof:

(A) the reduction of all, or a portion, of the Amounts Due (as defined below), on a permanent basis;

(B) the conversion of all, or a portion, of the Amounts Due into shares, other securities or other obligations of the Issuer or the Guarantor or another person (and the issue to the Certificate Holder of such shares, securities or obligations), including by means of an amendment, modification or variation of the Conditions of the Certificates, in which case the Certificate Holder agrees to accept in lieu of its rights under the Certificates any such shares, other securities or other obligations of the Issuer or the Guarantor or another person;

(C) the cancellation of the Certificates; and/or

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

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

(the "**Statutory Bail-In**");

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

(A) ranking:

(1) junior to liabilities of the Guarantor benefitting from statutorily preferred exceptions pursuant to Article L.613-30-3-I 1° and 2 of the M&F Code;

(2) *pari passu* with liabilities of the Guarantor as defined in Article L.613-30-3-I-3 of the M&F Code; and

(3) senior to liabilities of the Guarantor as defined in Article L.613-30-3-I-4 of the M&F Code; and

(B) which are not *titres non structurés* as defined under Article R.613-28 of the M&F Code, and

(C) which are not or are no longer eligible to be taken into account for the purposes of the MREL (as defined below) ratio of the Guarantor

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

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

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

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

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

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

For the purposes of this Condition:

"**Amounts Due**" means any amounts due by the Issuer under the Certificates.

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

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

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

2. Certificate Rights and Exercise Expenses

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

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

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

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

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

(i) that fifth Exchange Business Day or Underlying Stock Business Day, as the case may be, shall be deemed to be the Valuation Date or the Observation Date notwithstanding the Market Disruption Event; and

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

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

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

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

3. Expiry Date

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

4. Exercise of Certificates

(a) *Exercise*. Certificates may only be exercised on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, in accordance with Condition 4(b).

(b) *Automatic Exercise*. Certificate Holders shall not be required to deliver an exercise notice. Exercise of Certificates shall be determined by whether the Cash Settlement Amount (less any Exercise Expenses) is positive. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates shall be deemed to have been automatically exercised at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. The Cash Settlement Amount less the Exercise Expenses in respect of the Certificates shall be paid in the manner set out in Condition 4(c) below. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, and Certificate Holders shall not be entitled to receive any payment from the Issuer in respect of the Certificates.

(c) *Settlement*. In respect of Certificates which are automatically exercised in accordance with Condition 4(b), the Issuer will pay to the relevant Certificate Holder the Cash Settlement Amount (if any) in the Settlement Currency. The aggregate Cash Settlement Amount (less any Exercise Expenses) shall be despatched as soon as practicable and no later than five Business Days following the Expiry Date by way of crossed cheque or other payment in immediately available funds drawn in favour of the Certificate Holder only (or, in the case of joint Certificate Holders, the first-named Certificate Holder) appearing in the records maintained by CDP. Any payment made pursuant to this Condition 4(c) shall be delivered at the risk and expense of the Certificate Holder and posted to the Certificate Holder's address appearing in the records maintained by CDP (or, in the case of joint Certificate Holders, to the address of the first-named Certificate Holder appearing in the records maintained by CDP). If the Cash Settlement Amount is equal to or less than the determined Exercise Expenses, no amount is payable.

(d) *CDP not liable*. CDP shall not be liable to any Certificate Holder with respect to any action taken or omitted to be taken by the Issuer or the Warrant Agent in connection with the exercise of the Certificates or otherwise pursuant to or in connection with these Conditions.

(e) *Business Day*. In these Conditions, a "**Business Day**" shall be a day on which the SGX-ST is open for dealings in Singapore during its normal trading hours and banks are open for business in Singapore.

5. Warrant Agent

(a) *Warrant Agent*. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Warrant Agent and to appoint another Warrant Agent provided that it will at all times maintain a Warrant Agent which, so long as the Certificates are listed on the SGX-ST, shall be in Singapore. Notice of any such termination or appointment and of any change in the specified office of the Warrant Agent will be given to the Certificate Holders in accordance with Condition 9.

(b) *Agent of Issuer*. The Warrant Agent will be acting as agent of the Issuer and will not assume any obligation or duty to or any relationship of agency or trust for the Certificate Holders. All determinations and calculations by the Warrant Agent under these Conditions shall (save in the case of manifest error) be final and binding on the Issuer and the Certificate Holders.

6. Adjustments

(a) *Potential Adjustment Event*. Following the declaration by a Company of the terms of any Potential Adjustment Event (as defined below), the Issuer will determine whether such Potential Adjustment Event has a dilutive or concentrative or other effect on the theoretical value of the Underlying Stock and, if so, will (i) make the corresponding adjustment, if any, to any one or more of the Conditions as the Issuer determines appropriate to account for that dilutive or concentrative or other effect, and (ii) determine the effective date of that adjustment. The Issuer may, but need not, determine the appropriate adjustment by reference to the adjustment in respect of such Potential Adjustment Event made by an exchange on which options or futures contracts on the Underlying Stock are traded.

(b) *Definitions*. "**Potential Adjustment Event**" means any of the following:

(i) a subdivision, consolidation, reclassification or other restructuring of the Underlying Stock (excluding a Merger Event) or a free distribution or dividend of any such Underlying Stock to existing holders by way of bonus, capitalisation or similar issue;

(ii) a distribution or dividend to existing holders of the Underlying Stock of (1) such Underlying Stock, or (2) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Company equally or proportionately with such payments to holders of such Underlying Stock, or (3) share capital or other securities of another issuer acquired by the Company as a result of a "spin-off" or other similar transaction, or (4) any other type of securities, rights or warrants or other assets, in any case for payment (in cash or otherwise) at less than the prevailing market price as determined by the Issuer;

(iii) an extraordinary dividend;

(iv) a call by the Company in respect of the Underlying Stock that is not fully paid;

(v) a repurchase by the Company of the Underlying Stock whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise;

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

(vii) any other event that may have, in the opinion of the Issuer, a dilutive or concentrative or other effect on the theoretical value of the Underlying Stock.

(c) *Merger Event, Tender Offer, Nationalisation and Insolvency*. If a Merger Event, Tender Offer, Nationalisation or Insolvency occurs in relation to the Underlying Stock, the Issuer may take any action described below:

(i) determine the appropriate adjustment, if any, to be made to any one or more of the Conditions to account for the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, and determine the effective date of that adjustment. The Issuer may, but need not, determine the appropriate adjustment by reference to the adjustment in respect of the Merger Event, Tender Offer, Nationalisation or Insolvency made by an options exchange to options on the Underlying Stock traded on that options exchange;

(ii) cancel the Certificates by giving notice to the Certificate Holders in accordance with Condition 9. If the Certificates are so cancelled, the Issuer will pay an amount to each Certificate Holder in respect of each Certificate held by such Certificate Holder which amount shall be the fair market value of a Certificate taking into account the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, less the cost to the Issuer and/or any of its affiliates of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its reasonable discretion. Payment will be made in such manner as shall be notified to the Certificate Holders in accordance with Condition 9; or

(iii) following any adjustment to the settlement terms of options on the Underlying Stock on such exchange(s) or trading system(s) or quotation system(s) as the Issuer in its reasonable discretion shall select (the "**Option Reference Source**") make a corresponding adjustment to any one or more of the Conditions, which adjustment will be effective as of the date determined by the Issuer to be the effective date of the corresponding adjustment made by the Option Reference Source. If options on the Underlying Stock are not traded on the Option Reference Source, the Issuer will make such adjustment, if any, to any one or more of the Conditions as the Issuer determines appropriate, with reference to the rules and precedents (if any) set by the Option Reference Source, to account for the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, that in the determination of the Issuer would have given rise to an adjustment by the Option Reference Source if such options were so traded.

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

(d) *Definitions*. "**Insolvency**" means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting a Company (i) all the Underlying Stock of that Company is required to be transferred to a trustee, liquidator or other similar official or (ii) holders of the Underlying Stock of that Company become legally prohibited from transferring them. "**Merger Date**" means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Issuer. "**Merger Event**" means, in respect of the Underlying Stock, any (i) reclassification or change of such Underlying Stock that results in a transfer of or an irrevocable commitment to transfer all of such Underlying Stock outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of a Company with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Company is the continuing entity and which does not result in reclassification or change of all of such Underlying Stock outstanding), (iii) takeover offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Underlying Stock of the Company that results in a transfer of or an irrevocable commitment to transfer all such Underlying Stock (other than such Underlying Stock owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the Company or its subsidiaries with or into another entity in which the Company is the continuing entity and which does not result in a reclassification or change of all such Underlying Stock outstanding but results in the outstanding Underlying Stock (other than Underlying Stock owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding Underlying Stock immediately following such event, in each case if the Merger Date is on or before the Valuation Date. "**Nationalisation**" means that all the Underlying Stock or all or substantially all of the assets of a Company are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof. "**Tender Offer**" means a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10 per cent. and less than 100 per cent. of the outstanding voting shares of the Company, as determined by the Issuer, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Issuer deems relevant.

(e) *Other Adjustments*. Except as provided in this Condition 6 and Conditions 10 and 12, adjustments will not be made in any other circumstances, subject to the right reserved by the Issuer (such right to be exercised in the Issuer's sole discretion and without any obligation whatsoever) to make such adjustments and amendments as it believes appropriate in circumstances where an event or events occur which it believes in its sole discretion (and notwithstanding any prior adjustment made pursuant to the above) should, in the context of the issue of the Certificates and the obligations of the Issuer, give rise to such adjustment or, as the case may be, amendment provided that such adjustment or, as the case may be, amendment is considered by the Issuer not to be materially prejudicial to the Certificate Holders generally (without considering the circumstances of any individual Certificate Holder or the tax or other consequences of such adjustment or amendment in any particular jurisdiction).

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

7. Purchases

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

8. Meetings of Certificate Holders; Modification

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

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

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

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

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

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

9. Notices

(a) *Documents.* All cheques and other documents required or permitted by these Conditions to be sent to a Certificate Holder or to which a Certificate Holder is entitled or which the Issuer shall have agreed to deliver to a Certificate Holder may be delivered by hand or sent by post addressed to the Certificate Holder at his address appearing in the records maintained by CDP or, in the case of joint Certificate Holders, addressed to the joint holder first named at his address appearing in the records maintained by CDP, and airmail post shall be used if that address is not in Singapore. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Certificate Holder.

(b) *Notices.* All notices to Certificate Holders will be validly given if published in English on the web-site of the SGX-ST. Such notices shall be deemed to have been given on the date of the first such publication. If publication on the web-site of the SGX-ST is not practicable, notice will be given in such other manner as the Issuer may determine. The Issuer shall, at least one month prior to the expiry of any Certificate, give notice of the date of expiry of such Certificate in the manner prescribed above.

10. Liquidation

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

11. Further Issues

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

12. Delisting

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

(b) Issuer's Determination. The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Certificate Holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Certificate Holders in accordance with Condition 9 as soon as practicable after they are determined.

13. Early Termination

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

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

For the purposes of this Condition:

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

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

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

For the purposes of this Condition:

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

(c) *Early Termination for other reasons.* The Issuer reserves the right (such right to be exercised in the Issuer's sole and unfettered discretion and without any obligation whatsoever) to terminate the Certificates in accordance with Condition 13(d) where an event or events occur which it believes in its sole discretion should, in the context of the issue of the Certificates and the obligations of the Issuer, give rise to such termination provided that such termination (i) is considered by the Issuer not to be materially prejudicial to the interests of Certificate Holders generally (without considering the circumstances of any individual Certificate Holder or the tax or other consequences of such termination in any particular jurisdiction); or (ii) is otherwise considered by the Issuer to be appropriate and such termination is approved by the SGX-ST.

(d) *Termination*. If the Issuer terminates the Certificates early, then the Issuer will give notice to the Certificate Holders in accordance with Condition 9. The Issuer will, if and to the extent permitted by applicable law, pay an amount to each Certificate Holder in respect of each Certificate held by such holder equal to the fair market value of a Certificate notwithstanding such illegality, impracticality or the relevant event less the cost to the Issuer of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion. Payment will be made in such manner as shall be notified to the Certificate Holders in accordance with Condition 9.

14. Substitution of the Issuer

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

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

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

15. Governing Law

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

16. Prescription

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

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

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

SUMMARY OF THE ISSUE

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

Issuer:	SG Issuer
Company:	Meituan
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) <u>For Certificate Holders who trade the Certificates intraday</u>: 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) <u>For Certificate Holders who hold the Certificates overnight</u>: in addition to the normal transaction and brokerage fees and applicable stamp taxes, would also be required to bear the Management Fee and Gap Premium as well as certain costs embedded within the Leverage Inverse Strategy including the Stock Borrowing Cost and Rebalancing Cost.

Illustration of the Calculation of Hedging Fee Factor

Hedging Fee Factor	=	Product of the Daily Fees

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

Illustration of the Calculation of Cash Settlement Amount

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

		t[7]=0		t=1		t=2		t=i
Value of Certificates	=	Notional Amount	x	Leverage Inverse Strategy daily performance[8] x Daily Fees	x	Leverage Inverse Strategy daily performance x Daily Fees	x …	Leverage Inverse Strategy Daily performance x Daily Fees

		t=0		**Product of the daily Leverage Inverse Strategy Performance**		**Product of the Daily Fees (Hedging Fee Factor)**
Value of Certificates	=	Notional Amount	x	Leverage Inverse Strategy daily performance x Leverage Inverse Strategy daily performance	x	Daily Fees x Daily Fees

		t=0				
Final Value of Certificates	=	Notional Amount	x	Final Reference Level x Final Exchange Rate ÷ Initial Reference Level x Initial Exchange Rate	x	Hedging Fee Factor

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 Meituan
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.):	**7.50%**
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:

HFF(0) = 100%

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

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

$$\mathrm{HFF}\ (1)=\ 100\%\ \times\left(1-0.40\%\ \times\frac{1}{360}\right)\times\left(1-7.50\%\ \times\frac{1}{360}\right)$$

$$\mathrm{HFF}\ (1)=\ 100\%\ \times\ 99.9989\%\ \times\ 99.9792\%\ \approx\ 99.9781\%$$

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

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

$$\text{HFF}(2) = 99.9781\% \times \left(1 - 0.40\% \times \frac{3}{360}\right) \times \left(1 - 7.50\% \times \frac{3}{360}\right)$$

$$\text{HFF}(2) = 99.9781\% \times 99.9967\% \times 99.9375\% \approx 99.9122\%$$

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 99.6713% as illustrated below:

Date	HFF
3/7/2018	100.0000%
4/7/2018	99.9781%
5/7/2018	99.9561%
6/7/2018	99.9342%
9/7/2018	99.8684%
10/7/2018	99.8465%
11/7/2018	99.8246%
12/7/2018	99.8027%
13/7/2018	99.7808%
16/7/2018	99.7151%
17/7/2018	99.6932%
18/7/2018	99.6713%

Cash Settlement Amount

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

Closing Level = [(Final Reference Level x Final Exchange Rate) / (Initial Reference Level x Initial Exchange Rate) – Strike Level] x Hedging Fee Factor

= [(1200 x 1) / (1000 x 1) – 0] x 99.6713%

= 119.61%

Cash Settlement Amount = Closing Level x Notional Amount per Certificate

= 119.61% x 0.80 SGD

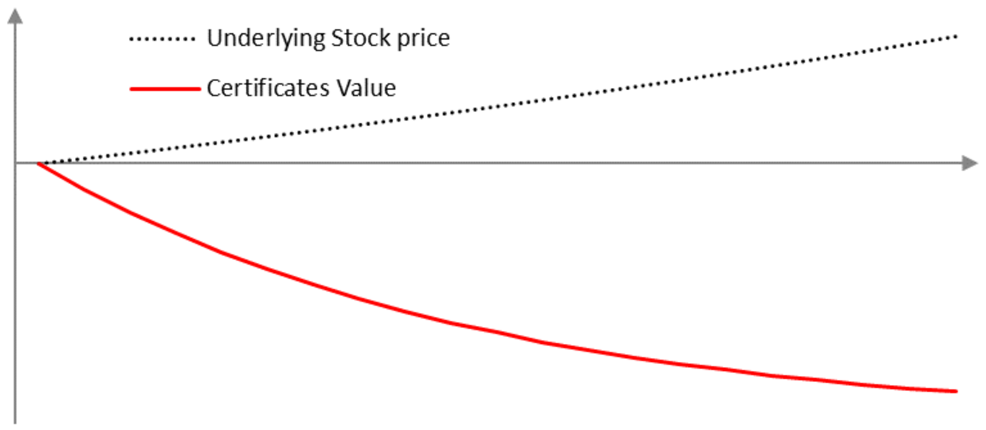
= 0.957 SGD

Illustration on how returns and losses can occur under different scenarios

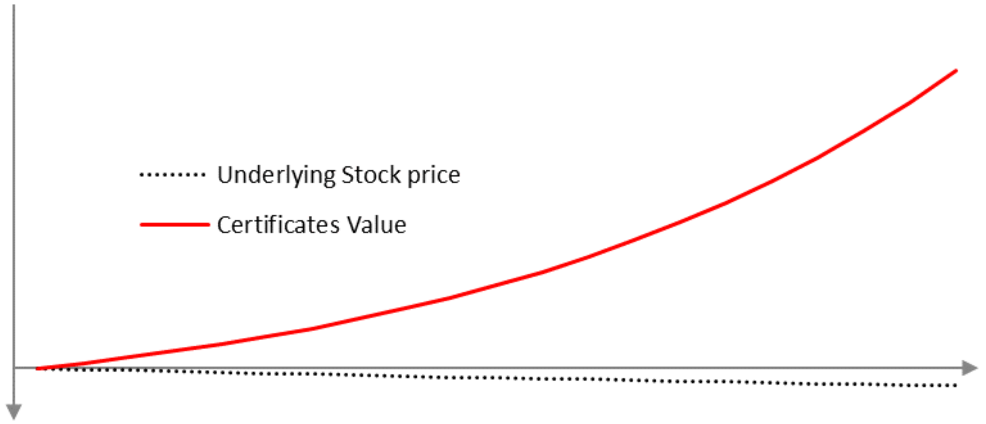
The examples are purely hypothetical and do not take fees and charges payable by investors into consideration. The examples highlight the effect of the Underlying Stock performance on the value of the Certificates and do not take into account the possible influence of fees, exchange rates, dividends,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

1. Illustrative examples

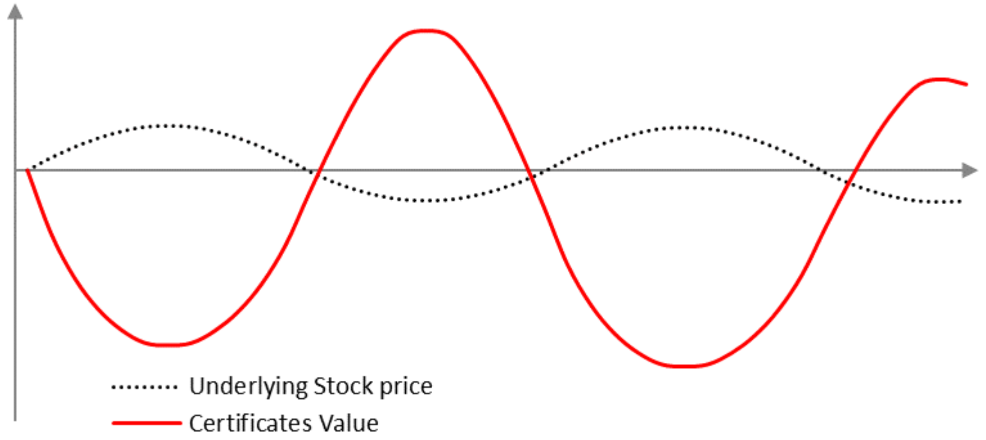
Scenario 1 – Upward Trend



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.

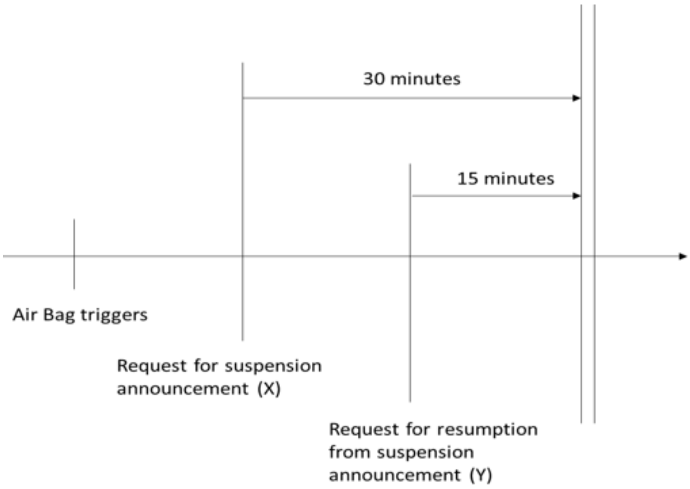
The performance of the Leverage Inverse Strategy will be the inverse of the Underlying Stock.

Air Bag Mechanism timeline

<table>
<tr><th>Air Bag Trigger</th><th>Observation Period</th><th>Resumption of Trading</th></tr>
<tr><td>More than 45 minutes before Market Close</td><td rowspan="2">First 15 minutes after Air Bag Trigger</td><td>Trading resumes the same day between 30 and 45 minutes after Air Bag Trigger</td></tr>
<tr><td>Less than 45 minutes before Market Close and more than 15 minutes before Market Close</td><td rowspan="2">Next trading day at Market Open</td></tr>
<tr><td>15 minutes or less than 15 minutes before Market Close</td><td>From Air Bag Trigger to Market Close</td></tr>
</table>

With **Market Close** defined as:

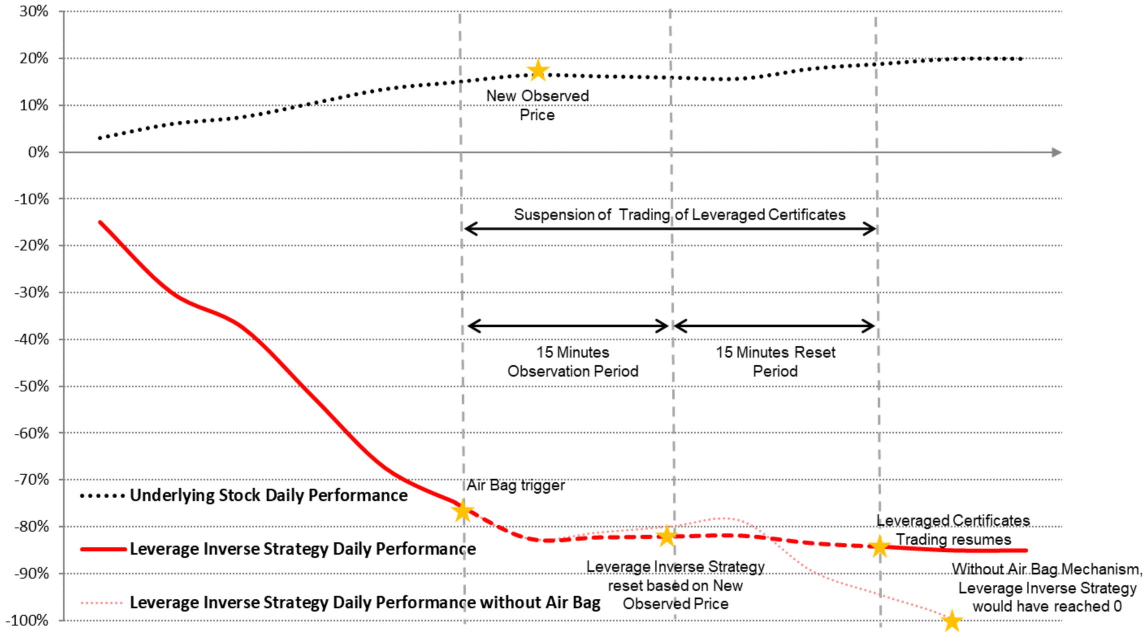
- Underlying Stock closing time with respect to the Observation Period
- The sooner between Underlying Stock closing time and SGX closing time with respect to the Resumption of Trading



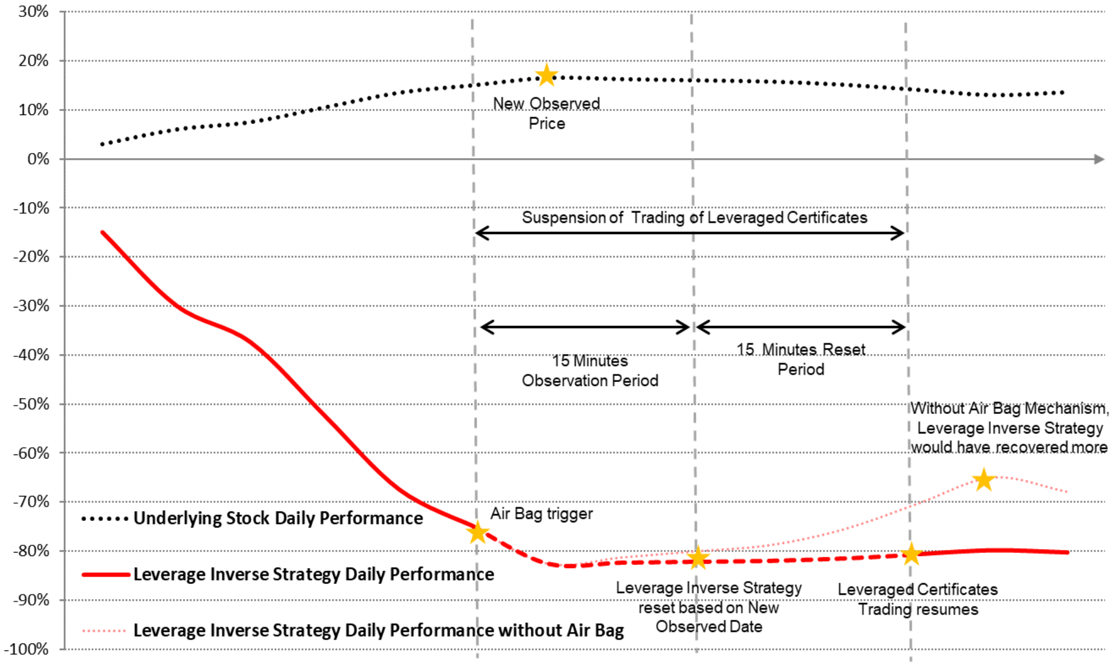
- The later between X+30 minutes or Y+15 minutes will be the earliest time the Certificates can be resumed, the next quarter-of-an-hour of which will be the scheduled resumption time of the Certificates
- If the scheduled resumption time of the Certificates is at or later than the scheduled closing time 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 Mechanism[9]

Scenario 1 – Upward Trend after Air Bag trigger



Scenario 2 – Downward Trend after Air Bag trigger



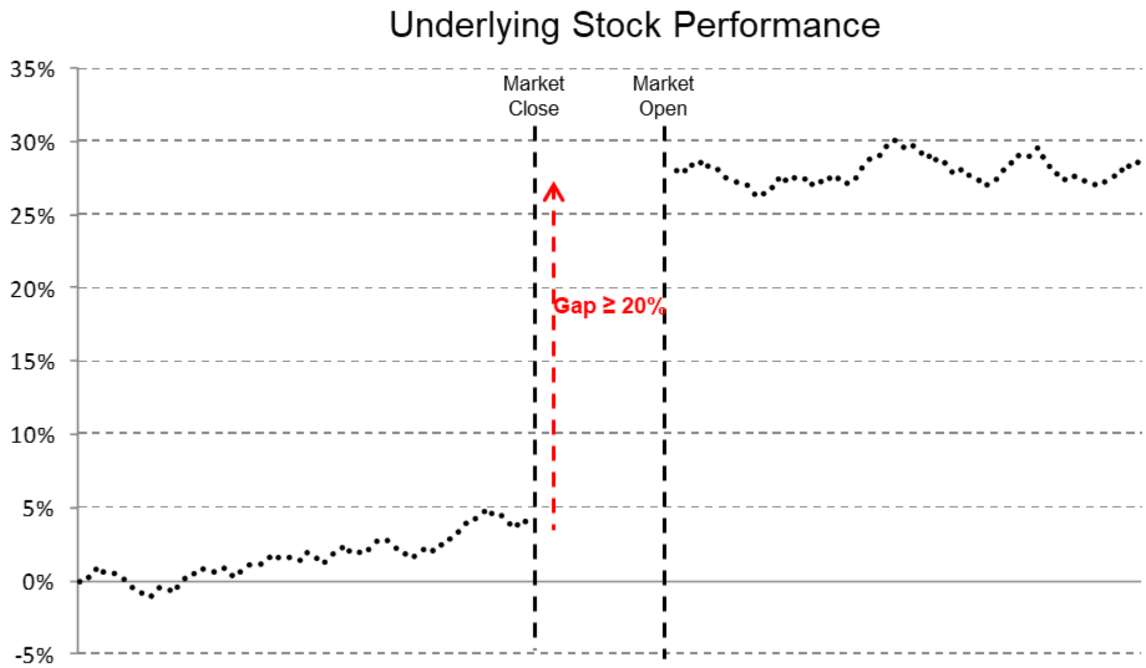
[9] The illustrative examples are not exhaustive.

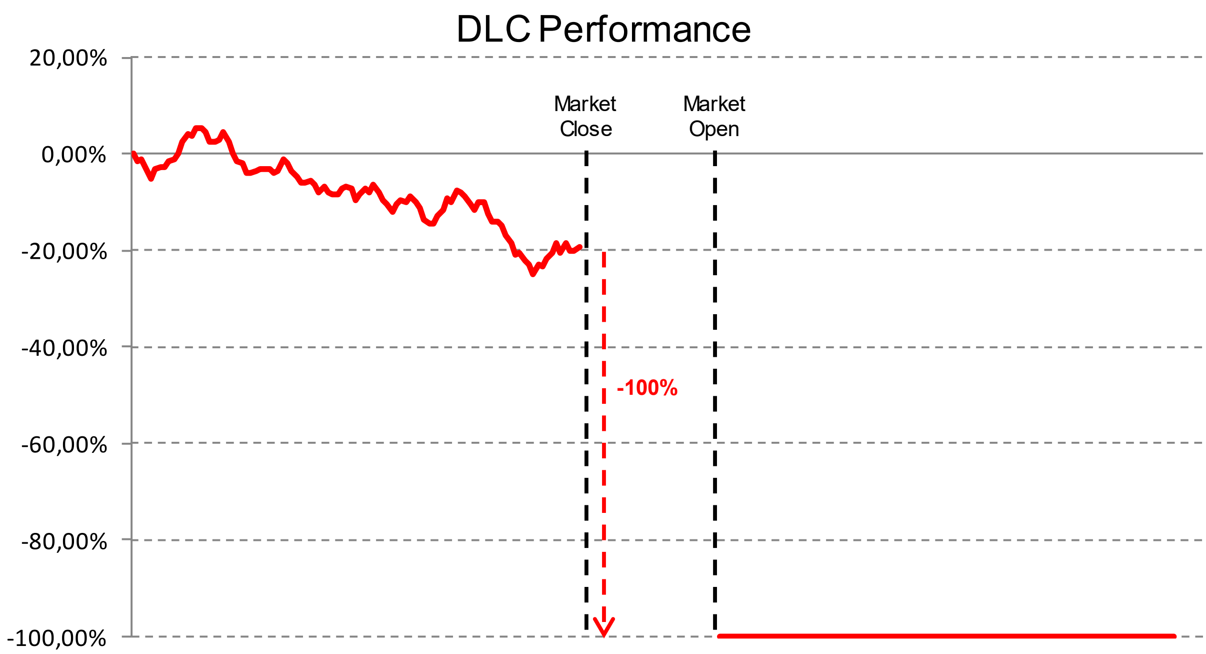
Scenarios where the investor may lose the entire value of the investment

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.

<u>Scenario 1 – Overnight rise of the Underlying Stock</u>

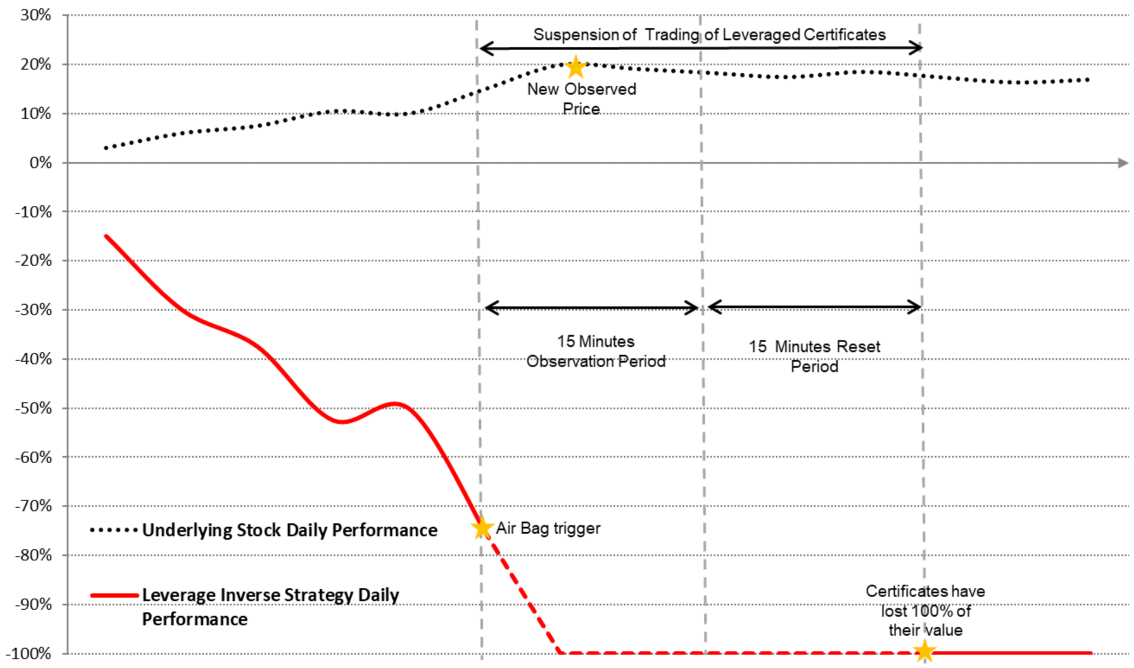
On any business day, the opening price of the Underlying Stock may be higher or lower than the closing price on the previous day. The difference between the previous closing price and the opening price of the Underlying Stock is termed a "gap". If the opening price of the Underlying Stock is 20% or more 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.





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 :

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

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:

$\mathrm{DivExc_t}$ 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):

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

$\mathrm{S_t}$ = $51

$\mathrm{Div_t} = \$0$

$\mathrm{DivExc_t} = \$0$

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:

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

$\mathrm{S_{t-1}}$	$\mathrm{S_{t-1}} \times Rfactor_t$	$\mathrm{S_t}$	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. <u>Share Consolidation</u>

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

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

$\mathrm{S_t}$ = \$202

$\mathrm{Div_t} = \$0$

$\mathrm{DivExc_t} = \$0$

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:

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

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. <u>Rights Issues</u>

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

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

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

R = $40 (i.e. subscription price of $40)

M = 0.5 (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:

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

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

$Div_t = \$0$

$DivExc_t = \$0$

R = \$0

M = 0.2 (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

$Div_t = \$0$

$DivExc_t = \$20$

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:

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

$\mathrm{S_{t-1}}$	$\mathrm{S_{t-1}} \times Rfactor_t$	$\mathrm{S_t}$	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://about.meituan.com/en. The Issuer has not independently verified any of such information.*

As China's leading e-commerce platform for services, Meituan's (the "**Company**") business revolves around the "Food+ Platform" strategy, and is centered on "eating" as its core. Meituan operates several well-known mobile apps in China, including Meituan, Dianping, Meituan Waimai and others. Its business comprises over 200 service categories, including catering, on-demand delivery, car-hailing, bike-sharing, hotel and travel booking, movie ticketing, and other entertainment and lifestyle services, and covers 2,800 cities and counties across China.

Meituan (stock code: 3690.HK) was officially listed on the Main Board of The Stock Exchange of Hong Kong Limited on 20 September 2018.

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 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 MEITUAN 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 Meituan
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Meituan (the "**Company**") and its subsidiaries (the "**Group**"), which are set out on pages 169 to 292, comprise:

- the consolidated statement of financial position as at December 31, 2021;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income 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 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
- Impairment assessments of goodwill

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition	
Refer to notes 2.27, 4.5, 4.6 and 6 to the consolidated financial statements. The Group provides an e-commerce platform that offers diversified daily goods and services in the broader retail by leveraging technology, including food delivery, in-store, hotel and travel booking and other services and sales. The Group mainly generates revenue in the way of food delivery services fees, commission, online marketing services fees and other services and sales. Revenue of RMB179.1 billion was recognised for the current year. We focused on this area as significant efforts were spent on auditing the accuracy of revenue recognition due to the magnitude of revenue amount and the huge volume of revenue transactions recorded in the operating systems and then interfaced with the financial system.	Our procedures in relation to the revenue recognition included: We understood and tested management's process and controls in respect of revenue recognition and calculation derived from different services. We discussed with management and evaluated their judgements made in determining the method and timing of revenue recognition and calculation. We tested the general control environment and automated controls of the information technology systems used in the transaction processes. We tested the interface between the operating and financial systems. We tested, on a sample basis, transactions by checking the cash receipt, reviewing the underlying contracts, identifying the key terms and attributes from the contracts and checking them against the underlying data from the system used in the transaction processes, and then recalculating the revenue amount. Based on the procedures performed, we found that the Group's revenue recognition was supported by the evidence obtained.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessments of goodwill	
Refer to Notes 2.9, 4.4 and 16 to the consolidated financial statements. As at December 31, 2021, the net carrying amount of goodwill amounted to RMB27.7 billion. Under International Accounting Standards ("**IAS**") 36 Impairment of Assets, the Group is required to perform goodwill impairment assessment both annually and whenever there is an indication that a cash-generating unit ("**CGU**") to which goodwill has been allocated may be impaired. The Group engaged an independent external valuer to prepare the goodwill impairment testing. The recoverable amounts of CGUs were determined based on the value-in-use calculations using cash flow projections. We focused on this area due to (a) the magnitude of the carrying amount of goodwill; and (b) the estimation of recoverable amount is subject to high degree of estimation uncertainty. The inherent risk in relation to the impairment assessment of goodwill is considered significant due to the complexity of the models, subjectivity of significant assumptions used, and significant judgements involved in selecting data, such as annual revenue growth rate for the 5-year period, gross profit, terminal revenue growth rate and pre-tax discount rate.	Our procedures in relation to the impairment assessments of goodwill included: We tested management's assessment including periodic impairment indications evaluation as to whether indicators of impairment exist by corroborating with management and market information. We obtained an understanding of the management's internal control and assessment process of goodwill impairment 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 or fraud. We evaluated the outcome of prior period assessment of the goodwill to assess the effectiveness of the management's estimation process. We evaluated and tested the key controls over the impairment of goodwill. We assessed the appropriateness of the valuation models and significant assumptions with the involvement of our internal valuation experts. We evaluated the independent valuer's objectivity and competency. We assessed the reasonableness of the basis that management used to identify separate group of CGUs for the allocation of goodwill. We assessed the key assumptions adopted including annual revenue growth rate for the 5-year period and gross profit rate by examining the approved financial/business forecast models, and comparing actual results for the year against the previous period taking into consideration of market trends and our industry knowledge. We assessed terminal revenue growth rate and pre-tax discount rate with the involvement of our internal valuation experts.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
	We independently tested, on a sample basis, the accuracy of mathematical calculation applied in the valuation models and the calculation of impairment charges. We evaluated the reasonableness of management's forecast performance and assessed management's sensitivity analysis around the key assumptions, to ascertain the extent to which adverse changes, would result in the goodwill being impaired. We assessed the adequacy of the disclosures related to goodwill impairment in the context of the applicable financial reporting framework. We also considered whether the judgements made in selecting the models, significant assumptions and data would give rise to indicators of possible management bias. Based on the procedures performed, we considered that the risk assessment of goodwill impairment remained appropriate and the key assumptions adopted by management in the assessment of goodwill impairment are supported by the evidence obtained.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information 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, 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.

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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT

- 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 Jack Li.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, March 25, 2022

CONSOLIDATED INCOME STATEMENT

	Note	Year ended December 31, 2021 RMB'000	2020 RMB'000
Revenues	5,6	**179,127,997**	114,794,510
Including: Interest revenue		**1,000,004**	884,897
Cost of revenues	7	**(136,653,869)**	(80,744,368)
Gross profit		**42,474,128**	34,050,142
Selling and marketing expenses	7	**(40,683,166)**	(20,882,685)
Research and development expenses	7	**(16,675,595)**	(10,892,514)
General and administrative expenses	7	**(8,612,626)**	(5,593,895)
Net provisions for impairment losses on financial and contract assets		**(259,953)**	(467,690)
Fair value changes of other financial investments at fair value through profit or loss	19	**815,747**	4,955,909
Other (losses)/gains, net	9	**(185,734)**	3,160,835
Operating (loss)/profit	5	**(23,127,199)**	4,330,102
Finance income	10	**546,037**	213,684
Finance costs	10	**(1,130,935)**	(370,016)
Share of gains of investments accounted for using the equity method	12	**145,620**	264,105
(Loss)/profit before income tax		**(23,566,477)**	4,437,875
Income tax credits	13	**30,279**	269,737
(Loss)/profit for the year		**(23,536,198)**	4,707,612
(Loss)/profit for the year attributable to:			
Equity holders of the Company		**(23,538,379)**	4,708,313
Non-controlling interests		**2,181**	(701)
		(23,536,198)	4,707,612
(Loss)/earnings per share for (loss)/profit for the year attributable to the equity holders of the Company	14		
Basic (loss)/earnings per share (RMB)		**(3.90)**	0.81
Diluted (loss)/earnings per share (RMB)		**(3.90)**	0.78

The notes on pages 177 to 292 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended December 31, 2021 RMB'000	2020 RMB'000
Other comprehensive loss:			
Items that may be reclassified to profit or loss			
Share of other comprehensive income/(loss) of investments accounted for using the equity method	12,27	**1,836**	(300)
Fair value changes of debt instruments at fair value through other comprehensive income	27	**4,795**	(60)
Net provisions for impairment losses on debt instruments at fair value through other comprehensive income	27	**163,604**	—
Items that will not be reclassified to profit or loss			
Currency translation differences	27	**(1,540,203)**	(2,920,302)
Share of other comprehensive loss of investments accounted for using the equity method	12,27	**(43,633)**	(142,357)
Fair value changes of other financial investments at fair value through other comprehensive income	20,27	**(86,821)**	84,387
Other comprehensive loss for the year, net of tax		**(1,500,422)**	(2,978,632)
Total comprehensive (loss)/income for the year		**(25,036,620)**	1,728,980
Total comprehensive (loss)/income for the year attributable to:			
Equity holders of the Company		**(25,038,801)**	1,729,681
Non-controlling interests		**2,181**	(701)
		(25,036,620)	1,728,980

The notes on pages 177 to 292 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As of December 31,	
		2021	2020
	Note	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	22,814,246	13,917,165
Intangible assets	16	31,048,814	31,676,381
Deferred tax assets	18(a)	1,378,468	448,670
Long-term treasury investments	21	4,010,442	612,967
Other financial investments at fair value through profit or loss	19	14,299,857	10,256,786
Investments accounted for using the equity method	12	13,868,788	13,180,943
Other financial investments at fair value through other comprehensive income	20	2,022,705	605,918
Prepayments, deposits and other assets	22	3,381,272	7,569,817
		92,824,592	78,268,647
Current assets			
Inventories	23	681,693	466,492
Trade receivables	24	1,793,035	1,030,948
Prepayments, deposits and other assets	22	15,281,586	12,940,125
Short-term treasury investments	21	84,282,016	43,999,364
Restricted cash	25(b)	13,276,919	12,775,667
Cash and cash equivalents	25(a)	32,513,428	17,093,559
		147,828,677	88,306,155
Total assets		240,653,269	166,574,802
EQUITY			
Share capital	26	411	395
Share premium	26	311,221,237	263,155,201
Shares held for shares award scheme	26	—	—
Other reserves	27	(2,866,675)	(6,262,066)
Accumulated losses		(182,741,531)	(159,200,503)
Equity attributable to equity holders of the Company		125,613,442	97,693,027
Non-controlling interests		(56,680)	(58,752)
Total equity		125,556,762	97,634,275

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As of December 31, 2021 RMB'000	2020 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	18(b)	**895,691**	755,694
Financial liabilities at fair value through profit or loss		—	114,600
Deferred revenues	28	—	166,700
Borrowings	31	**12,219,667**	1,957,470
Notes payable	32	**30,383,378**	12,966,341
Lease liabilities	15	**2,994,226**	1,648,008
Other non-current liabilities		**10,588**	184,073
		46,503,550	17,792,886
Current liabilities			
Trade payables	29	**15,165,619**	11,967,026
Payables to merchants		**10,950,920**	9,414,936
Advances from transacting users		**5,171,054**	4,307,861
Other payables and accruals	30	**18,400,738**	12,779,429
Borrowings	31	**11,565,200**	6,395,002
Deferred revenues	28	**5,478,480**	5,052,830
Lease liabilities	15	**1,756,559**	1,089,847
Income tax liabilities		**104,387**	140,710
		68,592,957	51,147,641
Total liabilities		**115,096,507**	68,940,527
Total equity and liabilities		**240,653,269**	166,574,802

The notes on pages 177 to 292 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 169 to 292 were approved by the Board of Directors on March 25, 2022 and were signed on its behalf:

Wang Xing
Director

Mu Rongjun
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to equity holders of the Company							
	Note	Share capital RMB'000	Share premium RMB'000	Shares held for shares award scheme RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
As of January 1, 2021		395	263,155,201	–	(6,262,066)	(159,200,503)	97,693,027	(58,752)	97,634,275
Comprehensive income									
Loss for the year		–	–	–	–	(23,538,379)	(23,538,379)	2,181	(23,536,198)
Other comprehensive loss									
Share of other comprehensive loss of investments accounted for using the equity method	12,27	–	–	–	(41,797)	–	(41,797)	–	(41,797)
Fair value changes of other financial investments at fair value through other comprehensive income	20,27	–	–	–	(86,821)	–	(86,821)	–	(86,821)
Fair value changes of debt instruments at fair value through other comprehensive income	27	–	–	–	4,795	–	4,795	–	4,795
Net provisions for impairment losses on debt instruments at fair value through other comprehensive income	27	–	–	–	163,604	–	163,604	–	163,604
Currency translation differences	27	–	–	–	(1,540,203)	–	(1,540,203)	–	(1,540,203)
Total comprehensive loss		–	–	–	(1,500,422)	(23,538,379)	(25,038,801)	2,181	(25,036,620)
Share of other changes in net assets of associates	12,27	–	–	–	158,922	–	158,922	–	158,922
Transaction with owners in their capacity as owners									
Equity-settled share-based payments	27,33	–	–	–	5,193,445	–	5,193,445	–	5,193,445
Shares held for shares award scheme	26	1	–	(1)	–	–	–	–	–
Exercise of share options and RSUs vesting	26,27	2	2,780,149	1	(2,508,430)	–	271,722	–	271,722
Issuance of shares upon placement and subscription	26	13	45,285,887	–	–	–	45,285,900	–	45,285,900
Issuance of convertible bonds (equity component)	27,32	–	–	–	1,513,938	–	1,513,938	–	1,513,938
Tax benefit from share-based payments	27	–	–	–	535,289	–	535,289	–	535,289
Appropriations to general reserves	27	–	–	–	2,649	(2,649)	–	–	–
Distributions from a non wholly-owned subsidiary		–	–	–	–	–	–	(109)	(109)
Total transaction with owners in their capacity as owners		16	48,066,036	–	4,736,891	(2,649)	52,800,294	(109)	52,800,185
As of December 31, 2021		411	311,221,237	–	(2,866,675)	(182,741,531)	125,613,442	(56,680)	125,556,762

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to equity holders of the Company							
	Note	Share capital RMB'000	Share premium RMB'000	Shares held for shares award scheme RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
As of January 1, 2020		389	260,359,929	—	(4,447,252)	(163,800,621)	92,112,445	(58,051)	92,054,394
Comprehensive income									
Profit for the year		—	—	—	—	4,708,313	4,708,313	(701)	4,707,612
Other comprehensive income									
Share of other comprehensive loss of investments accounted for using the equity method	12,27	—	—	—	(142,657)	—	(142,657)	—	(142,657)
Fair value changes of other financial investments at fair value through other comprehensive income	20,27	—	—	—	84,387	—	84,387	—	84,387
Fair value changes of debt instruments at fair value through other comprehensive income	27	—	—	—	(60)	—	(60)	—	(60)
Currency translation differences	27	—	—	—	(2,920,302)	—	(2,920,302)	—	(2,920,302)
Total comprehensive income		—	—	—	(2,978,632)	4,708,313	1,729,681	(701)	1,728,980
Share of other changes in net assets of associates	12,27	—	—	—	21,671	—	21,671	—	21,671
Transaction with owners in their capacity as owners									
Equity-settled share-based payments	27,33	—	—	—	3,272,930	—	3,272,930	—	3,272,930
Shares held for shares award scheme	26	1	—	(1)	—	—	—	—	—
Exercise of share options and RSUs vesting	26,27	5	2,795,272	1	(2,283,840)	—	511,438	—	511,438
Tax benefit from share-based payments	27	—	—	—	44,862	—	44,862	—	44,862
Appropriations to general reserves	27	—	—	—	108,195	(108,195)	—	—	—
Total transaction with owners in their capacity as owners		6	2,795,272	—	1,142,147	(108,195)	3,829,230	—	3,829,230
As of December 31, 2020		395	263,155,201	—	(6,262,066)	(159,200,503)	97,693,027	(58,752)	97,634,275

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended December 31, 2021 RMB'000	2020 RMB'000
Cash flows from operating activities			
Cash (used in)/generated from operations	36(a)	(3,756,727)	8,561,324
Income tax paid		(254,730)	(86,311)
Net cash flows (used in)/generated from operating activities		(4,011,457)	8,475,013
Cash flows from investing activities			
Purchases and prepayments of property, plant and equipment and intangible assets		(9,010,455)	(15,824,436)
Proceeds from disposals of property, plant and equipment and intangible assets		106,219	279,764
Payments for acquisitions of businesses, net of cash acquired		(13,786)	(26,849)
Purchases of treasury investments		(409,062,234)	(196,817,451)
Sales and maturities of treasury investments		364,318,074	199,496,075
Purchases of investments accounted for using the equity method		—	(2,367,376)
Proceeds from disposals of investments in associates and others		70,806	601,370
Purchases of other financial investments at fair value		(5,040,733)	(7,326,690)
Net cash outflow arising from disposals or deemed disposals of subsidiaries		(867,327)	—
Gains received from treasury investments and other financial instruments		996,319	1,629,777
Dividends received		24,325	18,912
Loans payments to investees and others		(1,205,221)	(913,000)
Loans repayments from investees and others		1,234,179	37,081
Prepayments for investments		(42,000)	(19,181)
Net cash flows used in investing activities		(58,491,834)	(21,232,004)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended December 31, 2021 RMB'000	2020 RMB'000
Cash flows from financing activities	36(c)		
Proceeds from borrowings, excluding asset-backed securities ("ABS")		**25,346,479**	10,900,292
Repayments of borrowings, excluding ABS		**(9,578,283)**	(5,448,702)
Repayments of ABS		**—**	(830,031)
Net proceeds from issuance of notes payable		**19,288,691**	13,337,825
Finance costs paid		**(620,127)**	(218,611)
Proceeds from exercise of share options		**275,371**	499,088
Net proceeds from issuance of ordinary shares		**45,286,099**	—
Payments of lease liabilities		**(2,191,299)**	(936,380)
Increase in financial liabilities		**791,400**	114,600
Net cash flows generated from financing activities		**78,598,331**	17,418,081
Net increase in cash and cash equivalents		**16,095,040**	4,661,090
Cash and cash equivalents at the beginning of the year		**17,093,559**	13,396,185
Exchange losses on cash and cash equivalents		**(675,171)**	(963,716)
Cash and cash equivalents at the end of the year	25(a)	**32,513,428**	17,093,559

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

1 GENERAL INFORMATION

Meituan (the "**Company**") was incorporated in the Cayman Islands ("**Cayman**") on September 25, 2015 as an exempted company with limited liability under the laws of the Cayman Islands. The registered office is at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company's Class B shares have been listed on the Main Board of the Hong Kong Stock Exchange since September 20, 2018.

The Company is an investment holding company. The Company and its domestic subsidiaries, including structured entities (collectively, the "**Group**"), offers diversified daily goods and services in the broader retail by leveraging technology, including food delivery, in-store, hotel and travel booking and other services and sales.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation and changes in accounting policies and disclosures

The consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**") issued by International Accounting Standards Board ("**IASB**") and disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss or through other comprehensive income, which are carried at fair value.

The preparation of the consolidated financial statements in conformity with IFRS 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.

2.1.1 New amendments adopted by the Group

The Group has applied the following amendments for the first time commencing January 1, 2021:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – phase 2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation and changes in accounting policies and disclosures *(Continued)*

2.1.1 New amendments adopted by the Group (Continued)

The Group had certain interest-bearing bank borrowings denominated in USD based on the London Interbank Offered Rate ("**LIBOR**") as of December 31, 2021. For these bank borrowings, since the interest rates of these instruments were not replaced by alternative risk-free rates ("**RFR**") during this year, the amendments did not have any significant impact on the financial position and performance of the Group. Replacement of the benchmark rates of these instruments from LIBOR to an RFR has yet to commence.

2.1.2 New standards and amendments not yet adopted by the Group

The following new standards and amendments have been issued, but are not effective for the Group's financial year beginning on January 1, 2021 and have not been early adopted by the Group's management.

		Effective for financial year beginning on or after
Amendments to IAS 28 and IFRS 10	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
IAS 16 (Amendments)	Property, plant and equipment: proceeds before intended use	January 1, 2022
Amendments to IFRS 3	Reference to the conceptual framework	January 1, 2022
IAS 37 (Amendments)	Onerous contract – cost of fulfilling a contract	January 1, 2022
IAS 1 (Amendments)	Classification of liabilities as current and non-current	January 1, 2023
IFRS 17	Insurance contracts	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
Amendments to IAS 8	Definition of Accounting Estimates	January 1, 2023
Amendments to IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	January 1, 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation and changes in accounting policies and disclosures *(Continued)*

2.1.2 New standards and amendments not yet adopted by the Group (Continued)

The Group is in the process of assessing potential impact of the above new standards and amendments that is relevant to the Group upon initial application. According to the preliminary assessment made by the directors of the Company ("**Directors**"), management does not anticipate any significant impact on the Group's financial positions and results of operations upon adopting the above new standards and amendments except for the Amendments to IAS 12. The management of the Group plans to adopt these new standards and amendments when they become effective.

2.2 Subsidiaries

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity (including structured entities) 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.

Intercompany 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, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries *(Continued)*

2.2.1 Business combinations

The Group applies the acquisition method 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 interests in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interests in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interests' proportionate share of the acquired entity's identifiable net assets.

Acquisition-related costs are expensed as incurred.

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

Contingent consideration is classified either as equity or financial liability. Amounts classified as financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss. Amounts classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries *(Continued)*

2.2.2 Changes in ownership interests in subsidiaries without change of control

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interests results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to equity holders of the Company.

2.2.3 Changes in ownership interests in subsidiaries with change of control

When the Group ceases to consolidate a subsidiary because of a loss of control, any retained interests in the entity are remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purpose of subsequently accounting for the retained interests as an associate, a joint venture or a financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs.

2.3 Associates

Associates are 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 instruments or ordinary shares with preferential rights are financial assets designated at fair value through profit or loss. All investments in the form of ordinary shares with significant influence are accounted for using the equity method of accounting.

The investments accounted for using the equity method are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition movements in equity of the investee in profit or loss or other reserves. Dividends received or receivable from associates accounted for using the equity method are recognised as a reduction in the carrying amount of the investment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Associates *(Continued)*

Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill which is included in the carrying amount of the investment.

When the Group's share of losses in an investment accounted for using the equity method equals or exceeds its interest in the investee, 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 investee.

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

The Group determines at each reporting period end whether there is any objective evidence that investments accounted for using the equity method are impaired. If this is the case, the Group calculates 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.

If the ownership interest in an associate accounted for using the equity method is reduced but 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 Joint arrangements

The Group has applied IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has both joint operations and joint ventures.

The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the consolidated financial statements under the appropriate headings. Interests in joint ventures are accounted for using the equity method of accounting as mentioned in Note 2.3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Separate financial statements

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

2.6 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, mainly refers to the executive Directors.

2.7 Foreign currency exchange and translation

2.7.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("**functional currency**"). The Company's functional currency is USD as its key activities and transactions are denominated in USD. The Company's primary subsidiaries were incorporated in the PRC and these subsidiaries considered RMB as their functional currency. The Group's presentation currency is RMB.

2.7.2 Transactions and balances

Foreign currency transactions are exchanged into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains or losses resulting from the settlement of such transactions and from the exchange of monetary assets and liabilities denominated in foreign currencies at period end exchange rates are generally recognised in consolidated income statement on a net basis within "Other (losses)/gains, net".

Non-monetary items that are measured at fair value and denominated in a foreign currency are exchanged using the exchange rates at the date when the fair value was determined. Exchange differences on assets and liabilities carried at fair value are reported as part of the fair value changes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Foreign currency exchange and translation *(Continued)*

2.7.3 Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate of the date of that statement of financial position

- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and

- all resulting translation differences are recognised in other comprehensive income.

On consolidation, foreign exchange gains or losses arising from the exchange of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investment, are recognised in the consolidated statement of comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the related foreign exchange gains or losses are reclassified into the consolidated income statement, as part of "Other (losses)/gains, net".

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Property, plant and equipment

All property, plant and equipment ("**PP&E**") are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, where 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 any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

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

• Computer equipment (including servers)	3 years
• Furniture and appliances	3-5 years
• Bikes and electric mopeds	2-3 years
• Leasehold improvements	the shorter of the lease term and the estimated useful lives
• Others	2-5 years

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Intangible assets

2.9.1 Goodwill

Goodwill arising from the acquisition of subsidiaries represents the excess of the aggregate purchase consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interests in the acquiree over the fair value of the identifiable net 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 impairment losses. Gains or losses on the disposal of a subsidiary include the carrying amount of goodwill relating to the subsidiary sold.

Goodwill is allocated to cash-generating units ("**CGU**") for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. The CGUs or groups of CGUs are identified at the lowest level at which goodwill is monitored for internal management purposes at the operating segments.

2.9.2 Other intangible assets

Other intangible assets mainly include those arising from business combinations other than goodwill and software and others. They are initially recognised and measured at cost or fair value where appropriate. Other intangible assets are amortised over their estimated useful lives using the straight-line method as follows, reflecting the pattern in which the intangible asset's future economic benefits are expected to be consumed.

• Other intangible assets arising from business combinations	2-25 years
• Software and others	1-10 years

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Intangible assets *(Continued)*

2.9.3 Research and development

Research expenditures are recognised as expenses as incurred. Costs incurred on development projects are capitalised 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 capitalised as intangible assets as of December 31, 2021 and 2020.

2.10 Shares held for shares award scheme

The nominal value of the shares transferred by the Company to the Share Scheme Trust, is presented as "Shares held for shares award scheme".

When the Share Scheme Trust transfers the Company's shares to the awardees upon vesting, the related nominal value of the awarded shares vested are credited to "Shares held for shares award scheme" and related equity-settled share-based payments were transferred from "Other reserves" to "Share premium".

2.11 Impairment of non-financial assets

Other than goodwill mentioned in Note 2.9.1, other non-financial 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 purpose 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

For the year ended December 31, 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.12 Land use rights

Land use rights are up-front payments to acquire long-term interest in land. They are stated at historical cost less accumulated depreciation and impairment in "Property, plant and equipment", and charged to the consolidated income statement on a straight-line basis over the remaining period of the lease.

2.13 Financial assets

2.13.1 Classification

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

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and

- those to be measured at amortised 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 or losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investments are 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 instruments at fair value through other comprehensive income ("**FVOCI**").

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Financial assets *(Continued)*

2.13.2 Recognition

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.

2.13.3 Derecognition

The Group derecognises a financial asset, if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows of the financial asset expire; (ii) the contractual rights to receive the cash flows and substantially all the risks and rewards of ownership of the financial asset have been transferred; or (iii) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of derecognition of transfer of cash flows ("pass through" requirements) and substantially all the risks and rewards of ownership of the financial asset have been transferred.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss or retained earnings:

- the carrying amount of the financial asset transferred; and
- the sum of the consideration received from the transfer and any cumulative gains or losses that has been recognised directly in equity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Financial assets *(Continued)*

2.13.3 Derecognition (Continued)

As part of its operations, the Group securitises financial assets, generally through the sale of these assets to special purpose vehicles which issue securities to investors. When the securitisation of financial assets is qualified for derecognition, the relevant financial assets are derecognised in their entirety and a new financial asset or liability is recognised regarding the interest in the unconsolidated securitisation vehicles that the Group acquired. When the securitisation of financial assets is not qualified for derecognition, the relevant financial assets are not derecognised, and the consideration paid by third parties are recorded as a financial liability. When the securitisation of financial assets is partially qualified for derecognition, the book value of the transferred assets should be recognised between the derecognised portion and the retained portion based on their respective fair values, and the difference between the book value of the derecognised portion and the total consideration paid for the derecognised portion shall be recorded in profit or loss.

2.13.4 Measurement

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Financial assets *(Continued)*

2.13.4 Measurement (Continued)

(a) Debt instruments

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

- Amortised 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 amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gains or losses arising from derecognition is recognised directly in profit or loss and presented in "Other (losses)/gains, net" together with foreign exchange gains or losses. Impairment losses are presented as separate line item in the consolidated income statement.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the provisions or reversals of impairment losses, interest income and foreign exchange gains or losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gains or losses previously recognised in other comprehensive income is reclassified to profit or loss and presented 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 or losses are presented in "Other (losses)/gains, net" and impairment losses are presented as separate line item in the consolidated income statement.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. Gains or losses on debt instruments that is subsequently measured at FVPL are recognised in profit or loss and presented within "Other (losses)/gains, net".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Financial assets *(Continued)*

2.13.4 Measurement (Continued)

(b) Equity instruments

The Group subsequently measures all equity instruments at fair value. Where the Group's management has elected to present fair value changes of equity instruments in other comprehensive income, there is no subsequent reclassification of such fair value changes to profit or loss following the derecognition of the financial assets. Dividends from such equity instruments continue to be recognised in profit or loss when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in "Fair value changes of other financial investments at fair value through profit or loss" as applicable. Equity instruments designated as FVOCI are not subject to impairment assessment.

2.13.5 Impairment

The Group assesses on a forward-looking basis the expected credit losses ("**ECL**") 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 ("**SICR**").

The Group has three types of financial assets that are subject to IFRS 9's new ECL model (Note 3.1.2):

- Loan receivables
- Trade receivables
- Financial assets in prepayment, deposits and other assets, other than loan receivables

While cash and cash equivalents, restricted cash, treasury investments at amortised cost or at FVOCI are also subject to the impairment requirements of IFRS 9, the identified impairment losses were immaterial.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.14 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount 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. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.15 Deposits from transacting users

Deposits from transacting users are the deposits received from transacting users of bike-sharing services, which are placed in the custody of certain bank accounts and redeemable at any time upon the requests from transacting users.

2.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is primarily determined using the weighted average method. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.17 Trade and other receivables

Trade receivables are amounts due from customers for goods and services provided in the ordinary course of business.

Trade and other receivables are generally due for settlement within 1 year and therefore are all classified as current.

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. Other receivables are recognised initially at fair value. Trade and other receivables are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 Cash and cash equivalents and restricted cash

Cash and cash equivalents includes cash on hand and cash in bank, deposits held at call with banks within three months and certain amounts of cash held in accounts managed by other financial institutions in connection with the provision of services and sales of goods.

Cash that restricted from withdrawal, use or pledged as security is reported separately in the consolidated statements of financial position, and is not included in the consolidated statements of cash flows.

2.19 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.

2.20 Trade and other payables

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

2.21 Borrowings, notes payable and borrowing costs

Borrowings and notes payable issued by the Group are initially recognised at fair value, net of transaction costs incurred. They are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over their contractual terms using the effective interest rate method.

The fair value of the liability portion of convertible bonds is determined using a market interest rate for equivalent non-convertible bonds. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the convertible bonds. The remainder of the proceeds is allocated to the conversion option, which is recognised in other reserves, net of income tax effects.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Borrowings, notes payable and borrowing costs *(Continued)*

Borrowings and notes payable are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Borrowing costs are expensed in the period in which they are incurred.

Borrowings and notes payable are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired.

2.22 Financial liabilities at fair value through profit or loss

The Group irrevocably designate a financial liability at fair value through profit or loss when doing so results in more relevant information at initial recognition, because either:

(a) it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as “an accounting mismatch”) that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or

(b) a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group’s key management personnel, for example, the Group’s Board of Directors and chief executive officer.

2.23 Current and deferred income tax

The income tax expenses or credits 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 unused tax losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 Current and deferred income tax *(Continued)*

2.23.1 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's subsidiaries 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. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2.23.2 Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax base 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. The deferred income tax is 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 at the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that future taxable profit, against which the temporary differences and tax losses can be utilised, will be probably available.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and associates, except for deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liabilities in relation to taxable temporary differences arising from the subsidiaries and associates' undistributed profits is not recognised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 Current and deferred income tax *(Continued)*

2.23.2 Deferred income tax (Continued)

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entities or different taxable entities where there is an intention to settle the balances on a net basis.

2.24 Employee benefits

2.24.1 Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick and maternity leave are not recognised until the time of leave.

2.24.2 Pension obligations and other social welfare benefits

The Group contributes on a monthly basis to various defined contribution plans organised by the relevant governmental authorities. The Group's liability in respect of these plans is limited to the contributions payable in each period. The Group's contributions to these plans are expensed as incurred. Assets of the plans are held and managed by government authorities and are separated from those of the Group. During the reporting period, no forfeited contributions had been used by the Group to reduce the existing level of contributions.

2.24.3 Bonus plan

The expected cost of bonuses is recognised as a liability when the Group has a present legal or constructive obligation for payment of bonuses as a result of services rendered by employees and a reliable estimate of the obligation being made. Liabilities for bonuses are expected to be settled within 1 year and are measured at the amounts expected to be paid when they are settled.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.25 Share-based payments

The Group has operated share incentive awards including share option schemes and share award schemes. The pre-IPO employee stock incentive scheme adopted by the Company dated October 6, 2015 ("**Pre-IPO ESOP**") was administered until the initial public offering, after which it was replaced by the post-IPO share option scheme ("**Post-IPO Share Option Scheme**") and the post-IPO share award scheme ("**Post-IPO Share Award Scheme**") adopted by the Company on August 30, 2018. The Group receives services from employees and other qualified participants as consideration for equity instruments (including share options and restricted share units, "**RSUs**") of the Group under the above schemes. The fair value of the services received in exchange for the grant of the equity instruments is recognised as an expense in the consolidated income statement.

2.25.1 Share options

For grant of share options, the total amount to be expensed is determined by reference to the fair value of the share options granted using Black-Scholes 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.

The total expenses are recognised over the vesting period, over which all of the specified vesting conditions are to be satisfied. At the end of each period, the Group revises its estimates of the number of share options that are expected to vest based on the non-market performance 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.25 Share-based payments *(Continued)*

2.25.2 RSUs

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

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 purpose of recognising the expenses during the period between service commencement date and grant date.

2.25.3 Modifications and Cancellations

The Group may modify the terms and conditions of share incentive awards granted. If a modification increases the fair value of the equity instruments granted, the incremental fair value granted is included in the measurement of the amount recognised for the services received over the remainder of the vesting period.

A grant of share incentive awards, that is cancelled or settled during the vesting period, is treated as an acceleration of vesting. The Group immediately recognises the amount that otherwise would have been recognised for services received over the remainder of the vesting period.

2.26 Provisions

Provisions for 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 loss.

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 liabilities. The increase in the provision due to the passage of time is recognised as interest expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.27 Revenue recognition

Revenues are principally comprised of food delivery services, commission, online marketing services and other services and sales. The Group recognises revenues when or as the control of the promised goods or services is transferred to the customers, netting of value-added taxes ("**VAT**"). Depending on the terms of the contracts and the laws that apply to the contracts, if control of the promised goods or services is transferred over time, revenues are recognised over the period of the contracts by reference to the progress towards complete satisfaction of those performance obligations. Otherwise, revenues are recognised at a point in time when the customers obtain control of the promised goods or services.

In arrangements with multiple distinct performance obligations, total consideration is allocated to each performance obligation based on its relative standalone selling price ("**SSP**"). The Group generally determines the SSP based on the prices charged to customers. Relevant information will be taken into consideration when more than one SSP for individual performance obligation exists. If the SSP is not directly observable, it is estimated based on adjusted market assessment approach or cost plus a margin, depending on the availability of observable information.

The Group evaluates whether it acts as a principal or an agent to determine whether it is appropriate to record the gross amount of revenues and related costs, or the net amount earned as commission. The Group is a principal if it controls the specified goods or services before being transferred to the customers. Generally, a principal is the primary obligor, has latitude in establishing the selling price, or is subject to inventory risks. Otherwise, the Group is an agent to arrange for goods or services to be provided by other parties.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.27 Revenue recognition *(Continued)*

2.27.1 The accounting policy for the Group's principal revenue types

(a) Food delivery services

The Group provides on-demand food delivery services to certain merchants and transacting users (collectively as the "**Food delivery services Customers**") as a principal. Food delivery services revenue is recognised at the time when the on-demand food delivery services are provided and is determined based on the fees charged to the Food delivery services Customers, netting of any possible transacting users incentives which are not in exchange for a distinct good or service to the Group. The relevant costs are recorded under "Food delivery related costs" in cost of revenues.

(b) Commission

The Group uses technology to arrange for the provision of the specified goods or services by merchants or third-party agent partners (collectively as the "**Commission Customers**") in the Group's online marketplaces as an agent. Technical service fees charged to the Commission Customers, primarily determined as a percentage of respectively relevant transaction amount, are recognised as commission revenue upon the completion of the underlying goods or services provided by the Commission Customers to the transacting users.

The advance payments from the transacting users are initially recorded in "Advances from transacting users", which can be withdrawn at any time. Once the commission revenue is recognised, the amounts to be remitted to the Commission Customers are recorded in "Payables to merchants".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.27 Revenue recognition *(Continued)*

2.27.1 The accounting policy for the Group's principal revenue types (Continued)

(c) Online marketing services

The Group provides various online marketing services primarily to merchants in the Group's online marketplaces or through the third-party marketing affiliate programme, including but not limited to pay for performance marketing services on which the merchants are charged through market-based mechanism based on effective clicks on certain information, display marketing services that allow merchants to place promotion information online, and other value-added marketing services under an annual plan.

Revenue from performance-based marketing services is recognised when relevant specified performance measures are fulfilled. Revenues from display-based and other value-added marketing services are recognised ratably over the contractual service period. The online marketing services revenue is recorded on a gross basis when the Group is the principal to the merchants in the respective arrangements.

In general, the merchants need to make advance payments for all the online marketing services which is primarily recorded in "Deferred revenues".

(d) Other services and sales

Other services and sales revenue primarily comprises (i) sales of goods, mainly generated from B2B food distribution services and Meituan Grocery, (ii) various services rendered by various businesses such as community e-commerce, bike-sharing and electric mopeds, ride-sharing, power banks and micro-credit, and (iii) interest revenue. The Group recognises the other services and sales revenue on a gross basis as a principal when the control of the goods is transferred to the customers, or when the respective services are rendered, netting of any possible transacting users incentives which are not in exchange for a distinct good or service to the Group.

Loan facilitation services and post-origination services are identified as two distinct performance obligations, to which the total consideration is allocated based on relative SSP appropriately. Loan facilitation services revenue is recognised at point of time when the loan contract is established between borrowers and lenders and post-origination services revenue is recognised over the loan contract period.

Interest revenue is derived from the loan principal, funded entirely or partially by the Group, by applying the effective interest rate to the carrying amount of loan receivables after considering the impairment losses arising from credit risk.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.27 Revenue recognition *(Continued)*

2.27.2 Contract Balances

When either party to a contract has performed, the Group presents the contract in the consolidated statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for goods and services that the Group has transferred to a customer. A receivable is recorded when the Group has an unconditional right to consideration, if only the passage of time is required before payment of that consideration is due. The Group's contract assets are mainly trade receivables due from loan facilitation services, online marketing services and other services.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract liability when the payment is made, or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. The Group's contract liabilities are mainly resulted from the online marketing services, which are recorded as deferred revenues.

Contract costs include incremental costs of obtaining a contract and costs to fulfil a contract with the customers. The contract costs are amortised using a method which is consistent with the pattern of recognition of the respective revenues.

2.27.3 Incentives to transacting users

When incentives provided to transacting users that are considered as customers from an accounting perspective, the incentives are recorded as a reduction of revenue if there is no exchange of distinct good or service to the Group or the fair value of the good or service received cannot be reasonably estimated. Otherwise, despite the absence of any explicit contractual obligations to incentivise the transacting users on behalf of customers, which in most circumstances are merchants, the Group further evaluates the varying features of different incentive programmes to determine that whether the incentives represent implicit obligations to transacting users on behalf of customers. If so, it will be recorded as a reduction of revenues, otherwise the "Selling and marketing expenses" (Note 7).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.27 Revenue recognition *(Continued)*

2.27.4 Practical Expedients and Exemptions

The transaction price allocated to the performance obligations that are unsatisfied, or partially unsatisfied, has not been disclosed, as substantially all the Group's contracts with customers have a duration of 1 year or less.

2.28 Interest income

Interest income is calculated by applying the effective interest rate to the carrying amount of financial assets after considering the impairment losses arising from credit risk.

Interest income earned from financial assets that are held for cash management purposes is presented as finance income. Interest revenue earns from financial assets that are held for micro-credit business (Note 2.27.1). Any other gains from treasury investments is included in "Other (losses)/gains, net".

2.29 Dividend income

Dividend income is recognised when it is received or when the right to collection is unconditionally established.

2.30 Leases other than land use rights

The Group leases land use rights (Note 2.12), various offices and others. The lease contracts other than land use rights are typically for fixed periods of 1 month to 10 years and may have extension options. They do not impose any covenants other than the security interests in the leased assets that are held by the lessors. Leased assets may not be used as security for borrowing purposes.

Right-of-use assets and lease liabilities arising from a lease other than land use rights are initially measured on a present value basis at the date when the leased assets are available for use by the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.30 Leases other than land use rights *(Continued)*

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease payments to be made under reasonably certain extension options are also included in the measurement of the lease liabilities.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have third-party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The lease payments are allocated between the lease liabilities and the finance costs. The finance costs are 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 lease payments for each period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.30 Leases other than land use rights *(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;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the right-of-use assets' 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 assets' useful life.

Right-of-use assets are presented in "Property, plant and equipment" in the Group's consolidated statement of financial position.

The payments associated with leases of the low-value assets are recognised on a straight-line basis as expenses in profit or loss. The low-value assets comprise small items of facilities. Variable lease payments not based on an index or a rate are recognised in profit or loss when the triggering condition of those payments occurs.

The Group considers the lease as a single transaction in which the assets and liabilities are integrally linked. There is no net temporary difference at inception. Subsequently, when the differences on settlement of the lease liabilities and the amortisation of the leased assets arise, there will be a net temporary difference on which deferred income tax is recognised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.31 Dividends distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividend is approved by the Company's shareholders or Directors where appropriate.

2.32 Government subsidies

Subsidies from the government are recognised at their fair value where there is a reasonable assurance that the subsidies will be received and the Group will comply with all attached conditions. Under these circumstances, the subsidies are recognised as income or matched with the associated costs which the subsidies are intended to compensate.

3 FINANCIAL RISK MANAGEMENT

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

3.1 Financial risk factors

3.1.1 Market risk

(a) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the Group entities' functional currency. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and tries to minimise these exposures through natural hedges, wherever possible and may enter into forward foreign exchange contracts, when necessary.

The Group operates mainly in the PRC with most of the transactions settled in RMB, and the functional currency of the Company is USD whereas functional currency of the subsidiaries operating in the PRC is RMB. The management considers that the business is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities of the Group are denominated in the currencies other than the respective functional currencies of the Group's entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.1 Market risk (Continued)

(b) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates and the Group has no significant interest-bearing assets except for cash and cash equivalents, restricted cash, loan receivables and treasury investments at amortised cost, and details of which have been disclosed in Note 25, Note 22(a) and Note 21.

The Group's exposure to changes in interest rates is also attributable to its borrowings and notes payable, details of which have been disclosed in Note 31 and Note 32. Borrowings and notes payable 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.

As of December 31, 2021, the Group's notes payable were carried at fixed rates, and the Group's borrowings were partially carried at floating rates.

(c) Price risk

The Group is exposed to price risk in respect of financial assets measured at fair value held by the Group. The Group is not exposed to commodity price risk. To manage its price risk arising from the financial assets, the Group diversifies its portfolio. Each investment is managed by senior management on a case by case basis. The sensitivity analysis is performed by management (Note 3.3).

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk

The Group is exposed to credit risk in relation to certain financial and contract assets, of which the carrying amounts represent the Group's maximum exposure to the credit risk. The ECL arising from the credit risk are presented as "Net provisions/(reversals) for impairment losses on financial and contract assets" in the consolidated income statement.

(a) Cash and cash equivalents, restricted cash and treasury investments

To manage credit risk arising from cash and cash equivalents, restricted cash and treasury investments, the Group only transacts with state-owned or reputable financial institutions. Primarily these instruments are considered to have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flows obligations in the near term. The identified credit losses are immaterial.

(b) Trade receivables and contract assets

To manage credit risk arising from trade receivables and contract assets, the Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of its counterparties. The credit period granted to the customers is usually no more than 180 days considering their financial position, past experience and other factors.

The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. To measure the ECL, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk (Continued)

*(b) **Trade receivables and contract assets** (Continued)*

The expected loss rates are based on the payment profiles of sales over a period of 36 months or enough credit cycle for those new lines of business and the corresponding historical credit losses experienced within this period. The Group identifies the urban per capita disposable income and the total retail sales of consumer goods of the countries to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the financial assets.

The Group applies the IFRS 9 simplified approach to measure ECL which uses lifetime expected loss allowance for all trade receivables and contract assets.

Trade receivables are written off when there is no reasonable expectation of recovery with indicators including, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 180 days past due. Subsequent recoveries of amounts previously written off are credited against the same line item.

*(c) **Prepayments, deposits and other assets other than contract assets and loan receivables***

For prepayments, deposits and other assets other than contract assets and loan receivables ("**other receivables and prepayments to merchants**"), the management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables and prepayments to merchants based on historical settlement records and past experiences incorporating forward-looking information. Impairment on other receivables and prepayments to merchants is measured as either 12-month ECL or lifetime ECL, depending on whether there has been an SICR since initial recognition on an ongoing basis throughout each reporting period. To assess whether there is an SICR, the Group compares the risk of a default occurring on the asset as at the reporting period end with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk (Continued)

(c) Prepayments, deposits and other assets other than contract assets and loan receivables (Continued)

- internal credit rating (macroeconomic information, such as market interest rates or growth rates)
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations
- actual or expected significant changes in the operating results of the counterparty
- SICR on other financial instruments of the same counterparty
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements, and
- significant changes in the expected performance and behaviour of the counterparty, including changes in the payment status and operating results of the counterparty.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk (Continued)

(c) Prepayments, deposits and other assets other than contract assets and loan receivables (Continued)

Category	Group definition of category		Basis for recognition of ECL provision
	Other receivables	Prepayments to merchants	
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows		12-month ECL, where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	An SICR is presumed if repayments are 30 days past due	The Group terminates its cooperation with merchants	Lifetime ECL
Non-performing	Repayments are 90 days past due	The Group terminates its cooperation with merchants for more than 60 days	Lifetime ECL
Write-off	(i) Repayments are 3 years past due (ii) and there is no reasonable expectation of recovery	(i) Repayments are 3 years past due (ii) and there is no reasonable expectation of recovery	Assets are written off

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk (Continued)

(d) Loan receivables

To manage credit risk arising from loan receivables, standardised credit management procedures are performed. For pre-approval investigation, the Group optimises the review process using big data technology through its platform and system, including credit analysis, assessment of collectability of borrowers, monitoring the cash flows status of the merchants, possibility of misconduct and fraudulent activities. In terms of credit examining management, specific policies and procedures are established to assess loans offering. For subsequent monitoring, the Group monitors the cash flows and operation status of each borrowers. Once the loan is issued, all borrowers will be assessed by fraud examination model to prevent fraudulent behaviours. In post-loan supervision, the Group establishes risk monitoring alert system through periodical monitoring. The estimation of credit exposure for risk management purposes is complex and requires use of models as the exposure varies with changes in market conditions, expected cash flows and passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default corrections between counterparties. The Group measures credit risk using Probability of Default ("**PD**"), Exposure at Default ("**EAD**") and Loss Given Default ("**LGD**"). This is consistent with the general approach used for the purpose of measuring ECL under IFRS 9.

(i) ECL model for loan receivables:

The impairment of loan receivables was provided based on the "three-stages" model by referring to the changes in credit quality since initial recognition.

- The loan receivables that are not credit-impaired on initial recognition are classified in "Stage 1" and have its credit risk continuously monitored by the Group. The ECL is measured on a 12-month basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk (Continued)

(d) Loan receivables (Continued)

(i) ECL model for loan receivables: *(Continued)*

- If an SICR (as defined below) since initial recognition is identified, the loan receivables are moved to "Stage 2" but are not yet deemed to be credit-impaired. The ECL is measured on lifetime basis.

- If the loan receivables are credit-impaired (as defined below), then they are moved to "Stage 3". The ECL is measured on lifetime basis.

- In Stages 1 and 2, interest revenue is calculated on the gross carrying amount (without deducting the loss allowance). If in Stage 3, the Group is required to calculate the interest revenue by applying the effective interest rate method in subsequent reporting periods to the amortised cost of the loan receivables (the gross carrying amount net of loss allowance) other than the gross carrying amount.

The key judgements and assumptions adopted by the Group in addressing the requirements of the standard are discussed below:

- Significant increase in credit risk (SICR)

  The Group considers loan receivables to have experienced an SICR if the borrower is past due more than 1 day on its contractual payments.

- Definition of default and credit-impaired assets

  The Group defines a financial instrument as in default and credit-impaired, when the borrower is more than 90 days past due on its contractual payments. This has been applied to all loan receivables held by the Group.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk (Continued)

(d) Loan receivables (Continued)

(i) ECL model for loan receivables: *(Continued)*

- Measuring ECL – Explanation of inputs, assumptions and estimation techniques

  The ECL is measured on either a 12-month or lifetime basis depending on whether an SICR has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECL are the discounted product of the PD, EAD, and LGD.

  The ECL is determined by projecting the PD, EAD and LGD for each future month and for each portfolio and these three components are multiplied together. This effectively calculates an ECL for each future month, which is then discounted back to the reporting period end and summarised. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

- Forward-looking information incorporated in the ECL models

  The calculation of ECL incorporates forward-looking information. The Group has performed historical analysis and identified the per capita disposable income of urban residents as the key economic variables impacting credit risk and ECL.

  As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk (Continued)

***(d) Loan receivables** (Continued)*

(i) ECL model for loan receivables: *(Continued)*

- Grouping of instruments for losses measured on a collective basis

  For ECL provisions modeled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

(ii) Loss allowance

The loss allowance recognised in the reporting period is impacted by a variety of factors, as described below:

- Transfers between Stage 1, Stage 2 or Stage 3 due to loan receivables experiencing significant increases (or decreases) of credit risk in the reporting period, and the subsequent "step up" (or "step down") between 12-month and lifetime ECL;

- Increases of loss allowance for new financial instruments recognised, as well as decreases due to loan receivables derecognition in the reporting period;

- Loan receivables derecognised and write-offs of loss allowance related to assets that were written off during the reporting period, and the subsequent recovery; and

- Changes in the inputs, assumptions and estimation techniques of ECL calculation during the reporting period.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk (Continued)

***(d) Loan receivables** (Continued)*

(ii) Loss allowance *(Continued)*

The gross carrying amount of the loan receivables explains their significance to the changes in the loss allowance as discussed above:

	Stage 1 12-month ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL RMB'000	Total RMB'000
Gross carrying amount as of January 1, 2021	7,104,601	107,499	49,916	7,262,016
Transfers:				
Transfer from Stage 1 to Stage 2	(118,026)	118,026	—	—
Transfer from Stage 1 to Stage 3	(212,858)	—	212,858	—
Transfer from Stage 2 to Stage 1	99	(99)	—	—
Transfer from Stage 2 to Stage 3	—	(73,592)	73,592	—
Net decreases	(923,885)	(73,391)	(50,962)	(1,048,238)
Write-offs	—	—	(285,007)	(285,007)
Recovered after written off	—	—	36,992	36,992
Gross carrying amount as of December 31, 2021	5,849,931	78,443	37,389	5,965,763

For the year ended December 31, 2021, fair value changes of loan receivables existed in the net decreases of stage 2 and stage 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk (Continued)

(d) Loan receivables (Continued)

(ii) Loss allowance *(Continued)*

The following table explains the changes in the loss allowance for loan receivables between the beginning and the end of the reporting period due to these factors:

	Stage 1 12-month ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL RMB'000	Total RMB'000
Loss allowance as of January 1, 2021	(223,799)	(80,504)	(49,916)	(354,219)
Transfers:				
Transfer from Stage 1 to Stage 2	3,325	(88,487)	—	(85,162)
Transfer from Stage 1 to Stage 3	5,997	—	(203,665)	(197,668)
Transfer from Stage 2 to Stage 1	(2)	74	—	72
Transfer from Stage 2 to Stage 3	—	55,174	(70,414)	(15,240)
Net decreases	26,027	22,496	35,518	84,041
Write-offs	—	—	285,007	285,007
Recovered after written off	—	—	(36,992)	(36,992)
Changes in ECL measurement	43,124	(192)	(6,344)	36,588
Loss allowance as of December 31, 2021	(145,328)	(91,439)	(46,806)	(283,573)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk (Continued)

(d) Loan receivables *(Continued)*

(iii) Write-off policy

The Group writes off loan receivables, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include ceasing enforcement activity.

The Group may write-off loan receivables that are still subject to enforcement activity.

(iv) Modification

The Group rarely modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery. The Group considers the impact from such modification is not significant.

3.1.3 Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate cash and cash equivalents or to adjust financing arrangements to meet the Group's liquidity requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.3 Liquidity risk (Continued)

The Group analyses its non-derivative financial liabilities into relevant maturity grouping based on the remaining year at each reporting period end to the contractual maturity date. The amount disclosed in the table is 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 of December 31, 2021					
Trade payables	15,165,619	—	—	—	15,165,619
Payables to merchants	10,950,920	—	—	—	10,950,920
Advances from transacting users	5,171,054	—	—	—	5,171,054
Other payables and accruals	8,787,640	—	—	—	8,787,640
Borrowings	11,778,170	2,559,043	9,861,009	—	24,198,222
Notes payable	344,686	344,686	24,894,171	8,941,919	34,525,462
Lease liabilities	1,973,300	1,522,958	1,650,762	86,701	5,233,721
	54,171,389	4,426,687	36,405,942	9,028,620	104,032,638

	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 of December 31, 2020					
Trade payables	11,967,026	—	—	—	11,967,026
Payables to merchants	9,414,936	—	—	—	9,414,936
Advances from transacting users	4,307,861	—	—	—	4,307,861
Other payables and accruals	7,253,714	—	—	—	7,253,714
Borrowings	6,514,417	31,946	1,983,377	—	8,529,740
Notes payable	352,752	352,752	5,951,932	9,399,935	16,057,371
Lease liabilities	1,211,544	882,633	893,109	10,223	2,997,509
Other non-current liabilities	—	—	119,512	—	119,512
	41,022,250	1,267,331	8,947,930	9,410,158	60,647,669

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Capital management

The Group's objectives when managing capital are to:

- Safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

- Maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to Shareholders, return capital to Shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital (including share capital, share premium and shares held for shares award scheme) 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. In the opinion of the Directors of the Company, the Group's capital risk is low.

3.3 Fair value estimation

3.3.1 Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the consolidated financial statements. To provide an indication about the reliability of the inputs used in determining the fair values, the Group has classified its financial instruments into three levels prescribed under the accounting standards.

The Group analyses its financial instruments carried at fair values by level of the inputs to valuation techniques used to measure the fair values. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Level 1: unadjusted quoted prices in active markets for identical assets or liabilities

- Level 2: inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices)

- Level 3: inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

3.3.1 Fair value hierarchy (Continued)

The following tables present the Group's assets and liabilities that are measured at fair value as of December 31, 2021 and 2020.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As of December 31, 2021				
Financial assets				
Short-term treasury investments at fair value through profit or loss (Note 21)	—	—	56,417,497	56,417,497
Short-term treasury investments at fair value through other comprehensive income (Note 21)	—	4,128,024	5,414,982	9,543,006
Long-term treasury investments at fair value through profit or loss (Note 21)	—	—	3,295,284	3,295,284
Loan receivables at fair value through other comprehensive income (Note 22(a))	—	—	4,210,835	4,210,835
Other financial investments at fair value through profit or loss (Note 19)	2,261,812*	—	12,038,045	14,299,857
Other financial investments at fair value through other comprehensive income (Note 20)	532,455*	—	1,490,250	2,022,705
	2,794,267	4,128,024	82,866,893	89,789,184

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

3.3.1 Fair value hierarchy (Continued)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As of December 31, 2020				
Financial assets				
Short-term treasury investments at fair value through profit or loss (Note 21)	—	—	32,083,979	32,083,979
Short-term treasury investments at fair value through other comprehensive income (Note 21)	—	65,442	900,111	965,553
Long-term treasury investments at fair value through profit or loss (Note 21)	—	—	612,967	612,967
Other financial investments at fair value through profit or loss (Note 19)	2,124,519*	—	8,132,267	10,256,786
Other financial investments at fair value through other comprehensive income (Note 20)	605,918*	—	—	605,918
	2,730,437	65,442	41,729,324	44,525,203
Financial liabilities				
Financial liabilities at fair value through profit or loss	—	—	114,600	114,600

* This presents investments in listed entities with observable quoted price.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

3.3.2 Valuation techniques used to determine fair values

Specific valuation techniques used to measure financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments;
- The discounted cash flows model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate;
- The latest round financing, i.e. the prior transaction price or the third-party pricing information; and
- A combination of observable and unobservable inputs, including risk-free rate, expected volatility, discount rate for lack of marketability, market multiples, etc.

There was no change to valuation techniques in use during the year ended December 31, 2021.

All of the resulting fair value estimates are included in level 3, where the fair values have been determined based on present values and the discount rates used were adjusted for counterparty or own credit risk.

3.3.3 Fair value measurements using significant unobservable inputs (level 3)

The following tables present the movement of level 3 items which use significant unobservable inputs in determining their fair values for the years ended December 31, 2021 and 2020. The Group determines transfers between levels of the fair value hierarchy are deemed to have occurred on the date of the event or change in circumstances that caused the transfer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

3.3.3 Fair value measurements using significant unobservable inputs (level 3) (Continued)

	Short-term treasury investments at fair value through profit or loss RMB'000	Short-term treasury investments at fair value through other comprehensive income RMB'000	Long-term treasury investments at fair value through profit or loss RMB'000	Prepayments, deposits and other assets Loan receivables at fair value through other comprehensive income RMB'000	Other financial investments at fair value through profit or loss Investments in unlisted companies RMB'000	Other financial investments at fair value through other comprehensive income Investments in unlisted companies RMB'000	Financial liabilities at fair value through profit or loss RMB'000
As of January 1, 2021	32,083,979	900,111	612,967	—	8,132,267	—	114,600
Additions	374,408,482	4,769,314	3,284,298	23,118,704	5,160,883	450,000	791,400
Deductions	(350,153,466)	(325,609)	(605,747)	(18,850,641)	(773,798)	—	(906,000)
Transfers	—	—	—	—	(1,068,094)	783,750	—
Changes in fair values	1,112,454	78,237	39,833	(57,228)	678,454	256,500	—
Currency translation differences	(1,033,952)	(7,071)	(36,067)	—	(91,667)	—	—
As of December 31, 2021	56,417,497	5,414,982	3,295,284	4,210,835	12,038,045	1,490,250	—
Net unrealised gains/(losses) for the year	375,797	77,412	28,299	(57,228)	358,423	—	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

3.3.3 Fair value measurements using significant unobservable inputs (level 3) (Continued)

	Short-term treasury investments at fair value through profit or loss RMB'000	Short-term treasury investments at fair value through other comprehensive income RMB'000	Long-term treasury investments at fair value through profit or loss RMB'000	Other financial investments at fair value through profit or loss Investments in unlisted companies RMB'000	Financial liabilities at fair value through profit or loss RMB'000
As of January 1, 2020	23,988,182	—	—	5,089,127	—
Additions	176,723,212	900,000	694,106	6,849,861	114,600
Deductions	(168,059,503)	—	(41,237)	(314,475)	—
Transfers	—	—	—	(8,071,981)	—
Changes in fair values	812,289	111	4,599	4,908,385	—
Currency translation differences	(1,380,201)	—	(44,501)	(328,650)	—
As of December 31, 2020	32,083,979	900,111	612,967	8,132,267	114,600
Net unrealised gains for the year	148,811	111	4,450	46,842	—

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

3.3.4 Valuation process, inputs and relationships to fair value

The Group has a team that manages the valuation of level 3 instruments for financial reporting purposes. The team manages the valuation exercise 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.

The Group's level 3 instruments are listed in the table in Note 3.3.3. As these instruments are not traded in active markets, their fair values have been determined using various applicable valuation techniques, including discounted cash flows and market approach.

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

Description	Fair values as of December 31, 2021 RMB'000	Fair values as of December 31, 2020 RMB'000	Unobservable inputs	Range of inputs as of December 31, 2021	Range of inputs as of December 31, 2020	Relationships of unobservable inputs to fair value
Investments in unlisted companies	**13,528,295**	8,132,267	Expected volatility	**40%-78%**	40%-49%	The higher the expected volatility, the lower the fair value
			Discount for lack of marketability ("DLOM")	**15%-29%**	20%-25%	The higher the DLOM, the lower the fair value
Short-term treasury investments at fair value through profit or loss	**56,417,497**	32,083,979	Expected rate of return	**0.00%-5.12%**	(0.11%)-6.70%	The higher the expected rate of return, the higher the fair value
Short-term treasury investments at fair value through other comprehensive income	**5,414,982**	900,111	Expected rate of return	**1.45%-2.80%**	2.80%-3.20%	The higher the expected rate of return, the higher the fair value
Long-term treasury investments at fair value through profit or loss	**3,295,284**	612,967	Expected rate of return	**0.00%-2.43%**	0.00%-2.40%	The higher the expected rate of return, the higher the fair value
Loan receivables at fair value through other comprehensive income	**4,210,835**	—	Note a	**Note a**	NA	The higher the risk-adjusted discount rate, the lower the fair value
Financial liabilities at fair value through profit or loss	**—**	114,600	Note b	**NA**	Note b	Note b

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

3.3.4 Valuation process, inputs and relationships to fair value (Continued)

Note a: Loan receivables at fair value through other comprehensive income

For loan receivables at fair value through other comprehensive income, the fair values are determined based on discounted cash flows model using unobservable discount rates that reflect credit risk.

Note b: Financial liabilities at fair value through profit or loss.

The Group established and consolidated a limited partnership investment fund ("the Fund") with limited life in January 2020. The Fund invested in private companies providing local consumer services in the form of ordinary shares or preferred shares and measured these investments at fair value through profit or loss. The Group designates the return payables to other limited partners who invested in the Fund at fair value through profit or loss at initial recognition.

The fair value of financial liabilities at fair value through profit or loss is based on the fair value of underlying investments in the Fund (Note 2.22) and the predetermined distribution mechanism of returns that set out in the agreement of the Fund. Therefore, the significant unobservable inputs are the same with those used in the valuation of the underlying investments in unlisted companies disclosed above.

If the respective unobservable inputs of financial assets at fair value through profit or loss held by the Group had been 10% higher/lower, the aggregate profit before income tax for the years ended December 31, 2021 and 2020 would have been approximately RMB118 million lower/higher and RMB166 million lower or RMB124 million higher, respectively.

If the respective unobservable inputs of financial assets at fair value through other comprehensive income held by the Group had been 10% higher/lower, the aggregate other comprehensive income for the years ended December 31, 2021 and 2020 would have been approximately RMB16 million lower or RMB18 million higher and RMB31 thousand higher/lower, respectively.

The carrying amounts of the Group's financial assets and financial liabilities measured at amortised cost are approximate their fair values.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgements in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experiences 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 Pre-IPO ESOP, Post-IPO Share Option Scheme and Post-IPO Share Award Scheme and granted RSUs and share options to employees and other qualified participants. The fair value of the share options is determined by the Black-Scholes option-pricing model at the grant date, and is expected to be expensed over the respective vesting period. Significant estimates on assumptions, including underlying equity value, risk-free interest rate, expected volatility, dividend yield, and terms, are made by the Directors and third-party valuers. The fair value of the RSUs is determined by reference to the grant-date market price of the ordinary shares.

The Group has also authorised the repurchase of ordinary shares from certain employees, founders, and Shareholders of the Company. Judgement is required to determine whether the repurchase establishes "past practice" for which the Group has now created an obligation to settle in cash, and accordingly reclassifies all outstanding awards to cash-settled. The Group has determined that no valid expectation for the Company to settle such share-based awards in cash is created, such that all awards remain equity-settled awards.

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

The fair values of financial instruments that are not traded in active markets are determined using valuation techniques. The Group uses its judgements to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Changes in these assumptions and estimates could materially affect the respective fair values of these financial assets and financial liabilities (Note 3.3).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

4.3 Loss allowance for financial and contract assets arising from credit risk

The loss allowance for financial and contract assets arising from credit risk is based on assumptions about risk of defaults and expected loss rates. The Group uses judgements in making these assumptions and selecting the inputs to the loss allowance calculation, 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 3.1.2.

4.4 Recoverability of goodwill

The Group tests whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.9.1. Management judgement is required in the area of non-financial asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; (iii) the selection of the most appropriate valuation technique, e.g. the market approach, the income approach, as well as a combination of approaches, including the adjusted net asset method; and (iv) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the revenue growth rate and margin, terminal growth rates and pre-tax discount rates assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the consolidated income statement. Management determined the recoverable amounts of these CGU or group of CGUs based on the higher of (i) their value in use ("**VIU**") and (ii) their fair value less costs of disposal, of which VIU is calculated based on discounted cash flows expected to be derived from the respective CGU or group of CGUs. The calculations use cash flow projections based on financial budgets approved by management covering a 5-year period.

Cash flows beyond the 5-year period are extrapolated using the estimated growth rates stated in Note 16. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

Details of impairment charge, key assumptions and impact of possible changes in key assumptions are disclosed in Note 16.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

4.5 Incentives

As disclosed in Note 2.27, all incentives given to the accounting customers are recorded as a reduction of revenue to the extent of the revenue earned from that customer on a transaction by transaction basis. For certain other incentives, management judgement is required to determine whether the incentives are in substance payments on behalf of customers and should therefore be recorded as a reduction of revenue or selling and marketing expenses. Some of the factors considered in management's evaluation if such incentives are in substance payments on behalf of customers include whether the incentives are given at the Group's discretion and the objectives, business strategy and design of the incentive programmes.

4.6 Principal versus agent considerations

Determining whether the Group is acting as a principal or as an agent 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 an agent, the Group considers, individually or in combination, whether the Group controls the specified good or service before it (i) is transferred to the customer, (ii) is primarily responsible for fulfilling the contract, (iii) is subject to inventory risk, and (iv) has discretion in establishing prices.

4.7 Current and deferred income tax

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 income tax in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences or tax losses are recognised when management considers that it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different from management's estimation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

4.8 Presentation and measurement of investments in associates

The Group made certain investments in the form of convertible redeemable preferred shares or ordinary shares with preferential rights of investee companies. As the Group has significant influence on these investee companies, judgement is required in determining whether these investments are in substance existing ownership interests. If not, they are accounted for as hybrid financial instruments, which should be measured at fair value through profit or loss. Different conclusions around these judgements may affect how these investments presented and measured in the consolidated statement of financial position of the Group.

5 SEGMENT REPORTING

5.1 Description of segments and principal activities

The Group's business activities, for which discrete financial information is available, are regularly reviewed and evaluated by the CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segments, mainly includes the executive Directors of the Company that make strategic decisions. The Group evaluated its operating segments separately or aggregately, and determined that it has reportable segments as follows.

The CODM assesses the performance of the operating segments mainly based on revenues and operating profit or loss of each operating segment. Thus, segment result would present revenues, cost of revenues and operating expenses, and operating profit or loss for each segment, which is in line with CODM's performance review. There were no material inter-segment sales during the years ended December 31, 2021 and 2020.

The revenues from customers reported to CODM are measured as revenues in each segment. The operating profit or loss in each segment reported to CODM are measured as cost of revenues and operating expenses deducted from its revenues. Certain unallocated items are not allocated to each segment as they are not directly relevant to the operating results upon performance measurement and resource allocation by the CODM.

5 SEGMENT REPORTING *(Continued)*

5.1 Description of segments and principal activities *(Continued)*

Food delivery

The food delivery business primarily helps consumers place orders of food prepared by merchants through the Group's online tools, mainly various of mobile apps, and offers on-demand delivery services. Revenues from the food delivery segment primarily consist (a) food delivery services from both merchants and consumers; and (b) commission from technology service fees charged to merchants and third-party agent partners. The cost of revenues and operating expenses for the food delivery segment primarily consists of food delivery related costs and promotion, advertising and user incentives.

In May 2021, the Group rolled out a new fee structure to merchants of food delivery business, in which the fees charged to the merchants were split into a food delivery services fee and a technology service fee. The revenues derived from these services were separately presented under the food delivery segment for the year ended December 31, 2021. The figures for the comparative year were reclassified to conform to such presentation as well.

In-store, hotel & travel

The in-store, hotel & travel businesses primarily help consumers purchase local consumer services provided by merchants in numerous in-store categories or make reservations for hotels and attractions. Revenues from the in-store, hotel & travel segment primarily consist (a) commission from technology service fees charged to merchants; and (b) online marketing services in various formats provided to merchants. The cost of revenues and operating expenses for the in-store, hotel & travel segment primarily consists of employee benefits expenses and promotion, advertising and user incentives.

New initiatives and others

The Group continually develops various new initiatives to satisfy consumers' diverse needs in different consumption scenarios. Revenues from the new initiatives and others segment primarily consist (a) Sales of goods primarily from B2B food distribution services and Meituan Grocery; and (b) various services rendered by various businesses such as Meituan Instashopping, community e-commerce, bike-sharing and electric mopeds and micro-credit. The cost of revenues and operating expenses for the new initiatives and others segment primarily consists of (a) transaction costs; (b) other outsourcing costs; (c) employee benefits expenses; and (d) promotion, advertising and user incentives.

There were no separate segment assets and segment liabilities information provided to the CODM, as CODM does not use this information to allocate resources to or to evaluate the performance of the operating segments.

The Group's revenue is mainly generated in China.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

5 SEGMENT REPORTING *(Continued)*

5.1 Description of segments and principal activities *(Continued)*

The segment information provided to the Group's CODM for the reportable segments for the years ended December 31, 2021 and 2020 is as follows:

	Year ended December 31, 2021				
	Food delivery RMB'000	In-store, hotel & travel RMB'000	New initiatives and others RMB'000	Unallocated items (Note i) RMB'000	Total RMB'000
Food delivery services	54,203,640	—	—	—	54,203,640
Commission	28,547,274	15,798,936	8,558,547	—	52,904,757
Online marketing services	11,434,933	16,667,421	982,816	—	29,085,170
Other services and sales (including interest revenue)	2,125,931	63,968	40,744,531	—	42,934,430
Revenues in total	96,311,778	32,530,325	50,285,894	—	179,127,997
Cost of revenues, operating expenses and unallocated items	(90,137,137)	(18,437,212)	(88,679,789)	(5,001,058)	(202,255,196)
Including: Food delivery related costs	(68,183,267)	—	—	—	(68,183,267)
Operating (loss)/profit	6,174,641	14,093,113	(38,393,895)	(5,001,058)	(23,127,199)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

5 SEGMENT REPORTING *(Continued)*

5.1 Description of segments and principal activities *(Continued)*

	Year ended December 31, 2020				
	Food delivery RMB'000	In-store, hotel & travel RMB'000	New initiatives and others RMB'000	Unallocated items (Note i) RMB'000	Total RMB'000
Food delivery services	39,116,411	—	—	—	39,116,411
Commission	18,502,868	10,193,162	5,428,154	—	34,124,184
Online marketing services	7,565,111	11,018,337	324,597	—	18,908,045
Other services and sales (including interest revenue)	1,080,929	40,899	21,524,042	—	22,645,870
Revenues in total	66,265,319	21,252,398	27,276,793	—	114,794,510
Cost of revenues, operating expenses and unallocated items	(63,431,950)	(13,071,465)	(38,131,789)	4,170,796	(110,464,408)
Including: Food delivery related costs	(49,291,318)	—	—	—	(49,291,318)
Operating (loss)/profit	2,833,369	8,180,933	(10,854,996)	4,170,796	4,330,102

(i) Unallocated items mainly include (i) share-based compensation expenses, (ii) amortisation of intangible assets resulting from acquisitions, (iii) fair value changes of other financial investments at fair value through profit or loss, and (iv) other (losses)/gains, net. They are not allocated to individual segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

5 SEGMENT REPORTING *(Continued)*

5.1 Description of segments and principal activities *(Continued)*

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

The reconciliation from operating (loss)/profit to (loss)/profit before income tax for the years ended December 31, 2021 and 2020 is shown in the consolidated income statement.

5.2 Segment assets

As of December 31, 2021 and 2020, substantially all of the non-current assets of the Group were located in the PRC.

6 REVENUES BY TYPE

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Food delivery services	**54,203,640**	39,116,411
Commission	**52,904,757**	34,124,184
Online marketing services	**29,085,170**	18,908,045
Other services and sales (including interest revenue)	**42,934,430**	22,645,870
	179,127,997	114,794,510

Further disaggregation of revenues are included in Note 5.

7 EXPENSES BY NATURE

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Food delivery related costs	68,183,267	49,291,318
Employee benefits expenses (Note 8)	34,767,852	21,541,521
Transaction costs (Note i)	26,352,193	15,859,348
Promotion, advertising and user incentives	23,200,707	11,029,869
Other outsourcing costs	22,538,561	8,128,968
Depreciation of property, plant and equipment	8,110,975	4,202,623
Amortisation of intangible assets	817,044	991,486
Auditor's remuneration		
– Audit and audit-related services	47,879	48,889
– Non-audit services	8,053	1,898

(i) Transaction costs consist of cost of goods sold and certain costs from various businesses.

8 EMPLOYEE BENEFITS EXPENSES

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Wages, salaries and bonuses	23,802,907	15,398,542
Share-based compensation expenses (Note 33)	5,193,860	3,277,476
Other employee benefits	3,600,279	2,133,801
Pension costs – defined contribution plans (Note i)	2,170,806	731,702
	34,767,852	21,541,521

(i) Pension costs – defined contribution plans

Employees of the Group companies in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the governmental authorities. The Group contributes funds which are calculated on certain percentages of the employees' salary subject to certain ceilings imposed by governmental authorities to each scheme locally.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

8 EMPLOYEE BENEFITS EXPENSES *(Continued)*

(a) **Share-based compensation expenses have been charged to the consolidated income statement as follows:**

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Cost of revenues	**125,111**	80,635
Selling and marketing expenses	**692,262**	420,873
Research and development expenses	**2,617,015**	1,446,846
General and administrative expenses	**1,759,472**	1,329,122
	5,193,860	3,277,476

(b) **Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group do not include any Director for the year ended December 31, 2021 (2020: one). All of these individuals have not received any emolument from the Group as an inducement to join or leave the Group or compensation for loss of office during the years ended December 31, 2021 and 2020. The emoluments to the highest paid individuals other than Directors for the years ended December 31, 2021 and 2020 are as follows:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Basic salaries	**17,760**	8,274
Bonuses	**864**	8,049
Pension costs and other employee benefits	**652**	521
Share-based compensation expenses	**523,211**	459,876
	542,487	476,720

8 EMPLOYEE BENEFITS EXPENSES *(Continued)*

(b) Five highest paid individuals *(Continued)*

The emoluments fell within the following bands:

	Number of individuals Year ended December 31,	
	2021	2020
Emolument bands (in HK dollar)		
HK$53,000,001 – HK$53,500,000	**1**	—
HK$118,500,001 – HK$119,000,000	—	1
HK$124,000,001 – HK$124,500,000	—	1
HK$132,000,001 – HK$132,500,000	**1**	—
HK$132,500,001 – HK$133,000,000	**1**	—
HK$145,000,001 – HK$145,500,000	—	1
HK$147,500,001 – HK$148,000,000	—	1
HK$161,500,001 – HK$162,000,000	**1**	—
HK$183,000,001 – HK$183,500,000	**1**	—
	5	4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

8 EMPLOYEE BENEFITS EXPENSES *(Continued)*

(c) Directors' and chief executive's emoluments

The emoluments of Directors and the chief executive is set out below:

For the year ended December 31, 2021:

Name	Fees RMB'000	Basic salaries RMB'000	Bonuses RMB'000	Pension costs and other employee benefits RMB'000	Share-based compensation expenses RMB'000	Total RMB'000
Wang Xing	—	5,040	—	152	—	5,192
Mu Rongjun	—	4,080	—	152	11,957	16,189
Wang Huiwen	—	1,494	—	153	—	1,647
Lau Chi Ping Martin	—	—	—	—	—	—
Neil Nanpeng Shen	—	—	—	—	—	—
Orr Gordon Robert Halyburton	500	—	—	—	275	775
Shum Heung Yeung Harry	500	—	—	—	275	775
Leng Xuesong	500	—	—	—	275	775
Total	1,500	10,614	—	457	12,782	25,353

For the year ended December 31, 2020:

Name	Fees RMB'000	Basic salaries RMB'000	Bonuses RMB'000	Pension costs and other employee benefits RMB'000	Share-based compensation expenses RMB'000	Total RMB'000
Wang Xing	—	2,520	2,520	150	—	5,190
Mu Rongjun	—	2,041	2,040	132	19,442	23,655
Wang Huiwen	—	2,040	1,968	94	71,722	75,824
Lau Chi Ping Martin	—	—	—	—	—	—
Neil Nanpeng Shen	—	—	—	—	—	—
Orr Gordon Robert Halyburton	500	—	—	—	625	1,125
Shum Heung Yeung Harry	500	—	—	—	625	1,125
Leng Xuesong	500	—	—	—	625	1,125
Total	1,500	6,601	6,528	376	93,039	108,044

8 EMPLOYEE BENEFITS EXPENSES *(Continued)*

(c) Directors' and chief executive's emoluments *(Continued)*

(i) Directors' termination benefits

No Directors' termination benefits subsisted at the end of the years or at any time during the years ended December 31, 2021 and 2020.

(ii) 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 Directors' services subsisted at the end of the years or at any time during the years ended December 31, 2021 and 2020.

(iii) Information about loans, quasi-loans and other dealings in favour of Directors, controlled bodies corporate by and connected entities with such Directors.

There were no loans, quasi-loans and other dealings in favour of Directors, their controlled bodies corporate and connected entities subsisted at the end of the years or at any time during the years ended December 31, 2021 and 2020.

(iv) 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 years or at any time during the years ended December 31, 2021 and 2020.

(v) Waiver of Directors' emoluments

The non-executive Directors have not received any emoluments for the years ended December 31, 2021 and 2020. None of the other Directors waived or have agreed to waive any emoluments during the years ended December 31, 2021 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

9 OTHER (LOSSES)/GAINS, NET

	Year ended December 31,	
	2021 RMB'000	2020 RMB'000
Subsidies and tax preference (Note i)	1,502,905	1,388,365
Fair value changes of treasury investments at fair value through profit or loss (Note 3.3)	1,152,287	816,888
Dilution gains (Note 12)	716,427	853,618
Interest income from treasury investments at amortised cost	132,694	386,771
Fine imposed pursuant to China's Anti-Monopoly Law (Note ii)	(3,442,440)	—
Donations	(139,689)	(204,534)
Foreign exchange losses, net	(34,977)	(170,340)
Others	(72,941)	90,067
	(185,734)	3,160,835

(i) Since April 1, 2019, taxpayers in the manufacturing and consumer services industry are allowed to enjoy additional 10% of input VAT amount deductible from tax payable. Since October 1, 2019, taxpayers in consumer services industry are allowed to enjoy additional 15% of input VAT amount deductible from tax payable. As a result, for the year ended December 31, 2021, the Group recognised a gain of RMB1,250.5 million (2020: RMB805.7 million).

(ii) In April 2021, the State Administration for Market Regulation of the People's Republic of China (the "**SAMR**") commenced an investigation on the Company pursuant to the Anti-Monopoly Law of the People's Republic of China. Following the investigation, in October 2021, the SAMR issued an administrative penalty decision of the anti-monopoly investigation against the Company and imposed a fine of RMB3,442 million.

10 FINANCE INCOME/(COSTS)

	Year ended December 31,	
	2021 RMB'000	2020 RMB'000
Finance income		
Interest income from bank deposits	546,037	213,684
Finance costs		
Interest expenses on bank borrowings and notes payable	(887,278)	(253,216)
Interest in respect of lease liabilities	(193,420)	(92,266)
Others	(50,237)	(24,534)
Total	(1,130,935)	(370,016)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

11 SUBSIDIARIES

The Company's major subsidiaries (including directly held and indirectly held, collectively controlled, and structured entities) during the year ended December 31, 2021 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.

Name	Place of incorporation/ establishment and kind of legal entity	Date of incorporation/ establishment	Particulars of issued capital	Effective interests held (i) As of December 31, 2021	2020	Principal activities and place of operation
Directly held:						
Inspired Elite Investments Limited	The British Virgin Islands, limited liability company	March 19, 2014	USD50,000	100%	100%	Investment holding in The British Virgin Islands
Indirectly held:						
Beijing Sankuai Online Technology Co., Ltd.	Beijing, the PRC, limited liability company	May 6, 2011	USD3,331,660,000	100%	100%	E-commerce service platform in the PRC
Hanhai Information Technology (Shanghai) Co., Ltd.	Shanghai, the PRC, limited liability company	March 16, 2006	USD495,000,000	100%	100%	Multimedia information technology services in the PRC
Xiamen Sankuai Online Technology Co., Ltd.	Xiamen, the PRC, limited liability company	March 25, 2014	USD549,049,120	100%	100%	E-commerce service platform in the PRC
Shanghai Sankuai Zhisong Technology Co., Ltd.	Shanghai, the PRC, limited liability company	November 28, 2017	USD320,000,000	100%	100%	Delivery services in the PRC
Tianjin Xiaoyi Technology Co., Ltd.	Tianjin, the PRC, limited liability company	February 13, 2018	USD500,000,000	100%	100%	Supply chain services in the PRC
Chongqing Meituan Sankuai Micro-credit Co., Ltd.	Chongqing, the PRC, limited liability company	November 28, 2016	RMB5,000,000,000	100%	100%	Micro-credit business in the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

11 SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ establishment and kind of legal entity	Date of incorporation/ establishment	Particulars of issued capital	Effective interests held (i) As of December 31, 2021	2020	Principal activities and place of operation
Structured entities (ii):						
Beijing Sankuai Technology Co., Ltd.	Beijing, the PRC, limited liability company	April 10, 2007	RMB5,480,000,000	100%	100%	E-commerce service platform in the PRC
Shanghai Sankuai Technology Co., Ltd.	Shanghai, the PRC, limited liability company	September 19, 2012	RMB5,000,000	100%	100%	Online retail platform in the PRC
Beijing Sankuai Cloud Computing Technology Co., Ltd.	Beijing, the PRC, limited liability company	June 17, 2015	RMB870,000,000	100%	100%	Restaurant Management System ("**RMS**") and cloud computing in the PRC
Shanghai Hantao Information Consulting Co., Ltd.	Shanghai, the PRC, limited liability company	September 23, 2003	RMB10,000,000	100%	100%	Merchant information advisory services in the PRC

Note (i) The Effective interests held by the Group have no changes since January 1, 2022 until the reporting date.

Note (ii) The Company does not have directly or indirectly legal ownership in equity of structured entities or their subsidiaries. Nevertheless, under certain contractual arrangements entered into with these structured entities and their registered owners, the Company and its legally owned subsidiaries have rights to exercise power over these structured entities, to 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 consolidated structured entities of the Company.

Due to the implementation of the shares award scheme of the Group mentioned in Note 2.10, certain structured entity ("**Share Scheme Trust**") has been set up. The principal activities of Share Scheme Trust is administering and holding the Company's shares issued for Post-IPO Share Award Scheme. As the Company has the power to govern the financial and operating policies of the Share Scheme Trust and can derive benefits from the contributions of the eligible persons who are awarded with the shares by the schemes, the Directors of the Company consider that it is appropriate to consolidate the Share Scheme Trust.

12 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	As of December 31, 2021 RMB'000	2020 RMB'000
Associates (a)	**13,856,036**	13,167,893
Joint ventures	**12,752**	13,050
	13,868,788	13,180,943

RMB11.5 billion of investments accounted for using the equity method was denominated in USD (2020: RMB11.3 billion), and other balances were denominated in RMB.

(a) Investments in associates accounted for using the equity method

	As of December 31, 2021 RMB'000	2020 RMB'000
Investments in associates		
– listed entities	**11,573,568**	11,361,160
– unlisted entities	**2,282,468**	1,806,733
	13,856,036	13,167,893

The quoted fair value of the investments in listed entities was RMB27,228 million and RMB25,224 million as of December 31, 2021 and 2020, respectively.

	Year ended December 31, 2021 RMB'000	2020 RMB'000
At the beginning of the year	**13,167,893**	2,269,638
Additions	—	2,367,376
Transfer (Note 19)	—	8,071,981
Dilution gains (Note i)	**716,427**	853,618
Dividends from associates	**(15,137)**	(5,369)
Disposals	**(8,888)**	—
Share of gains of investments accounted for using the equity method	**145,620**	264,105
Other reserves (Note 27)	**117,125**	(120,986)
Currency translation differences	**(267,004)**	(532,470)
At the end of the year	**13,856,036**	13,167,893

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

12 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(Continued)*

(a) Investments in associates accounted for using the equity method *(Continued)*

(i) Dilution gains mainly comprised net gains on dilution of the Group's equity interests in Li Auto Inc. due to the public offerings of additional issuance in August 2021 and in December 2020.

There were no material contingent liabilities relating to the Group's interests in the associates.

There was no individually material associates that are accounted for using the equity method as of December 31, 2021 (as of December 31, 2020: RMB10.4 billion of Li Auto Inc.). Aggregate amounts of the Group's share of gains/(losses) of individually immaterial associates accounted for using the equity method are as follows:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
– Profit from operations	**145,620**	311,278
– Other comprehensive loss	**(41,797)**	(300)
Total comprehensive income	**103,823**	310,978

13 TAXATION

(a) Value Added Tax

The Group is mainly subject to VAT rate of 6%, and relevant surcharges on VAT payments according to PRC tax law.

13 TAXATION *(Continued)*

(b) Income tax

Cayman Islands

Under the current laws of the Cayman Islands, the Company and its subsidiaries incorporated in the Cayman Islands are not subject to tax on their income or capital gains. Additionally, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

British Virgin Islands

Under the current laws of the British Virgin Islands, entities incorporated in the British Virgin Islands are not subject to tax on their income or capital gains.

Hong Kong

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits for the years ended December 31, 2021 and 2020.

PRC corporate income tax ("CIT")

CIT provision was made on the estimated assessable profit of entities within the Group incorporated in the PRC and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC CIT rate is 25% during the years ended December 31, 2021 and 2020.

Certain subsidiaries of the Group in the PRC are subject to "high and new technology enterprises", whose preferential income tax rate was 15% for the years ended December 31, 2021 and 2020. Moreover, a subsidiary is entitled to the preferential policy of "2-year exemption and 3-year half rate concession". In addition, certain PRC subsidiaries of the Group are subject to "small and thin-profit enterprises" under the CIT Law, whose preferential income tax rate was 20% for the years ended December 31, 2021 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

13 TAXATION *(Continued)*

(b) Income tax *(Continued)*

Withholding tax on undistributed dividends

Pursuant to the CIT Law, a 10% withholding tax is levied on dividends declared by companies established in mainland China to foreign investors effective from January 1, 2008. The withholding tax rate may be lowered to a minimum of 5% if there is a tax arrangement between mainland China and the jurisdiction of the foreign investors. However, the 5% withholding tax rate does not automatically apply and certain requirements must be satisfied.

	Year ended December 31,	
	2021 **RMB'000**	2020 RMB'000
Current income tax expenses	**(417,262)**	(147,172)
Deferred income tax credits (Note 18)	**447,541**	416,909
Total income tax credits	**30,279**	269,737

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of 25% for the years ended December 31, 2021 and 2020, being the tax rate of the major subsidiaries of the Group.

The difference is analysed as follows:

	Year ended December 31,	
	2021 **RMB'000**	2020 RMB'000
(Loss)/profit before income tax	**(23,566,477)**	4,437,875
Tax calculated at statutory income tax rate of 25% in mainland China	**5,891,619**	(1,109,469)
Tax effects of:		
– Different tax rates available to different jurisdictions	**(615,429)**	1,509,383
– Preferential income tax rates applicable to subsidiaries	**(2,316,035)**	(298,412)
– Expenses not deductible for income tax purposes	**(132,578)**	(227,279)
– Super deduction for research and development expenses	**1,190,896**	1,261,674
– Changes in deferred tax assets and liabilities mismatched with (loss)/profit before income tax		
Tax losses	**(3,993,860)**	(896,861)
Other temporary differences	**62,252**	537,509
– Withholding tax (Note i)	**(40,982)**	(568,384)
– Others	**(15,604)**	61,576
Total income tax credits	**30,279**	269,737

(i) The Group's subsidiaries outside of PRC recognised withholding tax for their investments in the PRC entities.

14 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share for the years ended December 31, 2021 and 2020 were calculated by dividing the (loss)/profit 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	2020
(Loss)/profit attributable to equity holders of the Company (RMB'000)	**(23,538,379)**	4,708,313
Weighted average number of ordinary shares in issue (thousands)	**6,037,677**	5,845,354
Basic (loss)/earnings per share (RMB)	**(3.90)**	0.81

(b) Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has three categories of dilutive potential ordinary shares: share options, RSUs and convertible bonds. As the Company incurred losses for the year ended December 31, 2021, the dilutive potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilution. Accordingly, diluted loss per share for the year ended December 31, 2021 was the same as basic loss per share.

	Year ended December 31, 2021	2020
(Loss)/profit attributable to equity holders of the Company (RMB'000)	**(23,538,379)**	4,708,313
Weighted average number of ordinary shares in issue (thousands)	**6,037,677**	5,845,354
Adjustments for share options and RSUs (thousands)	**—**	158,251
Weighted average number of ordinary shares used as the denominator in calculating diluted (loss)/earnings per share (thousands)	**6,037,677**	6,003,605
Diluted (loss)/earnings per share (RMB)	**(3.90)**	0.78

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

15 PROPERTY, PLANT AND EQUIPMENT

	Computer equipment RMB'000	Bikes and electric mopeds RMB'000	Assets under construction RMB'000	Right-of-use assets RMB'000	Land use rights RMB'000	Others RMB'000	Total RMB'000
As of January 1, 2021							
Cost	5,644,530	11,837,828	241,703	3,756,829	—	1,218,979	22,699,869
Accumulated depreciation and impairment	(3,520,901)	(3,784,637)	(546)	(1,031,912)	—	(444,708)	(8,782,704)
Net book amount	2,123,629	8,053,191	241,157	2,724,917	—	774,271	13,917,165
For the year ended December 31, 2021							
Opening net book amount	2,123,629	8,053,191	241,157	2,724,917	—	774,271	13,917,165
Additions	3,430,860	117,425	2,688,446	4,219,704	6,737,539	346,055	17,540,029
Transfers	—	1,216,240	(1,920,913)	—	—	704,673	—
Disposals	(19,111)	(136,405)	(66,008)	(180,590)	—	(78,184)	(480,298)
Depreciation charges	(1,642,390)	(3,817,909)	—	(2,043,002)	(58,563)	(549,111)	(8,110,975)
Impairment charges	—	—	(206)	—	—	(51,443)	(51,649)
Currency translation differences	—	—	—	(26)	—	—	(26)
Ending net book amount	3,892,988	5,432,542	942,476	4,721,003	6,678,976	1,146,261	22,814,246
As of December 31, 2021							
Cost	8,975,712	12,385,280	943,000	6,830,956	6,737,539	2,036,595	37,909,082
Accumulated depreciation and impairment	(5,082,724)	(6,952,738)	(524)	(2,109,953)	(58,563)	(890,334)	(15,094,836)
Net book amount	3,892,988	5,432,542	942,476	4,721,003	6,678,976	1,146,261	22,814,246

15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Computer equipment RMB'000	Bikes and electric mopeds RMB'000	Assets under construction RMB'000	Right-of-use assets RMB'000	Others RMB'000	Total RMB'000
As of January 1, 2020						
Cost	4,505,983	5,781,823	141,368	2,166,794	409,348	13,005,316
Accumulated depreciation and impairment	(2,288,342)	(4,504,976)	(7,945)	(605,780)	(222,056)	(7,629,099)
Net book amount	2,217,641	1,276,847	133,423	1,561,014	187,292	5,376,217
For the year ended December 31, 2020						
Opening net book amount	2,217,641	1,276,847	133,423	1,561,014	187,292	5,376,217
Additions	1,192,179	6,951,124	2,540,360	2,180,516	180,074	13,044,253
Transfers	—	1,734,740	(2,431,532)	—	696,792	—
Disposals	(7,543)	(125,530)	(1,094)	(94,757)	(42,056)	(270,980)
Depreciation charges	(1,278,647)	(1,783,990)	—	(921,846)	(218,140)	(4,202,623)
Impairment charges	—	—	—	—	(29,691)	(29,691)
Currency translation differences	(1)	—	—	(10)	—	(11)
Ending net book amount	2,123,629	8,053,191	241,157	2,724,917	774,271	13,917,165
As of December 31, 2020						
Cost	5,644,530	11,837,828	241,703	3,756,829	1,218,979	22,699,869
Accumulated depreciation and impairment	(3,520,901)	(3,784,637)	(546)	(1,031,912)	(444,708)	(8,782,704)
Net book amount	2,123,629	8,053,191	241,157	2,724,917	774,271	13,917,165

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Cost of revenues	**6,389,656**	3,216,094
Selling and marketing expenses	**846,153**	513,443
General and administrative expenses	**458,030**	171,073
Research and development expenses	**417,136**	302,013
	8,110,975	4,202,623

(a) Leases (excluding land use rights)

Except for recognition of lease liabilities, the carrying amounts of right-of-use assets (excluding land use rights) by category are as follows:

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Offices	**2,937,030**	1,923,104
Others	**1,783,973**	801,813
Total	**4,721,003**	2,724,917

The consolidated income statement shows the following amounts relating to leases (excluding the depreciation of land use rights):

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Depreciation charge of right-of-use assets	**2,043,002**	921,846
Interest expenses (included in finance costs)	**193,420**	92,266

16 INTANGIBLE ASSETS

	Goodwill RMB'000	Other intangible assets arising from business combinations RMB'000	Software and others RMB'000	Total RMB'000
As of January 1, 2021				
Cost	27,849,022	7,671,830	1,892,709	37,413,561
Accumulated amortisation and impairment	(201,587)	(3,992,745)	(1,542,848)	(5,737,180)
Net book amount	27,647,435	3,679,085	349,861	31,676,381
For the year ended December 31, 2021				
Opening net book amount	27,647,435	3,679,085	349,861	31,676,381
Additions	83,068	42,800	63,689	189,557
Disposals	—	—	(80)	(80)
Amortisation charges	—	(495,953)	(321,091)	(817,044)
Ending net book amount	27,730,503	3,225,932	92,379	31,048,814
As of December 31, 2021				
Cost	27,932,090	7,714,630	1,956,232	37,602,952
Accumulated amortisation and impairment	(201,587)	(4,488,698)	(1,863,853)	(6,554,138)
Net book amount	27,730,503	3,225,932	92,379	31,048,814

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

16 INTANGIBLE ASSETS *(Continued)*

	Goodwill RMB'000	Other intangible assets arising from business combinations RMB'000	Software and others RMB'000	Total RMB'000
As of January 1, 2020				
Cost	27,849,022	7,671,830	1,877,633	37,398,485
Accumulated amortisation and impairment	(143,421)	(3,377,167)	(1,178,322)	(4,698,910)
Net book amount	27,705,601	4,294,663	699,311	32,699,575
For the year ended December 31, 2020				
Opening net book amount	27,705,601	4,294,663	699,311	32,699,575
Additions	—	—	29,568	29,568
Disposals	—	—	(3,110)	(3,110)
Amortisation charges	—	(615,578)	(375,908)	(991,486)
Impairment charges	(58,166)	—	—	(58,166)
Ending net book amount	27,647,435	3,679,085	349,861	31,676,381
As of December 31, 2020				
Cost	27,849,022	7,671,830	1,892,709	37,413,561
Accumulated amortisation and impairment	(201,587)	(3,992,745)	(1,542,848)	(5,737,180)
Net book amount	27,647,435	3,679,085	349,861	31,676,381

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For the year ended December 31, 2021

16 INTANGIBLE ASSETS *(Continued)*

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

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Selling and marketing expenses	**443,794**	592,367
General and administrative expenses	**177,565**	215,993
Cost of revenues	**176,000**	176,978
Research and development expenses	**19,685**	6,148
	817,044	991,486

Impairment of goodwill

Management reviews the business performance based on type of business and monitors the goodwill at the operating segment level. The following is a summary of goodwill allocation for each operating segment:

Year ended December 31, 2021	**Opening RMB'000**	**Addition RMB'000**	**Reallocation RMB'000**	**Impairment RMB'000**	**Disposal RMB'000**	**Ending RMB'000**
Food delivery	**4,845,229**	—	—	—	—	**4,845,229**
In-store, hotel & travel	**18,950,647**	—	—	—	—	**18,950,647**
Bike-sharing and moped services	**3,707,427**	—	—	—	—	**3,707,427**
New initiatives and others (excluding bike-sharing and moped services)	**144,132**	**83,068**	—	—	—	**227,200**
	27,647,435	**83,068**	—	—	—	**27,730,503**

Year ended December 31, 2020	Opening RMB'000	Addition RMB'000	Reallocation RMB'000	Impairment RMB'000	Disposal RMB'000	Ending RMB'000
Food delivery	4,845,229	—	—	—	—	4,845,229
In-store, hotel & travel	18,950,647	—	—	—	—	18,950,647
Bike-sharing and moped services	3,707,427	—	—	—	—	3,707,427
New initiatives and others (excluding bike-sharing and moped services)	202,298	—	—	(58,166)	—	144,132
	27,705,601	—	—	(58,166)	—	27,647,435

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For the year ended December 31, 2021

16 INTANGIBLE ASSETS *(Continued)*

Impairment of goodwill *(Continued)*

The goodwill balance mainly arose from the strategic transaction of Meituan and Dianping and business combination of Mobike. Goodwill is attributable to the acquired transacting volume and economies of scale expected to be derived from combining with the operations of the Group.

The Group carries out its annual impairment test on goodwill by comparing the recoverable amounts of CGU to the carrying amounts. The recoverable amount of a CGU was determined based on value-in-use calculations. These calculations used pre-tax cash flow projections based on financial budgets approved by management covering a 5-year period with a terminal value related to the future cash flows extrapolated using the estimated growth rates stated below beyond the 5-year period. The Group believes that it is appropriate to cover a 5-year period in its cash flow projections, because it captures the development stage of the Group's businesses during which the Group expects to experience a high growth rate. The accuracy and reliability of the information is reasonably assured by the appropriate budgeting, forecast and control process established by the Group. The management leveraged their extensive experiences in the industries and provided forecast based on past performance and their expectation of future business plans and market developments.

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 key assumptions used in the value-in-use calculations for significant group of CGUs allocated with goodwill are as follows:

As of December 31, 2021

	Food delivery	In-store, hotel & travel	Bike-sharing and moped services
Annual revenue growth rate for 5-year period	3%-31%	3%-33%	11%-45%
Gross margin	19%-20%	89%-91%	15%-38%
Terminal revenue growth rate	3%	3%	3%
Pre-tax discount rate	26%	26%	27%

16 INTANGIBLE ASSETS *(Continued)*

Impairment of goodwill *(Continued)*

As of December 31, 2020

	Food delivery	In-store, hotel & travel	Bike-sharing and moped services
Annual revenue growth rate for 5-year period	5%-50%	5%-55%	6%-67%
Gross margin	21%-25%	90%	23%-36%
Terminal revenue growth rate	3%	3%	3%
Pre-tax discount rate	25%	25%	28%

The budgeted gross margins used in the goodwill impairment testing were determined by the management based on past performance and its expectation for market development. The expected revenue growth rates are following the business plan approved by the Group. Discount rates reflect market assessments of the time value and the specific risks relating to the industry.

New initiatives and others includes different CGUs. Those CGUs cover the business of RMS, B2B food distribution services and micro-credit business. As of December 31, 2021 and 2020, the discount rates used in the impairment testing for the CGUs in new initiatives and others segment were from 22% to 30% and 24% to 28%, while the terminal revenue growth rate were 3% and 3%.

17 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

		As of December 31,	
	Note	**2021** **RMB'000**	2020 RMB'000
Assets as per consolidated statement of financial position			
Financial assets at fair value through profit or loss:			
– Short-term treasury investments at fair value through profit or loss	21	**56,417,497**	32,083,979
– Long-term treasury investments at fair value through profit or loss	21	**3,295,284**	612,967
– Other financial investments at fair value through profit or loss	19	**14,299,857**	10,256,786
		74,012,638	42,953,732

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17 FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

	Note	As of December 31, 2021 RMB'000	2020 RMB'000
Financial assets at fair value through other comprehensive income:			
– Short-term treasury investments at fair value through other comprehensive income	21	**9,543,006**	965,553
– Loan receivables at fair value through other comprehensive income	22(a)	**4,210,835**	—
– Other financial investments at fair value through other comprehensive income	20	**2,022,705**	605,918
		15,776,546	1,571,471
Financial assets at amortised cost:			
– Trade receivables	24	**1,793,035**	1,030,948
– Prepayments, deposits and other assets	22	**8,100,619**	10,560,882
– Long-term treasury investments at amortised cost	21	**715,158**	—
– Short-term treasury investments at amortised cost	21	**18,321,513**	10,949,832
– Restricted cash	25(b)	**13,276,919**	12,775,667
– Cash and cash equivalents	25(a)	**32,513,428**	17,093,559
		74,720,672	52,410,888
Liabilities as per consolidated statement of financial position			
Financial liabilities at fair value through profit or loss:			
– Financial liabilities at fair value through profit or loss		**—**	114,600
Financial liabilities at amortised cost:			
– Trade payables	29	**15,165,619**	11,967,026
– Payables to merchants		**10,950,920**	9,414,936
– Advances from transacting users		**5,171,054**	4,307,861
– Other payables and accruals	30	**8,865,695**	7,328,556
– Other non-current liabilities		**—**	119,512
– Borrowings	31	**23,784,867**	8,352,472
– Notes payable	32	**30,383,378**	12,966,341
– Lease liabilities		**4,750,785**	2,737,855
		99,072,318	57,194,559

18 DEFERRED INCOME TAXES

The following amounts, determined after appropriate offsetting, are shown in the consolidated statement of financial position:

(a) Deferred tax assets

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
The balance comprises temporary differences attributable to:		
– Tax losses	**1,695,764**	1,009,919
– Others	**511,208**	314,032
Total gross deferred tax assets	**2,206,972**	1,323,951
Set-off of deferred tax assets pursuant to set-off provisions	**(828,504)**	(875,281)
Net deferred tax assets	**1,378,468**	448,670

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Deferred tax assets:		
– to be recovered after 12 months	**653,820**	176,250
– to be recovered within 12 months	**724,648**	272,420
	1,378,468	448,670

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For the year ended December 31, 2021

18 DEFERRED INCOME TAXES *(Continued)*

(b) Deferred tax liabilities

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
The balance comprises temporary differences attributable to:		
– Intangible assets arising from business combinations	**(489,022)**	(620,647)
– Investments accounted for using the equity method or at fair value	**(1,051,129)**	(804,356)
– Deferred revenues	**(24,897)**	(50,029)
– Others	**(159,147)**	(155,943)
Total gross deferred tax liabilities	**(1,724,195)**	(1,630,975)
Set-off of deferred tax liabilities pursuant to set-off provisions	**828,504**	875,281
Net deferred tax liabilities	**(895,691)**	(755,694)

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Deferred tax liabilities:		
– to be recovered after 12 months	**(893,459)**	(751,223)
– to be recovered within 12 months	**(2,232)**	(4,471)
	(895,691)	(755,694)

18 DEFERRED INCOME TAXES *(Continued)*

The movement on the gross deferred tax assets is as follows:

	Tax losses RMB'000	Others RMB'000	Total RMB'000
As of January 1, 2021	**1,009,919**	**314,032**	**1,323,951**
Credited to consolidated income statement	**349,255**	**197,176**	**546,431**
Credited to consolidated statement of changes in equity	**336,590**	**—**	**336,590**
As of December 31, 2021	**1,695,764**	**511,208**	**2,206,972**
As of January 1, 2020	848,365	35,820	884,185
Credited to consolidated income statement	118,440	278,212	396,652
Credited to consolidated statement of changes in equity	43,114	—	43,114
As of December 31, 2020	1,009,919	314,032	1,323,951

The movement on the gross deferred tax liabilities is as follows:

	Intangible assets RMB'000	Investments accounted for using the equity method or at fair value RMB'000	Deferred revenues RMB'000	Others RMB'000	Total RMB'000
As of January 1, 2021	**(620,647)**	**(804,356)**	**(50,029)**	**(155,943)**	**(1,630,975)**
Credited/(charged) to consolidated income statement	**142,325**	**(263,143)**	**25,132**	**(3,204)**	**(98,890)**
Credited to other comprehensive income	**—**	**16,370**	**—**	**—**	**16,370**
Business combination	**(10,700)**	**—**	**—**	**—**	**(10,700)**
As of December 31, 2021	**(489,022)**	**(1,051,129)**	**(24,897)**	**(159,147)**	**(1,724,195)**
As of January 1, 2020	(750,046)	(438,363)	(469,175)	(25,016)	(1,682,600)
Credited/(charged) to consolidated income statement	129,399	(397,361)	419,146	(130,927)	20,257
Credited to other comprehensive income	—	31,368	—	—	31,368
As of December 31, 2020	(620,647)	(804,356)	(50,029)	(155,943)	(1,630,975)

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18 DEFERRED INCOME TAXES *(Continued)*

The Group only recognises deferred tax assets for cumulative tax losses if it is probable that future taxable income will be available to utilise those tax losses. Management will continue to assess the recognition of deferred tax assets in future reporting periods. As of December 31, 2021 and 2020, the Group did not recognise deferred tax assets of RMB13.7 billion and RMB9.3 billion in respect of cumulative tax losses amounting to RMB74.9 billion and RMB43.6 billion including the tax losses arising from the excess deduction of share-based payments. These tax losses will expire from 2022 to 2026, and certain subsidiaries of the Group may extend to 2031.

The Company has undistributed earnings which, if paid out as dividends, would be subject to tax in the hands of the recipient. An assessable temporary difference exists, but no deferred tax liability has been recognised as the Company is able to control the timing of distributions from subsidiaries and is not expected to distribute these profits in the foreseeable future.

19 OTHER FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Associates (a)	4,453,450	2,690,100
Other investees (b)	9,846,407	7,566,686
	14,299,857	10,256,786

RMB5.9 billion of other financial investments at fair value through profit or loss was denominated in USD (2020: RMB4.0 billion), and other balances were denominated in RMB.

19 OTHER FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

(a) Associates

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
At the beginning of the year	**2,690,100**	1,376,375
Additions (Note i)	**2,393,024**	4,717,562
Changes in fair values	**219,221**	4,785,089
Disposals	**(60,000)**	(225,681)
Transfers (Note 12, 20)	**(783,750)**	(7,853,443)
Currency translation differences	**(5,145)**	(109,802)
At the end of the year	**4,453,450**	2,690,100

(i) During the year ended December 31, 2021, the Group's additions to investments in associates at fair value through profit or loss mainly comprised some investments in food and beverage industry and technology industry.

(b) Other investees

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
At the beginning of the year	**7,566,686**	5,789,747
Additions (Note i)	**2,767,859**	2,132,299
Changes in fair values	**596,526**	170,820
Disposals	**(713,798)**	(88,794)
Transfers (Note ii) (Note 12, 20)	**(284,344)**	(218,538)
Currency translation differences	**(86,522)**	(218,848)
At the end of the year	**9,846,407**	7,566,686

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19 OTHER FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

(b) Other investees *(Continued)*

The Group also has interests in certain investee companies in the form of preferred and ordinary shares without significant influence, which are managed and whose performance are evaluated on a fair value basis. The Group designated these instruments as other financial investments at fair value through profit or loss.

(i) During the year ended December 31, 2021, the Group's additions to other investments mainly comprised the investments in some unlisted entities.

(ii) During the year ended December 31, 2021, an investment of RMB284 million is designated as other financial investments at fair value through other comprehensive income due to the conversion of preferred shares into ordinary shares.

20 OTHER FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Other financial investments at fair value through other comprehensive income comprise the following:

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Equity investments in listed entities	**532,455**	605,918
Equity investments in unlisted entities	**1,490,250**	—
	2,022,705	605,918

20 OTHER FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(Continued)*

Movement of other financial investments at fair value through other comprehensive income is analysed as follows:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
At the beginning of the year	**605,918**	—
Additions (Note i)	**450,000**	548,668
Changes in fair values (Note 27)	**(86,821)**	84,387
Transfers (Note 19)	**1,068,094**	—
Currency translation differences	**(14,486)**	(27,137)
At the end of the year	**2,022,705**	605,918

(i) During the year ended December 31, 2021, the Group made a new investment with the amount of approximately RMB450 million that are not held for trading. The Group made an irrevocable election to measure the investment as other financial investments at fair value through other comprehensive income.

21 TREASURY INVESTMENTS

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Long-term treasury investments at		
– Amortised cost	**715,158**	—
– Fair value through profit or loss	**3,295,284**	612,967
	4,010,442	612,967
Short-term treasury investments at		
– Amortised cost	**18,321,513**	10,949,832
– Fair value through profit or loss	**56,417,497**	32,083,979
– Fair value through other comprehensive income	**9,543,006**	965,553
	84,282,016	43,999,364

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21 TREASURY INVESTMENTS *(Continued)*

Treasury investments at amortised cost were primarily fixed rate certificates of deposit and term deposits. Treasury investments at fair value through profit or loss were wealth management products. The principal and returns on all of these wealth management products were not guaranteed, hence their contractual cash flows did not qualify for solely payments of principal and interest. Therefore, they were measured at fair value through profit or loss. Treasury investments at fair value through other comprehensive income were large-denomination negotiable certificates of term deposits and other financial products, in which the contractual cash flows represented solely payments of principal and interest. The objective of the Group's business model was collecting contractual cash flows and selling these financial assets.

Treasury investments were denominated in the following currencies:

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
USD	**54,654,850**	31,828,437
RMB	**33,637,608**	12,783,894
	88,292,458	44,612,331

22 PREPAYMENTS, DEPOSITS AND OTHER ASSETS

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Non-current		
Loan receivables (a)	**1,021,951**	466,232
Prepayments for PP&E	**903,474**	5,935,077
Rental deposits	**409,322**	268,658
Prepayments for investments	**339,044**	297,044
Deductible value-added tax	**247,226**	334,509
Others	**460,255**	268,297
	3,381,272	7,569,817
Current		
Loan receivables (a)	**4,819,078**	6,441,565
Deductible value-added tax	**3,056,071**	2,275,045
Receivables upon share-based payments vesting or exercise	**2,258,425**	303,176
Contract assets	**930,984**	591,646
Deposits in third-party payment processors	**882,395**	369,744
Prepayments to merchants	**568,026**	299,358
Amounts due from related parties (Note 37)	**516,492**	1,425,059
Prepayments for purchased goods or services	**469,608**	602,119
Prepayments on behalf of third parties	**402,626**	379,799
Others	**1,377,881**	252,614
	15,281,586	12,940,125

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22 PREPAYMENTS, DEPOSITS AND OTHER ASSETS *(Continued)*

(a) Loan receivables

Loan receivables are derived from micro-credit business and initially measured at fair value. Depending on the business models in which the loan receivables are held, the subsequent measurement could be at amortised cost or at fair value through other comprehensive income. Breakdown for loan receivables including both current and non-current portion is as follows:

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Loan receivables at amortised cost	**1,754,928**	7,262,016
Less: allowance for impairment (Note 3.1.2)	**(124,734)**	(354,219)
	1,630,194	6,907,797
Loan receivables at fair value through other comprehensive income	**4,268,063**	—
Less: fair value changes of loan receivables	**(57,228)**	—
	4,210,835	—
Allowances for impairment losses on loan receivables at fair value through other comprehensive income (Note 3.1.2)	**(158,839)**	—

23 INVENTORIES

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Raw materials	**139,873**	41,109
Finished goods	**598,542**	439,130
	738,415	480,239
Less: provisions for impairment	**(56,722)**	(13,747)
	681,693	466,492

24 TRADE RECEIVABLES

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Trade receivables	**2,019,029**	1,197,518
Less: allowance for impairment	**(225,994)**	(166,570)
	1,793,035	1,030,948

The Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At each reporting period end the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

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

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
At the beginning of the year	**(166,570)**	(155,854)
Provision	**(108,231)**	(89,964)
Reversal	**14,852**	54,016
Write-off	**33,955**	25,232
At the end of the year	**(225,994)**	(166,570)

The Group considered that the carrying amount of the trade receivables approximated their fair values as of December 31, 2021 and 2020.

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24 TRADE RECEIVABLES *(Continued)*

The Group allows a credit period of 30 to 180 days to its customers. Aging analysis of trade receivables (net of allowance for impairment of trade receivables) based on invoice date is as follows:

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Trade receivables		
Up to 3 months	**1,669,739**	889,861
3 to 6 months	**101,529**	94,088
6 months to 1 year	**17,861**	39,416
Over 1 year	**3,906**	7,583
	1,793,035	1,030,948

The majority of the Group's trade receivables was denominated in RMB.

The maximum exposure to credit risk as of December 31, 2021 and 2020 was the carrying value of the trade receivables. The Group did not hold any collateral as security.

25 CASH AND BALANCES WITH BANKS AND FINANCIAL INSTITUTIONS

(a) Cash and cash equivalents

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Cash on hand and cash in bank	**20,084,162**	14,927,081
Term deposits with initial terms within three months	**11,871,616**	1,305,480
Cash held in other financial institutions (Note i)	**557,650**	860,998
	32,513,428	17,093,559

(i) Cash and cash equivalents of the Group primarily represents bank deposits and fixed deposits with maturities less than three months. As of December 31, 2021 and 2020, the Group had certain amounts of cash held in accounts managed by other financial institutions in connection with the ordinary course of business, which have been classified as cash and cash equivalents on the consolidated statement of financial position.

25 CASH AND BALANCES WITH BANKS AND FINANCIAL INSTITUTIONS *(Continued)*

(a) Cash and cash equivalents *(Continued)*

Cash and cash equivalents are denominated in the following currencies:

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
RMB	**15,934,705**	8,582,899
USD	**16,507,095**	7,866,891
Others	**71,628**	643,769
	32,513,428	17,093,559

(b) Restricted cash

Restricted cash are denominated in the following currencies:

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
RMB	**13,243,107**	12,730,092
USD	**22,166**	42,427
Others	**11,646**	3,148
	13,276,919	12,775,667

As of December 31, 2021 and 2020, RMB79 million and RMB217 million (including USD4 million and HKD1 million) restricted deposits were held by banks as letter of guarantee. Other restricted cash balances were those held in bank accounts subject to certain restriction according to agreement with certain parties.

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26 SHARE CAPITAL, SHARE PREMIUM AND SHARES HELD FOR SHARES AWARD SCHEME

As of December 31, 2021 and 2020, the authorised share capital of the Company comprised 10,000,000,000 ordinary shares with par value of USD0.00001 per share.

Issued and fully paid:

	Number of ordinary shares '000	Nominal value of ordinary shares USD'000	Share capital RMB'000	Share premium RMB'000	Shares held for shares award scheme RMB'000	Total RMB'000
As of January 1, 2021	**5,885,649**	**59**	**395**	**263,155,201**	**—**	**263,155,596**
Exercise of share options and RSUs vesting	**42,334**	**—**	**2**	**2,780,149**	**1**	**2,780,152**
Shares held for shares award scheme	**9,809**	**—**	**1**	**—**	**(1)**	**—**
Issuance of shares upon placement and subscription (i)	**198,353**	**2**	**13**	**45,285,887**	**—**	**45,285,900**
As of December 31, 2021	**6,136,145**	**61**	**411**	**311,221,237**	**—**	**311,221,648**
As of January 1, 2020	5,808,666	58	389	260,359,929	—	260,360,318
Exercise of share options and RSUs vesting	65,776	1	5	2,795,272	1	2,795,278
Shares held for shares award scheme	11,207	—	1	—	(1)	—
As of December 31, 2020	5,885,649	59	395	263,155,201	—	263,155,596

(i) In April 2021, pursuant to the terms and conditions of the placing and subscription agreement entered by the Company and joint placing bookrunners, an aggregated of 187,000,000 existing shares beneficially owned by Tencent Mobility Limited ("**Tencent**") have been placed to not less than six independent placees at the price of HK$273.80 per placing share. These shares were allotted and issued to Tencent as all conditions for the completion of the subscription have been fulfilled on April 27, 2021.

In addition, in April 2021, the Company and Tencent entered into the Tencent subscription agreement, pursuant to which Tencent has agreed to subscribe for and the Company has agreed to allot and issue 11,352,600 shares at the price of HK$273.80 for each share. These shares were allotted and issued to Tencent as all conditions for the completion of the subscription have been fulfilled on July 13, 2021.

The net proceeds from the subscriptions was about RMB45.3 billion after deducting relevant share issuance costs paid and payable, which were incremental costs directly attributable to the issuance of the shares and mainly included share underwriting commissions and other related costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

27 OTHER RESERVES

	Capital reserve RMB'000	Share-based payments RMB'000	Currency translation differences RMB'000	Conversion option of convertible bonds RMB'000	Others RMB'000	Total RMB'000
As of January 1, 2021	20	4,150,291	(10,359,316)	—	(53,061)	(6,262,066)
Equity-settled share-based payments	—	5,193,445	—	—	—	5,193,445
Exercise of share options and RSUs vesting	—	(2,508,430)	—	—	—	(2,508,430)
Share of changes in net assets of associates	—	—	—	—	117,125	117,125
Currency translation differences	—	—	(1,540,203)	—	—	(1,540,203)
Fair value changes of and net provisions for impairment losses on financial assets	—	—	—	—	81,578	81,578
Issuance of convertible bonds (equity component) (Note 32)	—	—	—	1,513,938	—	1,513,938
Tax benefit from share-based payments	—	—	—	—	535,289	535,289
Appropriations to general reserves	—	—	—	—	2,649	2,649
As of December 31, 2021	20	6,835,306	(11,899,519)	1,513,938	683,580	(2,866,675)

	Capital reserve RMB'000	Share-based payments RMB'000	Currency translation differences RMB'000	Others RMB'000	Total RMB'000
As of January 1, 2020	20	3,161,201	(7,439,014)	(169,459)	(4,447,252)
Equity-settled share-based payments	—	3,272,930	—	—	3,272,930
Exercise of share options and RSUs vesting	—	(2,283,840)	—	—	(2,283,840)
Share of changes in net assets of associates	—	—	—	(120,986)	(120,986)
Currency translation differences	—	—	(2,920,302)	—	(2,920,302)
Fair value changes of and net provisions for impairment losses on financial assets	—	—	—	84,327	84,327
Tax benefit from share-based payments	—	—	—	44,862	44,862
Appropriations to general reserves	—	—	—	108,195	108,195
As of December 31, 2020	20	4,150,291	(10,359,316)	(53,061)	(6,262,066)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

28 DEFERRED REVENUES

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Non-Current		
Business cooperation agreement with Maoyan	—	166,700
	—	166,700
Current		
Online marketing services and others	5,263,620	4,764,690
Business cooperation agreement with Maoyan	157,264	222,267
Various packages for bike-sharing and moped services	57,596	65,873
	5,478,480	5,052,830
	5,478,480	5,219,530

The following table shows how much of the revenues recognised in the current reporting period relates to carried-forward deferred revenues:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Revenues recognised that was included in the deferred revenues balance at the beginning of the year		
Online marketing services and others	4,092,837	3,665,402
Business cooperation agreement with Maoyan	209,685	222,267
Various packages for bike-sharing and moped services	65,873	44,010
	4,368,395	3,931,679

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

29 TRADE PAYABLES

As of December 31, 2021 and 2020, the aging analysis of the trade payables based on invoice date is as follows:

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Trade payables		
Up to 3 months	**14,906,908**	11,810,659
3 to 6 months	**146,690**	46,688
6 months to 1 year	**88,042**	45,876
Over 1 year	**23,979**	63,803
	15,165,619	11,967,026

The majority of the Group's trade payables was denominated in RMB.

30 OTHER PAYABLES AND ACCRUALS

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Employee payroll and benefits payables	**5,862,949**	3,995,916
Deposits from merchants and transacting users	**5,188,900**	4,903,176
Unpaid fine imposed pursuant to China's Anti-Monopoly Law	**2,422,440**	—
Amounts collected on behalf of third parties	**1,835,104**	1,106,030
Customer advances	**682,029**	367,960
Accrued expenses	**671,597**	312,481
Taxes and surcharges payables	**631,276**	858,974
Amounts due to related parties (Note 37)	**280,620**	395,785
Undue interests accrued for senior notes (Note 32)	**60,320**	61,732
Others	**765,503**	777,375
	18,400,738	12,779,429

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

31 BORROWINGS

	As of December 31, 2021		As of December 31, 2020	
	Original amount '000	Amount RMB'000	Original amount '000	Amount RMB'000
Included in non-current liabilities:				
USD bank borrowings – unsecured (b)	USD1,916,600	12,219,667	USD300,000	1,957,470
		12,219,667		1,957,470
Included in current liabilities:				
RMB bank borrowings – unsecured	RMB2,140,000	2,140,000	RMB3,250,000	3,250,000
USD bank borrowings – unsecured (b)	USD1,478,300	9,425,200	USD482,000	3,145,002
		11,565,200		6,395,002

(a) As of December 31, 2021, the effective interest rates for bank borrowings were 0.94%-3.75% (2020: 1.54%-3.85%). For the year ended December 31, 2021, the weighted average effective interest rate was 1.70% (2020: 3.21%).

(b) The floating rates of USD bank borrowings which were subject to LIBOR would be repriced quarterly or yearly according to the contract terms and would cease to be published after June 30, 2023.

32 NOTES PAYABLE

	As of December 31,	
	2021 RMB'000	2020 RMB'000
Included in non-current liabilities:		
Non-current portion of long-term USD senior notes (i)	12,682,188	12,966,341
Non-current portion of long-term USD convertible bonds (ii)	17,701,190	—
	30,383,378	12,966,341
Included in current liabilities:		
Undue interests accrued for senior notes (Note 30)	60,320	61,732
	30,443,698	13,028,073

32 NOTES PAYABLE *(Continued)*

The notes payable and undue interests were repayable as follows:

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Within 1 year (Note 30)	**60,320**	61,732
Between 2 and 5 years	**22,459,694**	4,863,174
More than 5 years	**7,923,684**	8,103,167
	30,443,698	13,028,073

All of these notes payable issued by the Group were unsecured.

(i) On October 29, 2020, the Company issued senior notes with an aggregate principal amount of USD2,000 million on the Hong Kong Stock Exchange. The principal amounts, applicable interest rates and due dates of the two tranches set out as below:

	Amount (USD million)	**Interest Rate** (per annum)	**Due Date**
2025 senior notes	750	2.125%	October 28, 2025
2030 senior notes	1,250	3.05%	October 28, 2030
	2,000		

As of December 31, 2021, the fair value of the senior notes was RMB12,023 million (2020: RMB13,515 million). The respective fair values were assessed based on the quoted market price of these senior notes at the reporting period end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

32 NOTES PAYABLE *(Continued)*

(ii) On April 27, 2021, the Company completed the issuance of US$1,483,600,000 zero coupon convertible bonds ("**Series 1 Bonds**") due on April 27, 2027 ("**Series 1 Bonds maturity date**") and US$1,500,000,000 zero coupon convertible bonds ("**Series 2 Bonds**") due on April 27, 2028 ("**Series 2 Bonds maturity date**") (together, the "**Bonds**" and the "**Maturity Date**") to third party professional investors (the "**Bondholders**").

The Bonds will, at the option of the Bondholders, be convertible on or after June 7, 2021 up to the 10 days prior to the Maturity date (both days inclusive) into Class B ordinary shares of the Company at a conversion price of HK$431.24 per Class B share, subject to adjustments.

The Company will, at the option of the Bondholders, redeem all or some only of such Bondholder's Series 1 Bonds on April 27, 2025 at 100.37% of the principal amount of the Series 1 Bonds, and redeem all or some only of such Bondholder's Series 2 Bonds on April 27, 2026 at 101.28% of the principal amount of the Series 2 Bonds.

The Company may at any time redeem in whole, but not in part, the Bonds at the early redemption amount, if, immediately prior to the date the notice of redemption is given, 90% or more in principal amount of the Bonds originally issued has already been converted, redeemed or purchased and cancelled. The early redemption amount is determined by the principal amount with a gross yield of negative 0.182% and positive 0.255% per annum calculated on a semi-annual basis for the Series 1 Bonds and the Series 2 Bonds, respectively.

The Company will redeem each bond at 100.00% of its principal amount in respect of the Series 1 Bonds and 101.80% of its principal amount in respect of the Series 2 Bonds, on April 27, 2027 and April 27, 2028, respectively, if not previously redeemed, converted or purchased and cancelled.

32 NOTES PAYABLE *(Continued)*

The liability and equity components of the convertible bonds are presented as follows:

	RMB'000
The face value of convertible bonds issued on the issuance date	19,370,725
Issuance premium	105,953
Gross proceeds	19,476,678
Less: issuance costs	(184,635)
Net proceeds	19,292,043
Less: equity component for the conversion right (Note 27)	(1,513,938)
Liability component on initial recognition	17,778,105
Interest expenses	250,659
Currency translation differences	(327,574)
Liability component as of December 31, 2021	17,701,190

Subsequent to the initial recognition, the liability component of the Bonds was carried at amortised cost using the effective interest rate method. The effective interest rates of the liability component of the Series 1 Bonds and the Series 2 Bonds were 1.94% per annum and 2.26% per annum, respectively.

As of December 31, 2021, the fair value of the convertible bonds was RMB17,969 million (2020: nil). The respective fair values were assessed based on the quoted market price of these convertible bonds at the reporting period end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

33 SHARE-BASED PAYMENTS

On October 6, 2015, the Board of the Company approved the establishment of the Company's Pre-IPO ESOP, an equity-settled share-based compensation plan with the purpose of attracting, motivating, retaining and rewarding certain employees, consultants and Directors. The Pre-IPO ESOP was valid and effective for 10 years from the date of approval by the Board. The Group had reserved 598,483,347 ordinary shares under the Pre-IPO ESOP, and permited the awards of share options and RSUs of the Company's ordinary shares.

As of August 30, 2018, the Group had authorised and reserved 683,038,063 ordinary shares under the Pre-IPO ESOP for awards of share options and RSUs of the Company's ordinary shares. All the share options and RSUs under the Pre-IPO ESOP were granted between May 31, 2006 and August 2, 2018 and the Company would not grant further share options or RSUs under the Pre-IPO ESOP after the listing of the Class B Shares on the Main Board of the Hong Kong Stock Exchange.

On August 30, 2018, Post-IPO Share Option Scheme and Post-IPO Share Award Scheme had been approved by the shareholders of the Company. The total number of Class B Shares which may be issued upon exercise of all share options to be granted under the Post-IPO Share Option Scheme and any other schemes is 475,568,628 Class B Shares. The aggregate number of Class B Shares underlying all grants made pursuant to the Post-IPO Share Award Scheme (excluding awards which have been forfeited in accordance with the Post-IPO Share Award Scheme) will not exceed 272,336,228 shares without Shareholders' approval (the "**Post-IPO Share Award Scheme Limit**") subject to an annual limit of 3% of the total number of issued shares at the relevant time.

As of December 31, 2021, there was a total of 609,679,104 ordinary shares under the Post-IPO Share Option Scheme and Post-IPO Share Award Scheme for awards of share options and RSUs of the Company.

Share options

Share options granted typically expire in 10 years from the respective grant dates. The share options have graded vesting terms, and vest in tranches from the grant date over the vesting period, on condition that employees remain in service without any performance requirements.

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

33 SHARE-BASED PAYMENTS *(Continued)*

Share options *(Continued)*

Movements in the number of share options granted and their related weighted average exercise prices are as follows:

	Number of share options	Weighted average exercise price per share option (HKD)
Outstanding as of January 1, 2021	**50,893,174**	**33.95**
Granted during the year	—	—
Forfeited during the year	**(811,629)**	**31.28**
Exercised during the year	**(12,093,247)**	**26.11**
Outstanding as of December 31, 2021	**37,988,298**	**36.51**
Vested and exercisable as of December 31, 2021	**21,788,214**	**25.34**
Outstanding as of January 1, 2020	73,710,007	27.81
Granted during the year	2,611,316	146.22
Forfeited during the year	(3,861,049)	33.76
Exercised during the year	(21,567,100)	26.59
Outstanding as of December 31, 2020	50,893,174	33.95
Vested and exercisable as of December 31, 2020	24,147,385	21.60

The weighted average remaining contractual life of outstanding share options was 5 years and 6 years as of December 31, 2021 and 2020. The weighted average price of the shares at the time these share options were exercised was HKD280.10 per share (equivalent to approximately RMB232.80 per share) during the year ended December 31, 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

33 SHARE-BASED PAYMENTS *(Continued)*

Fair value of share options

The Group had used Black-Scholes model to determine the fair value of the share options as of the grant date. Key assumptions are set as below:

	Year ended December 31,	
	2021	2020
Risk-free interest rates	—	0.5%
Expected term (years)	—	6.3-6.5
Expected volatility	—	40%-45%
Fair value of share options (HKD)	—	43.20-72.99
Exercise price (HKD)	—	100.15-195.98

The weighted average fair value of granted share options was HKD57.52 per share for the year ended December 31 2020.

RSUs

The Company also grants RSUs to the Company's employees, consultants, and Directors under the Pre-IPO ESOP and Post-IPO Share Award Scheme. The RSUs awarded vest in tranches from the grant date over a certain service period, on condition that employees remain in service without any performance requirements. Once the vesting conditions underlying the respective RSUs are met, the RSUs are considered duly and validly issued to the holder, and free of restrictions on transfer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

33 SHARE-BASED PAYMENTS *(Continued)*

RSUs *(Continued)*

Movement in the number of RSUs granted and the respective weighted average grant date fair value are as follows:

	Number of RSUs	Weighted average grant date fair value per RSU (HKD)
Outstanding as of January 1, 2021	126,541,129	90.18
Granted during the year	51,236,349	289.67
Vested during the year	(42,912,697)	66.03
Forfeited during the year	(9,497,656)	173.61
Outstanding as of December 31, 2021	125,367,125	173.66
Outstanding as of January 1, 2020	142,875,991	47.26
Granted during the year	44,797,063	167.84
Vested during the year	(49,436,884)	43.67
Forfeited during the year	(11,695,041)	60.02
Outstanding as of December 31, 2020	126,541,129	90.18

The fair value of each RSU at the grant dates is determined by reference to the fair value of the underlying ordinary shares on the date of grant.

The total share-based compensation expenses recognised in the consolidated income statement were RMB5.2 billion and RMB3.3 billion for the years ended December 31, 2021 and 2020, respectively. The following table sets forth a breakdown of the share-based compensation expenses by awards types:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Share options	**107,105**	170,017
RSUs	**5,086,340**	3,102,913
Others	**415**	4,546
	5,193,860	3,277,476

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

34 DIVIDENDS

No dividends have been paid or declared by the Company during each of the years ended December 31, 2021 and 2020.

35 CAPITAL COMMITMENTS

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Within 1 year	**4,064,519**	5,242,423
1-2 years	**235,352**	—
	4,299,871	5,242,423

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Purchase of property, plant and equipment	**3,062,527**	4,508,976
Investments	**1,237,344**	733,447
	4,299,871	5,242,423

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

36 NOTE TO CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Note	Year ended December 31, 2021 RMB'000	2020 RMB'000
(Loss)/profit before income tax		**(23,566,477)**	4,437,875
Adjusted for:			
Depreciation and amortisation	15,16	**8,928,019**	5,194,109
Net provisions for impairment losses on financial and contract assets		**259,953**	467,690
Share-based compensation expenses	33	**5,193,860**	3,277,476
Net gains arising from disposals or deemed disposals of subsidiaries and investees		**(702,808)**	(853,618)
Net provisions for impairment of non-financial assets	15,16	**51,649**	87,857
Share of gains of investments accounted for using the equity method	12	**(145,620)**	(264,105)
Fair value changes of other financial investments at fair value through profit or loss	19	**(815,747)**	(4,955,909)
Fair value changes and interest income related to treasury investments and others		**(1,332,183)**	(1,218,122)
Finance costs	10	**1,080,698**	384,791
Foreign exchange losses, net	9	**34,977**	151,198
Net (losses)/gains on sales of non-current assets		**48,250**	(38,217)
Changes of working capital:			
Increase in restricted cash		**(501,723)**	(4,016,150)
Increase in trade receivables		**(746,561)**	(381,667)
Increase in prepayments, deposits and other assets		**(3,163,467)**	(3,261,037)
Increase in inventories		**(40,579)**	(191,265)
Increase in trade payables		**3,345,963**	3,991,118
Increase in payables to merchants		**1,534,661**	1,919,674
Increase in advances from transacting users		**862,902**	452,277
Increase in deferred revenues		**258,899**	263,331
Increase in other payables and accruals		**5,708,088**	3,108,912
(Decrease)/increase in other non-current liabilities		**(49,481)**	5,106
Cash (used in)/generated from operations		**(3,756,727)**	8,561,324

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

36 NOTE TO CONSOLIDATED STATEMENTS OF CASH FLOWS *(Continued)*

(b) Major non-cash transactions

Other than the acquisition of right-of-use assets described in Note 15, the share-based payments described in Note 33, there were no other material non-cash transactions during the year ended December 31, 2021.

(c) Reconciliation of liabilities related to cash flows generated from financing activities

	Borrowings RMB'000	Notes payable and undue interests RMB'000	Financial liabilities at fair value through profit or loss RMB'000	Lease liabilities RMB'000
Liabilities as of January 1, 2021	8,352,472	13,028,073	114,600	2,737,855
Cash flows	15,768,196	19,288,691	791,400	(2,191,299)
Additions	—	—	—	4,219,704
Deductions	—	—	(906,000)	(208,867)
Equity component of convertible bonds	—	(1,513,938)	—	—
Derecognition of issuance costs	—	3,352	—	—
Finance costs	—	261,749	—	193,420
Currency translation differences	(335,801)	(624,229)	—	(28)
Liabilities as of December 31, 2021	23,784,867	30,443,698	—	4,750,785

36 NOTE TO CONSOLIDATED STATEMENTS OF CASH FLOWS *(Continued)*

(c) Reconciliation of liabilities related to cash flows generated from financing activities *(Continued)*

	Borrowings RMB'000	Notes payable and undue interests RMB'000	Financial liabilities at fair value through profit or loss RMB'000	Lease liabilities RMB'000
Liabilities as of January 1, 2020	4,019,263	—	—	1,526,799
Cash flows	4,621,559	13,337,825	114,600	(936,380)
Additions	—	—	—	2,180,516
Deductions	—	—	—	(125,346)
Recognition of issuance costs	—	(3,352)	—	—
Finance costs	768	63,606	—	92,266
Currency translation differences	(289,118)	(370,006)	—	—
Liabilities as of December 31, 2020	8,352,472	13,028,073	114,600	2,737,855

37 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or to 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 are also considered as related parties of the Group.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

37 RELATED PARTY TRANSACTIONS *(Continued)*

(a) Names of and the Group's relationship with related parties

The following companies are significant related parties of the Group that had transactions and/or balances with the Group during the years and/or as of years then ended.

Name of related parties	Relationship
Tencent Group (i)	One of the Company's shareholders
AsiaSea Co., Ltd.	Associate of the Group
Dalian Tongda Enterprise Management Co., Ltd.	Associate of the Group
Fujian Piaofutong Information Technology Co., Ltd	Associate of the Group
Jilin Yillion Bank Co., Ltd.	Associate of the Group
Tianjin Maoyan and its subsidiaries	Associate of the Group

(i) The Group had transactions and balances with affiliates of Tencent Holdings limited ("**Tencent Group**"), which is considered as a related party of the Group.

(b) Significant transactions with related parties

	Year ended December 31, 2021 RMB'000	2020 RMB'000
(i) Sales of services		
Associates of the Group	**944,715**	679,133
One of the Company's shareholders	**1,497**	3,695
	946,212	682,828
(ii) Purchases of goods and services		
One of the Company's shareholders	**2,928,280**	1,885,502
Associates of the Group	**1,246,871**	927,744
	4,175,151	2,813,246

(iii) In 2021, the Company issued 198,352,600 ordinary shares to Tencent of which 187,000,000 shares were issued for its placing shares to other independent placees. Please refer to Note 26 for details.

37 RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balances with related parties

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
(i) Due from related parties		
Associates of the Group	**274,950**	1,136,433
One of the Company's shareholders	**241,542**	288,626
	516,492	1,425,059
(ii) Due to related parties		
Associates of the Group	**232,626**	362,708
One of the Company's shareholders	**47,994**	33,077
	280,620	395,785

(d) Key management compensation

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Fees	**1,500**	1,500
Basic salaries	**22,854**	12,721
Bonuses	—	12,648
Pension costs and other employee benefits	**864**	764
Share-based compensation expenses	**349,173**	425,834
	374,391	453,467

38 CONTINGENCIES

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

39 FINANCIAL POSITION AND OTHER RESERVES MOVEMENT OF THE COMPANY

(a) Financial position of the Company

	Note	As of December 31, 2021 RMB'000	2020 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries		73,669,047	68,519,333
Intangible assets		281	287
Long-term treasury investments		2,579,982	612,967
Prepayments, deposits and other assets		88,004,538	41,208,960
		164,253,848	110,341,547
Current assets			
Short-term treasury investments		52,074,868	31,572,008
Prepayments, deposits and other assets		963,662	302,553
Cash and cash equivalents		15,699,578	6,920,635
		68,738,108	38,795,196
Total assets		232,991,956	149,136,743
EQUITY			
Share capital	26	411	395
Share premium	26	311,221,237	263,155,201
Shares held for shares award scheme	26	—	—
Other reserves	39(b)	(4,425,554)	(6,405,555)
Accumulated losses		(128,993,290)	(125,790,405)
Total equity		177,802,804	130,959,636
LIABILITIES			
Non-current liabilities			
Borrowings		10,148,520	1,957,470
Notes payable		30,383,378	12,966,341
		40,531,898	14,923,811
Current liabilities			
Borrowings		6,348,284	—
Other payables and accruals		8,308,970	3,253,296
		14,657,254	3,253,296
Total liabilities		55,189,152	18,177,107
Total equity and liabilities		232,991,956	149,136,743

The statement of financial position of the Company was approved by the Board of Directors on March 25, 2022 and was signed on its behalf.

Wang Xing	Mu Rongjun
Director	*Director*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

39 FINANCIAL POSITION AND OTHER RESERVES MOVEMENT OF THE COMPANY *(Continued)*

(b) Other reserves movement of the Company

	Capital reserve RMB'000	Share-based payments RMB'000	Currency translation differences RMB'000	Conversion option of convertible bonds RMB'000	Others RMB'000	Total RMB'000
As of January 1, 2021	20	4,150,291	(10,555,695)	—	(171)	(6,405,555)
Other comprehensive loss						
Currency translation differences	—	—	(2,226,162)	—	—	(2,226,162)
Fair value changes of and net provisions for impairment losses on financial assets	—	—	—	—	7,210	7,210
Total other comprehensive loss	—	—	(2,226,162)	—	7,210	(2,218,952)
Transaction with owners in their capacity as owners						
Equity-settled share-based payments	—	5,193,445	—	—	—	5,193,445
Exercise of share options and RSUs vesting	—	(2,508,430)	—	—	—	(2,508,430)
Issuance of convertible bonds (equity component)	—	—	—	1,513,938	—	1,513,938
Total transaction with owners in their capacity as owners	—	2,685,015	—	1,513,938	—	4,198,953
As of December 31, 2021	20	6,835,306	(12,781,857)	1,513,938	7,039	(4,425,554)
As of January 1, 2020	20	3,161,201	(6,256,238)	—	—	(3,095,017)
Other comprehensive loss						
Currency translation differences	—	—	(4,299,457)	—	—	(4,299,457)
Fair value changes of and net provisions for impairment losses on financial assets	—	—	—	—	(171)	(171)
Total other comprehensive loss	—	—	(4,299,457)	—	(171)	(4,299,628)
Transaction with owners in their capacity as owners						
Equity-settled share-based payments	—	3,272,930	—	—	—	3,272,930
Exercise of share options and RSUs vesting	—	(2,283,840)	—	—	—	(2,283,840)
Total transaction with owners in their capacity as owners	—	989,090	—	—	—	989,090
As of December 31, 2020	20	4,150,291	(10,555,695)	—	(171)	(6,405,555)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

40 SUBSEQUENT EVENTS

There were no material subsequent events during the period from January 1, 2022 to the approval date of these consolidated financial statements by the Board on March 25, 2022.

41 RECLASSIFICATION OF COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year presentation.

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

Table of Contents

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

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

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.

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

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.

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.

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 Generale 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

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

Yves CACCLIN
Chairman of the Executive Board

Thierry BODSON
Member of the Executive Board

Ernst & Young
Société anonyme

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

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L-2017 Luxembourg

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TVA LU 16063074

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 Nº 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.

Building a better working world

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.

Building a better working world

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 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.

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working world

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			
- *Mandatorily measured at fair value through profit or loss*	4.1	40 322 401	43 135 651
- *Trading derivatives*	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			
- *Designated at fair value through profit or loss*	4.2	40 323 850	43 146 652
- *Trading derivatives*	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

	Notes	('000 EUR) 2021	('000 EUR) 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) Share capital	('000 EUR) Share premium	('000 EUR) *Legal reserve*	('000 EUR) *Other unavailable reserves*	('000 EUR) *Other available reserves*	('000 EUR) Total reserves	('000 EUR) Profit for the financial year	('000 EUR) 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
Non cash adjustments :			
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 1st	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).*

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

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.

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.

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.

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:

2022

- Amendments to IAS 37 "Provisions, contingent liabilities and contingent assets - Onerous contracts - Cost of fulfilling a contract"
- Annual improvements to IFRS standards (2018 - 2020 cycle)

2023

- IFRS 17 "Insurance Contracts" (see paragraph 4)
- Amendments to IAS 1 "Disclosure of Accounting Policies "
- Amendments to IAS 8 "Definition of Accounting Estimates"
- Amendments to IAS 12 "Income taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

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.

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 al-lows 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 in-vestment 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.

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

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;

- 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.

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.

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.

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.

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 exemple : 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.

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.

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 Europe-an 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 Unit 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.

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**

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**

	('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.

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 liabiltiites 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).

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:

				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)**
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
			Put	-	-	-	1	417	2
		Mutual Fund	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

Warrant Type	Category of Underlying	Type of Underlying	Option Type	31 December 2021 Quantity	31 December 2021 Notional ('000 EUR)	31 December 2021 Fair Value ('000 EUR)	31 December 2020 Quantity	31 December 2020 Notional ('000 EUR)	31 December 2020 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**

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.

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						
- *Mandatorily at fair value through profit or loss*	4 962 258	5 330 466	14 553 618	15 476 059	-	40 322 401
- *Trading derivatives*	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						
- *Designated at fair value through profit or loss*	4 960 778	5 330 013	14 557 368	15 475 691	-	40 323 850
- *Trading derivatives*	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**

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						
- *Mandatorily at fair value through profit or loss*	3 402 805	8 286 764	16 244 254	15 201 828	-	43 135 651
- *Trading derivatives*	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						
- *Designated at fair value through profit or loss*	3 406 716	8 286 877	16 243 680	15 209 379	-	43 146 652
- *Trading derivatives*	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 sensibilities 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	Prepayement 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%]
					Recovery rate variance for single name underlyings	[0% ; 100%]
			Other credit derivatives	Credit default models	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		
- *Mandatorily at fair value through profit or loss*	40 322 401	40 322 401
- *Trading derivatives*	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		
- *Designated at fair value through profit or loss*	40 323 850	40 323 850
- *Trading derivatives*	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		
- *Mandatorily at fair value through profit or loss*	43 135 651	43 135 651
- *Trading derivatives*	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		
- *Designated at fair value through profit or loss*	43 146 652	43 146 652
- *Trading derivatives*	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**
Financial assets at fair value through profit or loss				
- Mandatorily at fair value through profit or loss		**16 020 681**	**24 301 720**	**40 322 401**
Commodities instruments	-	26 454	217	26 671
Credit derivatives/securities	-	697 098	3 251 872	3 948 970
Equity and index securities	-	12 016 561	16 759 072	28 775 633
Foreign exchange instruments/securities	-	1 834 388	278 068	2 112 456
Interest rate instruments/securities	-	1 240 393	3 739 272	4 975 665
Other financial instruments	-	205 787	273 219	479 006
- Trading derivatives		**288 790**	**426 048**	**714 838**
Equity and Index instruments	-	273 342	404 530	677 872
Foreign exchange instruments / securities	-	-	-	-
Other financial instruments	-	15 448	21 518	36 966
Financial liabilities at fair value through profit or loss				
- Designated at fair value through profit or loss		**16 021 886**	**24 301 964**	**40 323 850**
Commodities instruments	-	26 454	217	26 671
Credit derivatives/securities	-	697 094	3 251 908	3 949 002
Equity and index securities	-	12 016 515	16 759 108	28 775 623
Foreign exchange instruments/securities	-	1 834 393	278 240	2 112 633
Interest rate instruments/securities	-	1 241 541	3 739 272	4 980 813
Other financial instrument	-	205 889	273 219	479 108
- Trading derivatives		**290 305**	**424 549**	**714 854**
Equity and Index instruments	-	274 869	403 031	677 900
Foreign exchange instruments / securities	-	-	-	-
Other financial instruments	-	15 436	21 518	36 954

Notes to the financial statements
As at 31 December 2020

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**
Financial assets at fair value through profit or loss				
- Mandatorily at fair value through profit or loss		**16 742 790**	**26 392 861**	**43 135 651**
Commodities instruments	-	65 635	5 146	70 781
Credit derivatives/securities	-	757 733	3 868 234	4 625 967
Equity and index securities	-	13 294 655	17 941 949	31 236 604
Foreign exchange instruments/securities	-	769 582	1 507 575	2 277 157
Interest rate instruments/securities	-	1 540 967	2 557 228	4 098 195
Other financial instruments	-	314 218	512 729	826 947
- Trading derivatives		**293 242**	**381 110**	**674 352**
Equity and Index instruments	-	283 580	352 688	636 268
Foreign exchange instruments / securities	-	121	-	121
Other financial instruments	-	9 541	28 422	37 963
Financial liabilities at fair value through profit or loss				
- Designated at fair value through profit or loss		**16 756 021**	**26 390 631**	**43 146 652**
Commodities instruments	-	65 635	5 146	70 781
Credit derivatives/securities	-	758 637	3 867 054	4 625 691
Equity and index securities	-	13 300 879	17 941 049	31 241 928
Foreign exchange instruments/securities	-	769 390	1 507 425	2 276 815
Interest rate instruments/securities	-	1 541 023	2 557 228	4 098 251
Other financial instrument	-	320 457	512 729	833 186
- Trading derivatives		**283 392**	**393 573**	**676 965**
Equity and Index instruments	-	275 506	357 534	633 040
Foreign exchange instruments / securities	-	45	-	45
Other financial instruments	-	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**
Designated at fair value through P&L	**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**
Trading derivatives	**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.

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			
- *Mandatorily at fair value through profit or loss*	40 322 401	-	-
- *Trading derivatives*	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			
- *Designated at fair value through profit or loss**	-	-	-
- *Trading derivatives**	-	-	-
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			
- *Mandatorily at fair value through profit or loss*	43 135 651	-	-
- *Trading derivatives*	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			
- *Designated at fair value through profit or loss**	-	-	-
- *Trading derivatives**	-	-	-
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.

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.

SOCIETE GENERALE

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

Fréderic 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."

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(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%*
Underlying operating expenses(1)	*(4,325)*	*(4,097)*	+5.6%	*+5.8%**
Gross operating income	1,952	1,497	+30.4%	+27.3%*
Underlying gross operating income(1)	*2,956*	*2,148*	+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%*
Underlying operating income(1)	*2,395*	*1,872*	+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%*
Underlying Group net income(1)	*1,574*	*1,298*	*+21.3%*	*+18.1%**
ROE	5.3%	5.2%		
ROTE	6.0%	5.9%		
Underlying ROTE(1)	*11.9%*	*10.1%*		

(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.

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(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%
Net banking income excl. PEL/CEL	*2,165*	*2,035*	*+6.4%*
Operating expenses	(1,720)	(1,611)	+6.8%
Underlying operating expenses(1)	*(1,550)*	*(1,483)*	*+4.5%*
Gross operating income	468	412	+13.6%
Underlying gross operating income(1)	*615*	*552*	*+11.4%*
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%
Underlying Group net income(1)	*422*	*312*	*+35.2%*
RONE	10.6%	6.9%	
Underlying RONE(1)	*14.3%*	*10.2%*	

(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 Crédit 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%*
Underlying operating expenses(1)	*(1,091)*	*(1,017)*	*+7.3%*	*+7.0%**
Gross operating income	1,040	773	*+34.5%*	*+35.0%**
Underlying gross operating income(1)	*1,132*	*845*	*+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%**
Underlying Group net income(1)	*453*	*434*	*+4.4%*	*+5.0%**
RONE	14.5%	15.7%		
Underlying RONE(1)	*16.5%*	*17.4%*		

(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%*
Underlying operating expenses(1)	*(1,611)*	*(1,526)*	*+5.6%*	*+6.7%**
Gross operating income	583	440	+32.5%	+21.7%*
Underlying gross operating income(1)	*1,144*	*807*	*+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%*
Underlying Group net income(1)	*734*	*629*	*+16.6%*	*+11.3%**
RONE	8.6%	10.4%		
Underlying RONE(1)	*20.8%*	*18.8%*		

(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)
Underlying operating expenses[1]	*(73)*	*(71)*
Gross operating income	(139)	(128)
Underlying gross operating income[1]	*42*	*(44)*
Net cost of risk	5	(2)
Net profits or losses from other assets	-	1
Income tax	12	36
Reported Group net income	(173)	(137)
Underlying Group net income[1]	*(52)*	*(69)*

(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 17th, 2022	2022 General Meeting
May 25th, 2022	Dividend detachment
May 27th, 2022	Dividend payment
August 3rd, 2022	Second quarter and first half 2022 results
November 4th, 2022	Third quarter and nine-month 2022 results
February 8th, 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 deeeply & undated subodinated 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	-
Ajusted Group net Income (e) = (a)+ (c)+(d)	**725**	**670**
Ajusted 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 deeeply & undated subodinated 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 Note1.7 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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