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).

6,700,000 European Style Cash Settled Short Certificates relating to

the ordinary shares of Alibaba Group Holding Limited

with a Daily Leverage of -5x

issued by

SG Issuer

(Incorporated in Luxembourg with limited liability)

unconditionally and irrevocably guaranteed by

Société Générale

Issue Price: S$1.20 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 17 June 2022 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 17 June 2022 (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 5 August 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.

4 August 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) due to their nature, the Certificates can be volatile instruments and may be subject to considerable fluctuations in value. The price of the Certificates may fall in value as rapidly as it may rise due to, including but not limited to, variations in the frequency and magnitude of the changes in the price of the Underlying Stock, the time remaining to expiry, the currency exchange rates and the creditworthiness of the Issuer and the Guarantor;

(e) if, whilst any of the Certificates remain unexercised, trading in the Underlying Stock is suspended or halted on the relevant stock exchange, trading in the Certificates may be suspended for a similar period;

(f) as indicated in the Conditions of the Certificates and herein, a Certificate Holder must tender a specified number of Certificates at any one time in order to exercise. Thus, Certificate Holders with fewer than the specified minimum number of Certificates in a particular series will either have to sell their Certificates or purchase additional Certificates, incurring transactions costs in each case, in order to realise their investment;

(g) investors should note that in the event of there being a Market Disruption Event (as defined in the Conditions) determination or payment of the Cash Settlement Amount (as defined in the Conditions) may be delayed, all as more fully described in the Conditions;

(h) certain events relating to the Underlying Stock require or, as the case may be, permit the Issuer to make certain adjustments or amendments to the Conditions. Investors may refer to the Conditions 4 and 6 on pages 30 to 34 and the examples and illustrations of adjustments set out in the "Information relating to the European Style Cash Settled Short Certificates on Single Equities" section of this document for more information;

(i) the Certificates are only exercisable on the Expiry Date and may not be exercised by Certificate Holders prior to such Expiry Date. Accordingly, if on the Expiry Date the Cash Settlement Amount is zero, a Certificate Holder will lose the value of his investment;

(j) the total return on an investment in any Certificate may be affected by the Hedging Fee Factor (as defined below), Management Fee (as defined below) and Gap Premium (as defined below);

(k) investors holding their position overnight should note that they would be required to bear the annualised cost which consists of the Management Fee and Gap Premium, which are calculated daily and applied to the value of the Certificates, as well as certain costs embedded within the Leverage Inverse Strategy (as described below) including the Stock Borrowing Cost (as defined below) and Rebalancing Cost (as defined below);

(l) investors should note that there may be an exchange rate risk relating to the Certificates where the Cash Settlement Amount is converted from a foreign currency into Singapore dollars.

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

(m) investors should note that there are leveraged risks because the Certificates integrate an inverse leverage mechanism and the Certificates will amplify the movements in the increase, and in the decrease, of the value of the Underlying Stock and if the investment results in a loss, any such loss will be increased by the leverage factor of the Certificates. As such, investors could lose more than they would if they had invested directly in the Underlying Stock;

(n) when held for longer than a day, the performance of the Certificates could be more or less than the leverage factor that is embedded within the Certificates. The performance of the Certificates each day is locked in, and any subsequent returns are based on what was achieved the previous day. This process, referred to as compounding, may lead to a performance difference from 5 times the inverse performance of the Underlying Stock over a period longer than one day. This difference may be amplified in a volatile market with a sideway trend, where market movements are not clear in direction, whereby investors may sustain substantial losses;

(o) the Air Bag Mechanism (as defined below) is triggered only when the Underlying Stock is calculated or traded, which may not be during the trading hours of the Relevant Stock Exchange for the Certificates (as defined below);

(p) investors should note that the Air Bag Mechanism reduces the impact on the Leverage Inverse Strategy if the Underlying Stock rises further, but will also maintain a reduced exposure to the Underlying Stock in the event the Underlying Stock starts to fall after the Air Bag Mechanism is triggered, thereby reducing its ability to recoup losses;

(q) there is no assurance that the Air Bag Mechanism will prevent investors from losing the entire value of their investment, in the event of (i) an overnight increase in the Underlying Stock, where there is a 20% or greater gap between the previous day closing price and the opening price of the Underlying Stock the following day, as the Air Bag Mechanism will only be triggered when market opens (including the pre-opening session) 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 50 to 51 of this document for more information;

(r) In the case of extreme market conditions or where the Air Bag Mechanisms are triggered simultaneously, trading in the Certificates may be suspended for an extended period, which may be up to an additional 15 minutes, to facilitate the intra-day adjustment under the Air Bag Mechanism;

(s) certain events may, pursuant to the terms and conditions of the Certificates, trigger (i) the implementation of methods of adjustment or (ii) the early termination of the Certificates. The Issuer will give the investors reasonable notice of any early termination. If the Issuer terminates the Certificates early, then the Issuer will, if and to the extent permitted by applicable law, pay an amount to each Certificate Holder in respect of each Certificate held by such holder equal to the fair market value of the Certificate less the cost to the Issuer of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion. The performance of this commitment shall depend on (i) general market conditions and (ii) the liquidity conditions of the underlying instrument(s) and, as the case may be, of any other hedging transactions. Investors should note that the amount repaid by the Issuer may be less than the amount initially invested. Investors may refer to the Condition 13 on pages 36 to 37 of this document for more information;

(t) there is no assurance that an active trading market for the Certificates will sustain throughout the life of the Certificates, or if it does sustain, it may be due to market making on the part of the Designated Market Maker. The Issuer acting through its Designated Market Maker may be the only market participant buying and selling the Certificates. Therefore, the secondary market for the Certificates may be limited and you may not be able to realise the value of the Certificates. Do note that the bid-ask spread increases with illiquidity;

(u) in the ordinary course of their business, including without limitation, in connection with the Issuer or its appointed designated market maker’s market making activities, the Issuer, the Guarantor and any of their respective subsidiaries and affiliates may effect transactions for their own account or for the account of their customers and hold long or short positions in the Underlying Stock. In addition, in connection with the offering of any Certificates, the Issuer, the Guarantor and any of their respective subsidiaries and affiliates may enter into one or more hedging transactions with respect to the Underlying Stock. In connection with such hedging or market-making activities or with respect to proprietary or other trading activities by the Issuer, the Guarantor and any of their respective subsidiaries and affiliates, the Issuer, the Guarantor and any of their respective subsidiaries and affiliates may enter into transactions in the Underlying Stock which may affect the market price, liquidity or value of the Certificates and which may affect the interests of Certificate Holders;

(v) various potential and actual conflicts of interest may arise from the overall activities of the Issuer, the Guarantor and/or any of their subsidiaries and affiliates.

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

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

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

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

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

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

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

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

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

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

(i) investors should note that no definitive certificate will be issued in relation to the Certificates;

(ii) there will be no register of Certificate Holders and each person who is for the time being shown in the records maintained by CDP as entitled to a particular number of Certificates by way of interest (to the extent of such number) in the global warrant certificate in respect of those Certificates represented thereby shall be treated as the holder of such number of Certificates;

(iii) investors will need to rely on any statements received from their brokers/custodians as evidence of their interest in the Certificates; and

(iv) notices to such Certificate Holders will be published on the web-site of the SGX-ST. Investors will need to check the web-site of the SGX-ST regularly and/or rely on their brokers/custodians to obtain such notices;

(cc) the reform of HIBOR may adversely affect the value of the Certificates

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

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

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

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

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

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

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

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

(ee) U.S. withholding tax

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

(ff) risk factors relating to the BRRD

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

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

Moreover, Regulation (EU) No. 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism ("**SRM**") and a Single Fund Framework (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, and continues to be, 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).

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 BRRD, the BRR Act 2015 and the SRM Regulation however also state that, under exceptional circumstances , if the bail-in instrument is applied, the SRB, in cooperation with the CSSF, may completely or partially exclude certain liabilities from the application of the impairment or conversion powers under certain conditions.

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 regime has evolved 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 were 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 ("**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 introduced, among other things, the TLAC standard as implemented by the Financial Stability Board's TLAC Term Sheet ("**FSB TLAC Term Sheet**"), by adapting, among other things, 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 has been 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 since January 1, 2022 and 18%, plus applicable buffers, thereafter and (ii) 6% of the Basel III leverage ratio denominator since January 1, 2022 and 6.75% thereafter (each of which could be extended by additional firm-specific requirements).

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 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, have to comply with TLAC requirements, on top of the MREL requirements, since the entry into force of the CRR II. As such, G-SIBs, such as Societe Generale have to comply with both the TLAC and MREL requirements.

Consequently, the criteria for MREL-eligible liabilities have been closely aligned with the criteria for TLAC-eligible liabilities under CRR II, 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 MREL requirements to the extent that they have a fixed or increasing principal amount repayable at maturity that is known in advance with only an additional return permitted to be linked to that derivative component and dependent on the performance of a reference asset.

The level of capital and eligible liabilities required under MREL is set by the SRB for Societe Generale on an individual and/or consolidated basis based on certain criteria including systemic importance and may also be set for SG Issuer. Eligible liabilities may be senior or subordinated, provided, among other requirements, that they have a remaining term of at least one year and, they recognise contractually the Resolution Authority's power to write down or convert the liabilities governed by non-EU law.

The scope of liabilities used to meet 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 BRRD, as amended by 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 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, including Societe Generale).

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:	6,700,000 European Style Cash Settled Short Certificates relating to the ordinary shares of Alibaba Group Holding Limited (the "**Underlying Stock**")
ISIN:	LU2348857231
Company:	Alibaba Group Holding Limited (RIC: 9988.HK)
Underlying Price[3] and Source:	HK$95.00 (Reuters)
Calculation Agent:	Société Générale
Strike Level:	Zero
Daily Leverage:	-5x (within the Leverage Inverse Strategy as described below)
Notional Amount per Certificate:	SGD 1.20
Management Fee (p.a.)[4]:	0.40%
Gap Premium (p.a.)[5]:	5.40%, 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:	29 July 2022
Closing Date:	4 August 2022

[3] These figures are calculated as at, and based on information available to the Issuer on or about 4 August 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 4 August 2022.
[4] Please note that the Management Fee is calculated on a 360-day basis and may be increased up to a maximum of 3% p.a. on giving one month's notice to investors. Any increase in the Management Fee will be announced on the SGXNET. Please refer to "Fees and Charges" below for further details of the fees and charges payable and the maximum of such fees as well as other ongoing expenses that may be borne by the Certificates.
[5] Please note that the Gap Premium is calculated on a 360-day basis.
[6] These costs are embedded within the Leverage Inverse Strategy. Please note that the Stock Borrowing Cost may be changed on giving 5 Business Days' notice to investors. Any change in the Stock Borrowing Cost will be announced on the SGXNET.

Expected Listing Date:	5 August 2022
Last Trading Date:	The date falling 5 Business Days immediately preceding the Expiry Date, currently being 27 July 2023
Expiry Date:	3 August 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:	2 August 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 41 to 56 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 41 to 56 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 19 to 24 below.
Initial Exchange Rate[3]:	0.1756

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 22 to 24 below and the "Description of Air Bag Mechanism" section on pages 47 to 49 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: $\mathrm{LR_{t\text{-}1,t}}=\mathrm{Leverage} \times \left(\frac{\mathrm{S_t}}{\mathrm{S_{t\text{-}1}} \times \mathrm{Rfactor_t}} - 1\right)$
$\mathbf{FC_{t-1,t}}$	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 2.00%.
$\mathbf{RC_{t-1,t}}$	means the Rebalancing Cost of the Leverage Inverse Strategy on Observation Date (t), calculated as follows: $\mathrm{RC_{t-1,t}} = \mathrm{Leverage} \times (\mathrm{Leverage} - 1) \times \left(\left\lvert\frac{\mathrm{S_t}}{\mathrm{S_{t-1}} \times Rfactor_t} - 1\right\rvert\right) \times \mathrm{TC}$
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 (including pre-opening session) for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto).
TimeReferenceClosing	means the scheduled closing time (including closing auction session) 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 17 June 2022, 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 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, varied or otherwise modified in any way 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 2001 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 2001 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:	Alibaba Group Holding Limited
The Certificates:	European Style Cash Settled Short Certificates relating to the Underlying Stock
Number:	6,700,000 Certificates
Form:	The Certificates will be issued subject to, and with the benefit of, a master instrument by way of deed poll dated 17 June 2022 (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 5 August 2022.
Governing Law:	The laws of Singapore
Warrant Agent:	The Central Depository (Pte) Limited 11 North Buona Vista Drive #06-07 The Metropolis Tower 2 Singapore 138589
Further Issues:	Further issues which will form a single series with the Certificates will be permitted, subject to the approval of the SGX-ST.

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

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

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

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

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

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

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

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

(1) is the Final Reference Level multiplied by the Final Exchange Rate;

(2) is the Initial Reference Level multiplied by the Initial Exchange Rate;

(3) is the Strike Level; and

(4) is the Hedging Fee Factor.

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

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

B) Trading the Certificates before Expiry

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

(i) For Certificate Holders who trade the Certificates intraday: shall pay normal transaction and brokerage fees for the trading of the Certificates on the SGX-ST, and may be required to pay stamp taxes or other documentary charges in accordance with the laws and practices of the country where the Certificates are transferred; and

(ii) For Certificate Holders who hold the Certificates overnight: in addition to the normal transaction and brokerage fees and applicable stamp taxes, would also be required to bear the Management Fee and Gap Premium as well as certain costs embedded within the Leverage Inverse Strategy including the Stock Borrowing Cost and Rebalancing Cost.

Illustration of the Calculation of Hedging Fee Factor

Hedging Fee Factor	=	Product of the Daily Fees

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

Illustration of the Calculation of Cash Settlement Amount

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

		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:	Ordinary shares of Alibaba Group Holding Limited
Expected Listing Date:	**03/07/2018**
Expiry Date:	**18/07/2018**
Initial Reference Level:	**1,000**
Initial Exchange Rate:	**1**
Final Reference Level:	**1,200**
Final Exchange Rate:	**1**
Issue Price:	**1.20 SGD**
Notional Amount per Certificate:	**1.20 SGD**
Management Fee (p.a.):	**0.40%**
Gap Premium (p.a.):	**5.40%**
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):

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

$$\mathrm{HFF}\ (1) =\ 100\%\ \times\left(1 - 0.40\%\ \times\frac{1}{360}\right)\times\left(1 - 5.40\%\ \times\frac{1}{360}\right)$$

$$\mathrm{HFF}\ (1) =\ 100\%\ \times\ 99.9989\%\ \times\ 99.9850\%\ \approx\ 99.9839\%$$

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

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

$$\mathrm{HFF}\ (2) = 99.9839\% \times \left(1 - 0.40\% \times \frac{3}{360}\right) \times \left(1 - 5.40\% \times \frac{3}{360}\right)$$

$$\mathrm{HFF}\ (2) = 99.9839\% \times 99.9967\% \times 99.9550\% \approx 99.9356\%$$

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

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

In this example, the Hedging Fee Factor as of the Valuation Date would be equal to 99.7586% as illustrated below:

Date	HFF
3/7/2018	100.0000%
4/7/2018	99.9839%
5/7/2018	99.9678%
6/7/2018	99.9517%
9/7/2018	99.9034%
10/7/2018	99.8873%
11/7/2018	99.8712%
12/7/2018	99.8551%
13/7/2018	99.8390%
16/7/2018	99.7907%
17/7/2018	99.7747%
18/7/2018	99.7586%

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 99.7586%

= 119.71%

Cash Settlement Amount = Closing Level x Notional Amount per Certificate

= 119.71% x 1.20 SGD

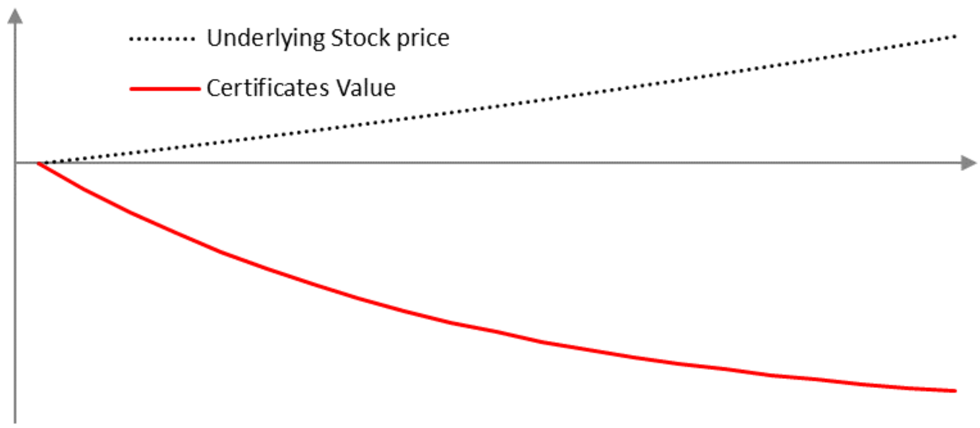
= 1.437 SGD

Illustration on how returns and losses can occur under different scenarios

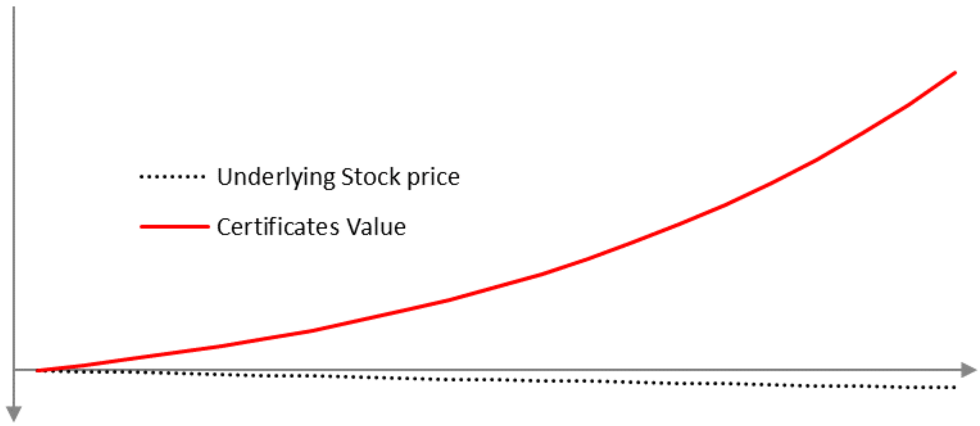
The examples are purely hypothetical and do not take fees and charges payable by investors into consideration. The examples highlight the effect of the Underlying Stock performance on the value of the Certificates and do not take into account the possible influence of fees, exchange rates, dividends,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

1. Illustrative examples

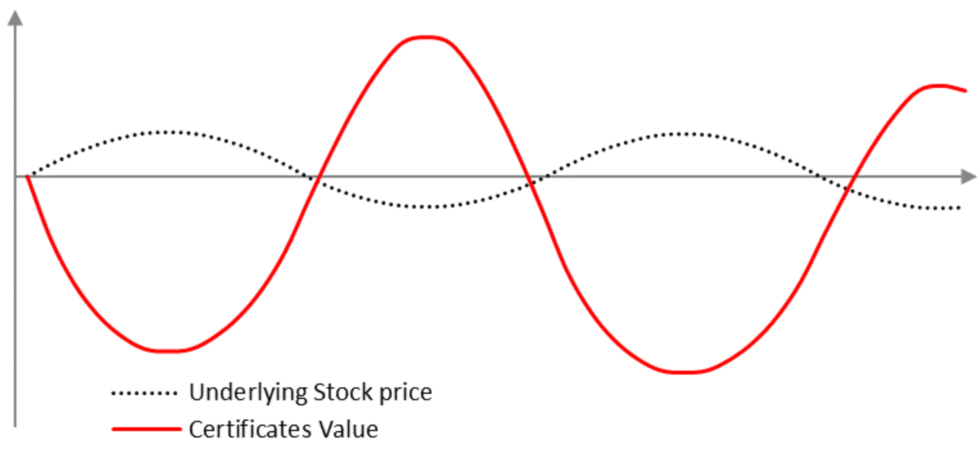
Scenario 1 – Upward Trend



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	1.2	1.08	0.97	0.87	0.79	0.71
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	1.2	1.32	1.45	1.60	1.76	1.93
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	1.2	1.08	1.19	1.07	1.18	1.06
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.

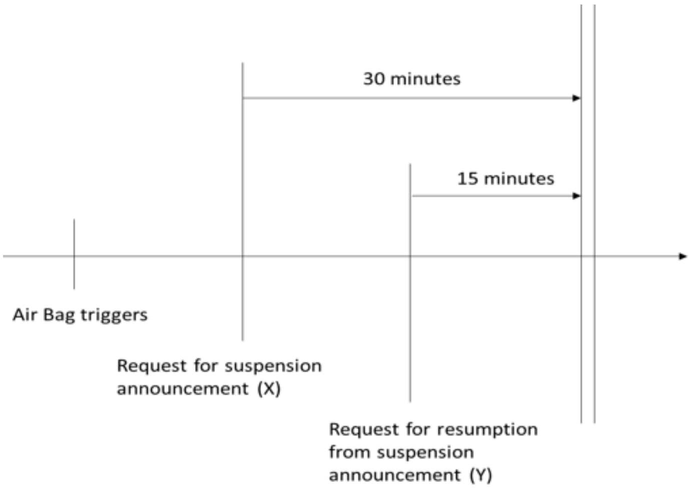
The performance of the Leverage Inverse Strategy will be the inverse of the Underlying Stock.

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:

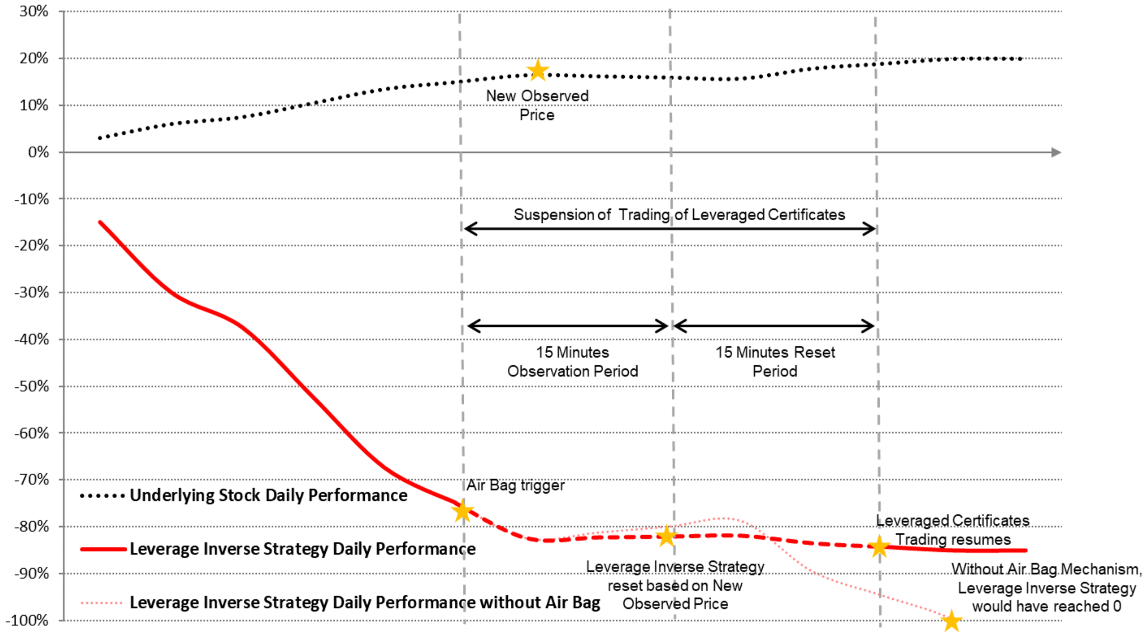
- Underlying Stock closing time with respect to the Observation Period
- The sooner between Underlying Stock closing time and SGX closing time with respect to the Resumption of Trading



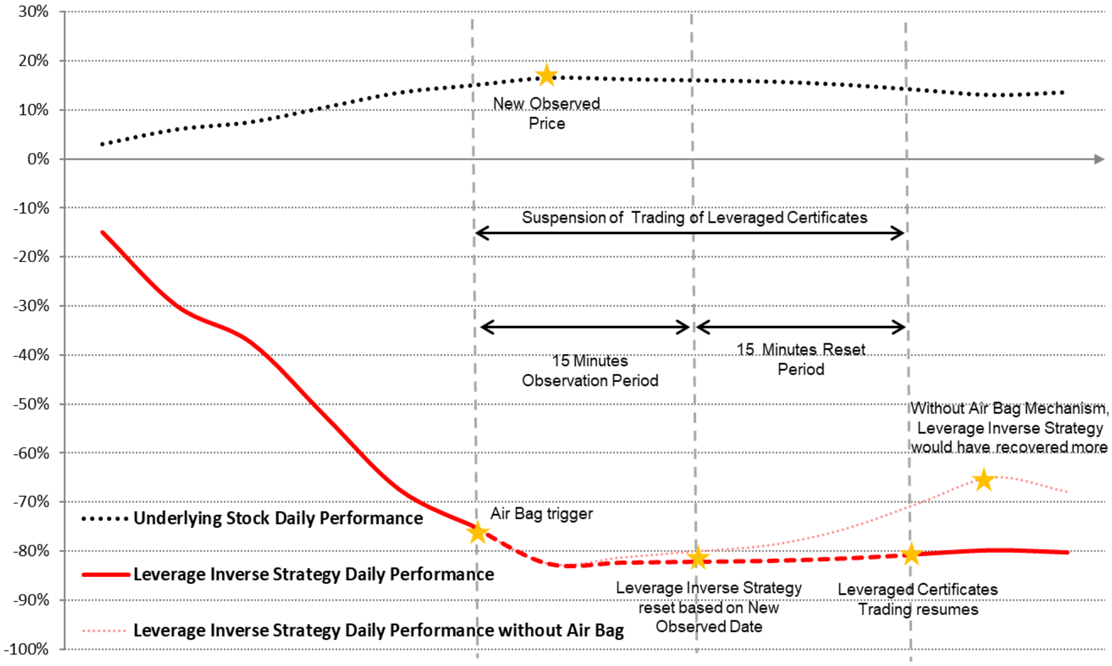
- The later between X+30 minutes or Y+15 minutes will be the earliest time the Certificates can be resumed, the next quarter-of-an-hour of which will be the scheduled resumption time of the Certificates
- If the scheduled resumption time of the Certificates is at or later than the scheduled closing time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



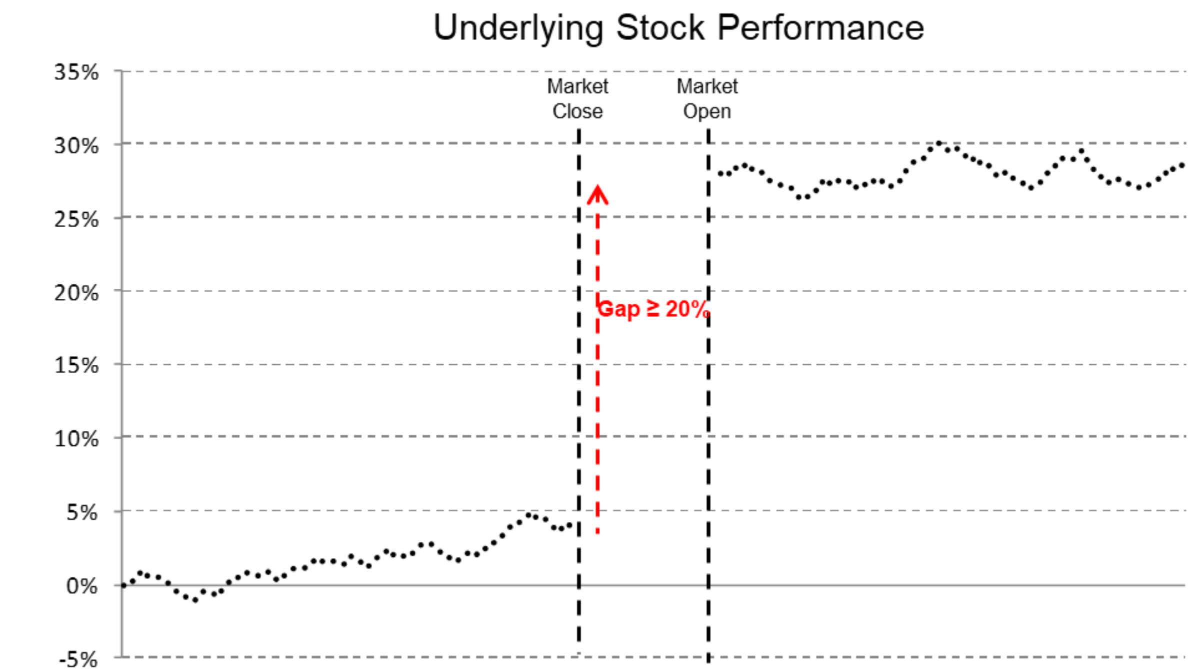
[9] The illustrative examples are not exhaustive.

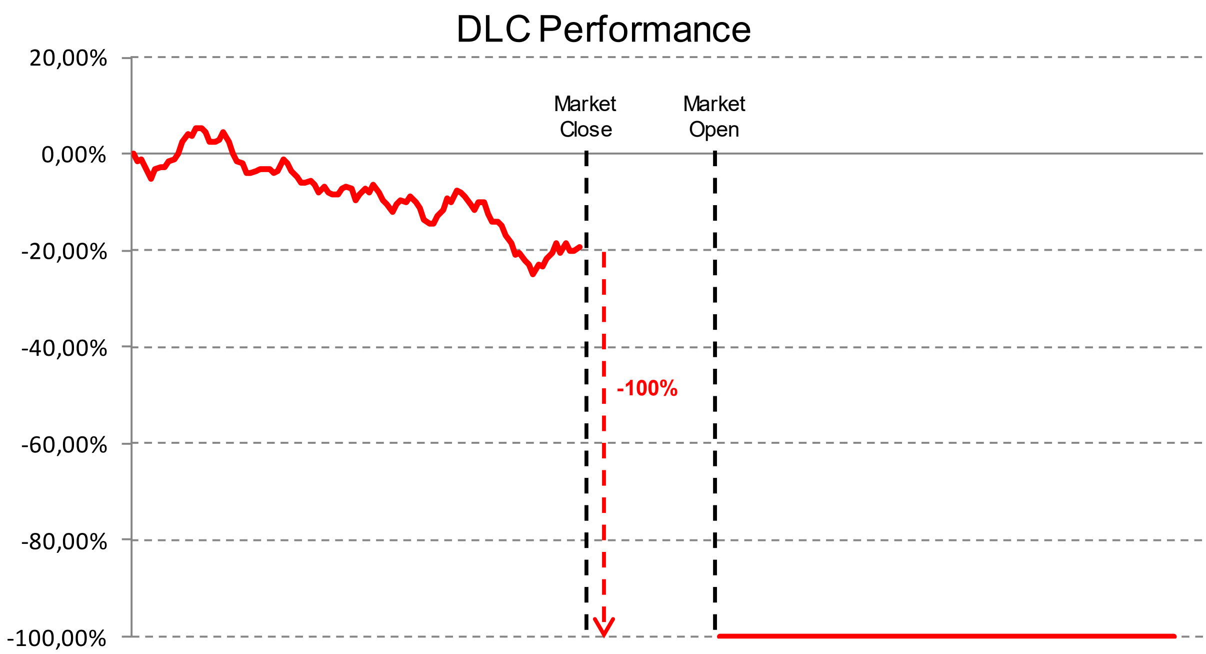
Scenarios where the investor may lose the entire value of the investment

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>

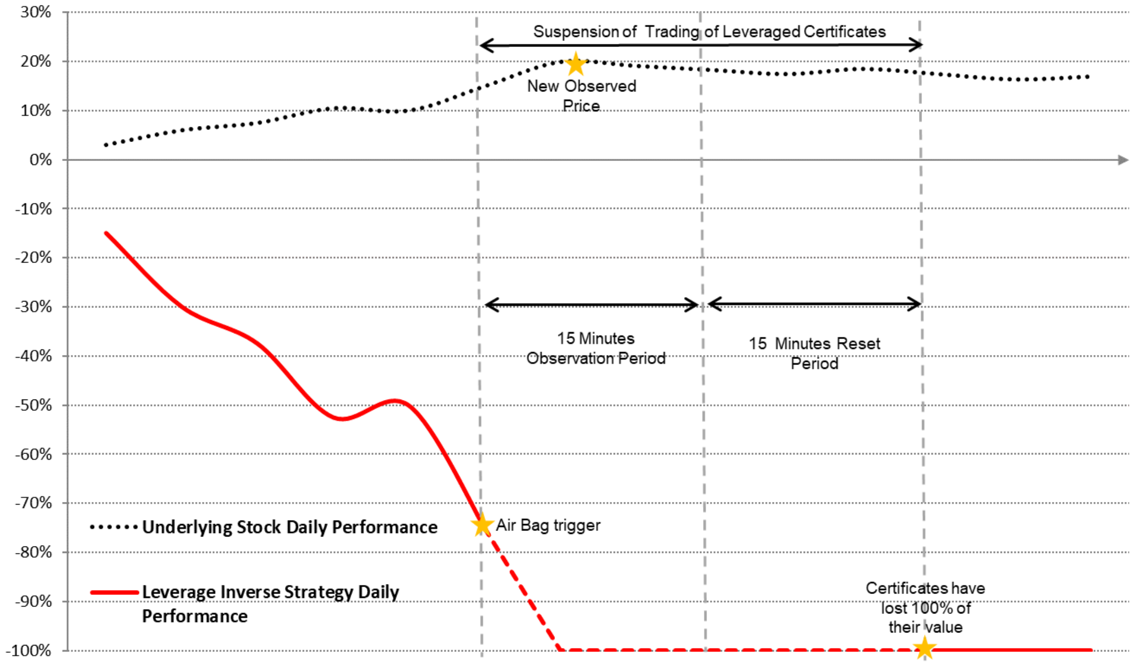
On any business day, the opening price of the Underlying Stock may be higher or lower than the closing price on the previous day. The difference between the previous closing price and the opening price of the Underlying Stock is termed a "gap". If the opening price of the Underlying Stock is 20% or more above the previous day closing price, the Air Bag Mechanism would only be triggered when the market opens (including the pre-opening session) 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. <u>Stock split</u>

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:

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

$\mathrm{S_{t-1}}$	$\mathrm{S_{t-1}} \times Rfactor_t$	$\mathrm{S_t}$	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)
1.20	1.08	-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:

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

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)
1.20	1.14	-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)
1.20	0.90	-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. <u>Bonus Issues</u>

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)
1.20	1.08	-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. <u>Extraordinary Dividend</u>

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:

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

$\mathrm{S_{t-1}}$	$\mathrm{S_{t-1}} \times Rfactor_t$	$\mathrm{S_t}$	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)
1.20	0.90	-25%

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

INFORMATION RELATING TO THE COMPANY

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

Alibaba Group Holding Limited (the "**Company**") is a holding company that provides the technology infrastructure and marketing reach to help merchants, brands and other businesses to leverage the power of new technology to engage with users and customers to operate. The Company operates four business segments. The Core Commerce segment provides China retail, China wholesale, International retail, International wholesale, Cainiao logistics services and local consumer services through Taobao Marketplace and Tmall. The Cloud Computing segment provides complete suite of cloud services, including database, storage, network virtualization services, big data analytics and others. The Digital Media and Entertainment segment provides consumer services beyond the core business operations. The Innovation Initiatives and Others segment is to innovate and deliver new services and products.

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 fiscal year ended 31 March 2022 and has been extracted and reproduced from an announcement by the Company released on 26 July 2022 in relation to the same. Further information relating to the Company may be located on the web-site of the HKExCL at http://www.hkex.com.hk.

INFORMATION RELATING TO THE DESIGNATED MARKET MAKER

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

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

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

(i) during the pre-market opening and five minutes following the opening of the SGX-ST on any trading day;

(ii) if the Certificates are valueless (where the Issuer's bid price is below the minimum bid size for such securities as prescribed by the SGX-ST);

(iii) before the Relevant Stock Exchange for the Underlying Stock has opened and after the Relevant Stock Exchange for the Underlying Stock has closed on any trading day;

(iv) when trading in the Underlying Stock is suspended or limited in a material way for any reason, for the avoidance of doubt, the DMM is not obliged to provide quotations for the Certificates at any time when the Underlying Stock is not negotiated/traded for any reason;

(v) where the Certificates are suspended from trading for any reason;

(vi) market disruption events, including, without limitation, any suspension of or limitation imposed on trading (including but not limited to unforeseen circumstances such as by reason of movements in price exceeding limits permitted by the SGX-ST or any act of God, war, riot, public disorder, explosion, terrorism or otherwise) in the Underlying Stock;

(vii) where the Issuer or the DMM faces technical problems affecting the ability of the DMM to provide bids and offer quotations;

(viii) where the ability of the Issuer to source a hedge or unwind an existing hedge, as determined by the Issuer in good faith, is materially affected by the prevailing market conditions, and the Issuer informs the SGX-ST of its inability to do so as soon as practicable;

(ix) in cases where the Issuer has no Certificates to sell, then the DMM will only provide the bid price;

(x) if the stock market experiences exceptional price movement and volatility;

(xi) when it is a public holiday in Singapore and/or Hong Kong and/or the SGX-ST and/or the HKEX are not open for dealings; and

(xii) during the suspension of trading of Certificates after an Air Bag Mechanism has been triggered.

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

SUPPLEMENTAL INFORMATION RELATING TO THE GUARANTOR

The information set out in Appendix II of this document is a reproduction of the press release dated 3 August 2022 containing the Guarantor's consolidated financial results for the second quarter ended 30 June 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 106 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 30 June 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 2001 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 (EU) 2016/97 (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 is not a U.S. Person, (ii) 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 (iii) it is not purchasing any Certificates, directly or indirectly, in the United States or 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 FISCAL YEAR ENDED 31 MARCH 2022 OF ALIBABA GROUP HOLDING LIMITED AND ITS SUBSIDIARIES

The information set out below is a reproduction of the audited consolidated financial statements of the Company and its subsidiaries for the fiscal year ended 31 March 2022 and has been extracted and reproduced from an announcement by the Company released on 26 July 2022 in relation to the same.

Report of Independent Registered Public Accounting Firm

羅兵咸永道

To the Board of Directors and Shareholders of Alibaba Group Holding Limited

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Alibaba Group Holding Limited and its subsidiaries (the "Company") as of March 31, 2022 and 2021, and the related consolidated income statements, consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended March 31, 2022, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of March 31, 2022, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended March 31, 2022 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2022, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control over Financial Reporting appearing under the section of "Controls and Procedures" in the Company's annual report. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

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Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Impairment Assessment on Goodwill Relating to Reporting Units under the Digital Media and Entertainment Segment

As described in Note 2(y) and Note 17 to the consolidated financial statements, as a result of the annual impairment test, the Company recognized goodwill impairment charges of RMB25,141 million relating to one listed and one unlisted reporting units under the Digital media and entertainment segment during the year ended March 31, 2022. The fair value of the unlisted reporting unit is determined using the income approach, which is based on the discounted cash flow analysis derived from management's best estimate of the future growth rates and weighted average cost of capital. The fair value of the listed reporting unit is determined based on its market capitalization, adjusted for control premium.

The principal considerations for our determination that performing procedures relating to the impairment assessment on goodwill relating to reporting units under the Digital media and entertainment segment is a critical audit matter are the significant judgment and estimation made by management when determining the fair values of these reporting units, which in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence relating to the future growth rates, the weighted average cost of capital and the control premium. In addition, the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's impairment assessment on goodwill relating to reporting units under the Digital media and entertainment segment, including controls relating to fair value determination of these reporting units. These procedures also included, among others, testing the fair values of these reporting units as determined by management, which included (i) evaluating the appropriateness of the valuation methods; (ii) testing the completeness, mathematical accuracy and relevance of the key underlying data adopted in the valuation; and (iii) evaluating the reasonableness of the significant assumptions. Evaluating management's assumptions related to the future growth rates, the weighted average cost of capital and the control premium involved assessing whether the assumptions used by management were reasonable considering (i) the past performance of the reporting unit, and economic and industry forecasts; (ii) the weighted average cost of capital of comparable businesses; and (iii) the consistency with external market and industry data, and the specific facts and circumstances of the reporting unit, respectively. Professionals with specialized skill and knowledge were used to assist in evaluating the appropriateness of the valuation methods, and the reasonableness of the future growth rate for terminal value, the weighted average cost of capital and the control premium estimated by management.

Fair Value Determination Related to Investments in Privately Held Companies Accounted for Using the Measurement Alternative

As described in Note 2(t) and Note 11 to the consolidated financial statements, the Company's investments in privately held companies accounted for using the measurement alternative were RMB99,270 million as of March 31, 2022. The Company recorded these investments at cost, less impairment, with subsequent adjustments for observable price changes resulting from orderly transactions for identical or similar investments of the same issuer. The Company recorded fair value adjustments to a portion of these investments with observable price changes during the year ended March 31, 2022. The fair value of these investments is determined based on valuation methods using the observable transaction price at the transaction date and other unobservable inputs including volatility, as well as rights and obligations of the securities.

The principal considerations for our determination that performing procedures relating to the fair value determination related to investments in privately held companies accounted for using the measurement alternative is a critical audit matter are the significant judgment and estimation made by management when determining the fair value of the investments with observable price changes, which in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence relating to management's assessment of whether the observable transaction is orderly and whether the investment involved is identical or similar to the Company's investment of the same issuer and management's determination of the fair value adjustments. In addition, the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to fair value determination of the investments in privately held companies with observable price changes, including controls over management's assessment of whether the observable transaction is orderly and whether the investment involved is identical or similar to the Company's investment of the same issuer and controls over the determination of the fair value adjustments. These procedures also included, among others, testing the fair value of these investments as determined by management, which included (i) evaluating whether the observable transaction is orderly and whether the investment involved is identical or similar to the Company's investment of the same issuer, (ii) testing the completeness, mathematical accuracy and relevance of key underlying data used in the valuation, and (iii) evaluating the unobservable inputs, including volatility as well as rights and obligations of the securities, as used in the valuation. The volatility was evaluated by considering the external market and industry data of comparable businesses. The rights and obligations of the securities were evaluated by reading the investment agreements. Professionals with specialized skill and knowledge were used to assist in evaluating the reasonableness of the volatility used by management as well as the rights and obligations of the securities.

/s/PricewaterhouseCoopers

Hong Kong

July 26, 2022

We have served as the Company's auditor since 1999.

Consolidated Income Statements

		Year ended March 31,			
		2020	2021	2022	
		RMB	RMB	RMB	US$
					(Note 2(a))
		(in millions, except per share data)			
	Notes				
Revenue	5, 22	509,711	717,289	**853,062**	**134,567**
Cost of revenue	22	(282,367)	(421,205)	**(539,450)**	**(85,096)**
Product development expenses	22	(43,080)	(57,236)	**(55,465)**	**(8,749)**
Sales and marketing expenses	22	(50,673)	(81,519)	**(119,799)**	**(18,898)**
General and administrative expenses	22	(28,197)	(55,224)	**(31,922)**	**(5,036)**
Amortization and impairment of intangible assets		(13,388)	(12,427)	**(11,647)**	**(1,837)**
Impairment of goodwill	17	(576)	–	**(25,141)**	**(3,966)**
Income from operations		91,430	89,678	**69,638**	**10,985**
Interest and investment income, net		72,956	72,794	**(15,702)**	**(2,477)**
Interest expense		(5,180)	(4,476)	**(4,909)**	**(774)**
Other income, net	22	7,439	7,582	**10,523**	**1,660**
Income before income tax and share of results of equity method investees		166,645	165,578	**59,550**	**9,394**
Income tax expenses	7	(20,562)	(29,278)	**(26,815)**	**(4,230)**
Share of results of equity method investees		(5,733)	6,984	**14,344**	**2,263**
Net income		140,350	143,284	**47,079**	**7,427**
Net loss attributable to noncontrolling interests		9,083	7,294	**15,170**	**2,393**
Net income attributable to Alibaba Group Holding Limited		149,433	150,578	**62,249**	**9,820**
Accretion of mezzanine equity		(170)	(270)	**(290)**	**(46)**
Net income attributable to ordinary shareholders		149,263	150,308	**61,959**	**9,774**
Earnings per share attributable to ordinary shareholders	9				
Basic		7.10	6.95	**2.87**	**0.45**
Diluted		6.99	6.84	**2.84**	**0.45**
Earnings per ADS attributable to ordinary shareholders (one ADS equals eight ordinary shares)	9				
Basic		56.82	55.63	**22.99**	**3.63**
Diluted		55.93	54.70	**22.74**	**3.59**
Weighted average number of shares used in computing earnings per share (million shares)	9				
Basic		21,017	21,619	**21,558**	
Diluted		21,346	21,982	**21,787**	

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statements of Comprehensive Income

	Year ended March 31,			
	2020	2021	2022	
	RMB	RMB	RMB	US$
				(Note 2(a))
	(in millions)			
Net income	140,350	143,284	47,079	7,427
Other comprehensive income (loss):				
– Foreign currency translation:				
Change in unrealized gains (losses)	3,058	(18,646)	(15,470)	(2,441)
– Share of other comprehensive income of equity method investees:				
Change in unrealized losses	(546)	(1,449)	(784)	(124)
– Interest rate swaps under hedge accounting and others:				
Change in unrealized (losses) gains	(507)	104	157	25
Other comprehensive income (loss)	2,005	(19,991)	(16,097)	(2,540)
Total comprehensive income	142,355	123,293	30,982	4,887
Total comprehensive loss attributable to noncontrolling interests	8,615	9,005	17,361	2,739
Total comprehensive income attributable to ordinary shareholders	150,970	132,298	48,343	7,626

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Balance Sheets

	Notes	As of March 31, 2021 RMB	2022 RMB	2022 US$ (Note 2(a))
			(in millions)	
Assets				
Current assets:				
Cash and cash equivalents	2(p)	321,262	**189,898**	**29,956**
Short-term investments	2(q)	152,376	**256,514**	**40,464**
Restricted cash and escrow receivables	10	35,207	**37,455**	**5,908**
Equity securities and other investments	11	9,807	**8,673**	**1,368**
Prepayments, receivables and other assets	13	124,708	**145,995**	**23,030**
Total current assets		643,360	**638,535**	**100,726**
Equity securities and other investments	11	237,221	**223,611**	**35,274**
Prepayments, receivables and other assets	13	98,432	**113,147**	**17,849**
Investments in equity method investees	14	200,189	**219,642**	**34,648**
Property and equipment, net	15	147,412	**171,806**	**27,102**
Intangible assets, net	16	70,833	**59,231**	**9,343**
Goodwill	17	292,771	**269,581**	**42,525**
Total assets		1,690,218	**1,695,553**	**267,467**
Liabilities, mezzanine equity and shareholders' equity				
Current liabilities:				
Current bank borrowings	20	3,606	**8,841**	**1,395**
Current unsecured senior notes	21	9,831	**-**	**-**
Income tax payable		25,275	**21,753**	**3,431**
Accrued expenses, accounts payable and other liabilities	19	261,140	**271,460**	**42,822**
Merchant deposits	2(ac)	15,017	**14,747**	**2,326**
Deferred revenue and customer advances	18	62,489	**66,983**	**10,566**
Total current liabilities		377,358	**383,784**	**60,540**
Deferred revenue	18	3,158	**3,490**	**551**
Deferred tax liabilities	7	59,598	**61,706**	**9,734**
Non-current bank borrowings	20	38,335	**38,244**	**6,033**
Non-current unsecured senior notes	21	97,381	**94,259**	**14,869**
Other liabilities	19	30,754	**31,877**	**5,028**
Total liabilities		606,584	**613,360**	**96,755**

The accompanying notes form an integral part of these consolidated financial statements.

		As of March 31,		
		2021	2022	
		RMB	RMB	US$
				(Note 2(a))
		(in millions)		
	Notes			
Commitments and contingencies	24, 25			
Mezzanine equity		8,673	9,655	1,523
Shareholders' equity:				
Ordinary shares, US$0.000003125 par value; 32,000,000,000 shares authorized as of March 31, 2021 and 2022; 21,699,031,448 and 21,357,323,112 shares issued and outstanding as of March 31, 2021 and 2022, respectively		1	1	-
Additional paid-in capital		394,308	410,506	64,755
Treasury shares, at cost	2(af)	-	(2,221)	(350)
Subscription receivables		(47)	(46)	(7)
Statutory reserves	2(ag)	7,347	9,839	1,552
Accumulated other comprehensive (loss) income				
Cumulative translation adjustments		(18,930)	(33,184)	(5,234)
Unrealized (losses) gains on interest rate swaps and others		(133)	27	4
Retained earnings		554,924	563,557	88,899
Total shareholders' equity		937,470	948,479	149,619
Noncontrolling interests		137,491	124,059	19,570
Total equity		1,074,961	1,072,538	169,189
Total liabilities, mezzanine equity and equity		1,690,218	1,695,553	267,467

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

	Ordinary shares							Accumulated other comprehensive income (loss)					
	Share (*Note*)	Amount	Additional paid-in capital	Treasury shares	Restructuring reserve	Subscription receivables	Statutory reserves	Cumulative translation adjustments	Unrealized gains (losses) on interest rate swaps and others	Retained earnings	Total shareholders' equity	Noncontrolling interests	Total equity
		RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
		(in millions, except share data)											
Balance as of April 1, 2019	20,696,476,576	1	231,783	-	(97)	(49)	5,068	(2,592)	257	257,886	492,257	116,326	608,583
Foreign currency translation adjustment	-	-	-	-	-	(2)	-	2,711	3	-	2,712	344	3,056
Share of additional paid-in capital and other comprehensive income of equity method investees	-	-	(186)	-	-	-	-	(537)	(9)	-	(732)	-	(732)
Change in fair value of interest rate swaps under hedge accounting and others	-	-	-	-	-	-	-	-	(507)	-	(507)	-	(507)
Net income for the year	-	-	-	-	-	-	-	-	-	149,433	149,433	(8,959)	140,474
Acquisition of subsidiaries	14,329,896	-	2,252	-	-	-	-	-	-	-	2,252	(501)	1,751
Issuance of shares, including vesting of RSUs and early exercised options and exercise of share options	206,246,032	-	960	-	-	-	-	-	-	-	960	-	960
Issuance of shares - global offering, net of issuance costs	575,000,000	-	91,112	-	-	-	-	-	-	-	91,112	-	91,112
Repurchase and retirement of ordinary shares	(57,560)	-	-	-	-	-	-	-	-	-	-	-	-
Transactions with noncontrolling interests	-	-	(9,629)	-	-	-	-	-	-	-	(9,629)	4,138	(5,491)
Amortization of compensation cost	-	-	27,584	-	-	-	-	-	-	-	27,584	4,009	31,593
Appropriation to statutory reserves	-	-	-	-	-	-	1,032	-	-	(1,032)	-	-	-
Others	-	-	(169)	-	97	-	-	31	-	-	(41)	(210)	(251)
Balance as of March 31, 2020	21,491,994,944	1	343,707	-	-	(51)	6,100	(387)	(256)	406,287	755,401	115,147	870,548

Note: The number of shares has been retrospectively adjusted for the Share Subdivision and the ADS Ratio Change that were effective on July 30, 2019 as detailed in Note 2(a).

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

	Ordinary shares							Accumulated other comprehensive income (loss)					
	Share	Amount	Additional paid-in capital	Treasury shares	Restructuring reserve	Subscription receivables	Statutory reserves	Cumulative translation adjustments	Unrealized gains (losses) on interest rate swaps and others	Retained earnings	Total shareholders' equity	Noncontrolling interests	Total equity
		RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
						(in millions, except share data)							
Balance as of April 1, 2020	21,491,994,944	1	343,707	-	-	(51)	6,100	(387)	(256)	406,287	755,401	115,147	870,548
Foreign currency translation adjustment	-	-	-	-	-	4	-	(17,092)	17	-	(17,071)	(1,571)	(18,642)
Share of additional paid-in capital and other comprehensive income of equity method investees	-	-	702	-	-	-	-	(1,451)	2	-	(747)	1	(746)
Change in fair value of interest rate swaps under hedge accounting and others	-	-	-	-	-	-	-	-	104	-	104	-	104
Net income for the year	-	-	-	-	-	-	-	-	-	150,578	150,578	(7,434)	143,144
Acquisition of subsidiaries	-	-	1,836	-	-	-	-	-	-	-	1,836	28,389	30,225
Issuance of shares, including vesting of RSUs and early exercised options and exercise of share options	211,562,920	-	205	-	-	-	-	-	-	-	205	-	205
Repurchase and retirement of ordinary shares	(4,526,416)	-	(79)	-	-	-	-	-	-	(694)	(773)	-	(773)
Transactions with noncontrolling interests	-	-	1,201	-	-	-	-	-	-	-	1,201	(507)	694
Amortization of compensation cost	-	-	47,006	-	-	-	-	-	-	-	47,006	3,983	50,989
Appropriation to statutory reserves	-	-	-	-	-	-	1,247	-	-	(1,247)	-	-	-
Others	-	-	(270)	-	-	-	-	-	-	-	(270)	(517)	(787)
Balance as of March 31, 2021	21,699,031,448	1	394,308	-	-	(47)	7,347	(18,930)	(133)	554,924	937,470	137,491	1,074,961

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

	Ordinary shares							Accumulated other comprehensive income (loss)					
	Share	Amount	Additional paid-in capital	Treasury shares	Restructuring reserve	Subscription receivables	Statutory reserves	Cumulative translation adjustments	Unrealized gains (losses) on interest rate swaps and others	Retained earnings	Total shareholders' equity	Noncontrolling interests	Total equity
		RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
						(in millions, except share data)							
Balance as of April 1, 2021	21,699,031,448	1	394,308	-	-	(47)	7,347	(18,930)	(133)	554,924	937,470	137,491	1,074,961
Foreign currency translation adjustment	-	-	-	-	-	1	-	(13,470)	3	-	(13,466)	(2,003)	(15,469)
Share of additional paid-in capital and other comprehensive income of equity method investees	-	-	(445)	-	-	-	-	(784)	-	-	(1,229)	2	(1,227)
Change in fair value of interest rate swaps under hedge accounting and others	-	-	-	-	-	-	-	-	157	-	157	-	157
Net income for the year	-	-	-	-	-	-	-	-	-	62,249	62,249	(15,358)	46,891
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	59	59
Issuance of shares, including vesting of RSUs and early exercised options and exercise of share options	177,096,968	-	109	-	-	-	-	-	-	-	109	-	109
Repurchase and retirement of ordinary shares	(518,805,304)	-	(8,567)	(2,221)	-	-	-	-	-	(51,124)	(61,912)	-	(61,912)
Transactions with noncontrolling interests	-	-	6,057	-	-	-	-	-	-	-	6,057	(38)	6,019
Amortization of compensation cost	-	-	19,334	-	-	-	-	-	-	-	19,334	4,670	24,004
Appropriation to statutory reserves	-	-	-	-	-	-	2,492	-	-	(2,492)	-	-	-
Others	-	-	(290)	-	-	-	-	-	-	-	(290)	(764)	(1,054)
Balance as of March 31, 2022	21,357,323,112	1	410,506	(2,221)	-	(46)	9,839	(33,184)	27	563,557	948,479	124,059	1,072,538

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

	Year ended March 31,			
	2020	2021	2022	
	RMB	RMB	RMB	US$
				(Note 2(a))
	(in millions)			
Cash flows from operating activities:				
Net income	140,350	143,284	47,079	7,427
Adjustments to reconcile net income to net cash provided by operating activities:				
Revaluation (gain) loss on previously held equity interest	(1,538)	(8,759)	2	–
(Gain) Loss on disposals of equity method investees	(1)	(644)	32	5
Loss (Gain) related to equity securities and other investments	4,439	(57,930)	20,479	3,230
Change in fair value of other assets and liabilities	1,661	250	1,478	233
Gain in relation to the receipt of the 33% equity interest in Ant Group Co., Ltd. ("Ant Group") (Note 4(k))	(71,561)	–	–	–
Gain on disposals of subsidiaries	(10,042)	(383)	(1,163)	(183)
Depreciation and impairment of property and equipment, and operating lease cost relating to land use rights	20,523	26,389	27,808	4,386
Amortization of intangible assets and licensed copyrights	21,904	21,520	20,257	3,195
Share-based compensation expense	31,742	50,120	23,971	3,782
Impairment of equity securities and other investments, and other assets	13,256	7,481	8,922	1,407
Impairment of goodwill, intangible assets and licensed copyrights	4,104	1,688	25,886	4,083
(Gain) Loss on disposals of property and equipment	(24)	75	132	21
Amortization of restructuring reserve	97	–	–	–
Share of results of equity method investees	5,733	(6,984)	(14,344)	(2,263)
Deferred income taxes	(3,443)	3,236	(1,369)	(216)
Allowance for doubtful accounts	1,989	1,935	1,739	275
Changes in assets and liabilities, net of effects of acquisitions and disposals:				
Prepayments, receivables and other assets, and long-term licensed copyrights (Note 2(x))	(43,386)	(43,611)	(32,496)	(5,126)
Income tax payable	2,538	4,026	(3,526)	(556)
Accrued expenses, accounts payable and other liabilities	51,474	74,554	13,327	2,103
Merchant deposits	2,878	1,377	(270)	(43)
Deferred revenue and customer advances	7,914	14,162	4,815	760
Net cash provided by operating activities	180,607	231,786	142,759	22,520

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

	Year ended March 31,			
	2020	2021	2022	
	RMB	RMB	RMB	US$
				(Note 2(a))
	(in millions)			
Cash flows from investing activities:				
Increase in short-term investments, net	(24,907)	(114,826)	(106,984)	(16,876)
Payments for settlement of forward exchange contracts	(193)	(803)	(448)	(71)
Acquisitions of equity securities and other investments, and other assets	(29,944)	(57,514)	(39,378)	(6,212)
Disposals of equity securities and other investments	18,798	7,280	14,543	2,294
Acquisitions of equity method investees	(24,488)	(18,661)	(9,383)	(1,480)
Disposals and distributions of equity method investees	78	2,538	936	148
Disposals of intellectual property rights and assets (Note 4(k))	12,648	369	–	–
Acquisitions of:				
Land use rights, property and equipment	(32,550)	(41,450)	(53,309)	(8,409)
Licensed copyrights (Note 2(x)) and other intangible assets	(12,836)	(1,735)	(15)	(2)
Cash paid for business combinations, net of cash acquired	(14,536)	(19,137)	(4,087)	(645)
Deconsolidation and disposal of subsidiaries, net of cash proceeds	(107)	(126)	(11)	(2)
Loans to employees, net of repayments	(35)	(129)	(456)	(72)
Net cash used in investing activities	(108,072)	(244,194)	(198,592)	(31,327)

The accompanying notes form an integral part of these consolidated financial statements.

	Year ended March 31,			
	2020	2021	2022	
	RMB	RMB	RMB	US$
				(Note 2(a))
	(in millions)			
Cash flows from financing activities:				
Issuance of ordinary shares	91,506	175	109	17
Repurchase of ordinary shares	-	(773)	(61,225)	(9,658)
Acquisition of additional equity interests in non-wholly owned subsidiaries	(15,402)	(11,218)	(7,406)	(1,168)
Dividends paid by non-wholly owned subsidiaries to noncontrolling interests	(278)	(471)	(881)	(139)
Capital injection from noncontrolling interests	11,049	11,020	12,240	1,931
Proceeds from bank borrowings, net of upfront fee payment for a syndicated loan	15,719	6,402	9,427	1,487
Repayment of bank borrowings	(15,943)	(7,061)	(7,128)	(1,125)
Proceeds from unsecured senior notes, net of debt issuance cost	-	32,008	-	-
Repayment of unsecured senior notes	(15,798)	-	(9,585)	(1,512)
Net cash provided by (used in) financing activities	70,853	30,082	(64,449)	(10,167)
Effect of exchange rate changes on cash and cash equivalents, restricted cash and escrow receivables	4,100	(7,187)	(8,834)	(1,394)
Increase (Decrease) in cash and cash equivalents, restricted cash and escrow receivables	147,488	10,487	(129,116)	(20,368)
Cash and cash equivalents, restricted cash and escrow receivables at beginning of year	198,494	345,982	356,469	56,232
Cash and cash equivalents, restricted cash and escrow receivables at end of year	345,982	356,469	227,353	35,864

The accompanying notes form an integral part of these consolidated financial statements.

Supplemental disclosures of cash flow information:

Payment of income tax

Income tax paid was RMB21,474 million, RMB20,898 million and RMB31,733 million for the years ended March 31, 2020, 2021 and 2022, respectively.

Payment of interest

Interest paid was RMB5,066 million, RMB4,101 million and RMB4,886 million for the years ended March 31, 2020, 2021 and 2022, respectively.

Business combinations

	Year ended March 31,		
	2020	2021	**2022**
	(in millions of RMB)		
Cash paid for business combinations	(16,022)	(27,014)	**(5,282)**
Cash acquired in business combinations	1,486	7,877	**1,195**
	(14,536)	(19,137)	**(4,087)**

The accompanying notes form an integral part of these consolidated financial statements.

1. Organization and principal activities

Alibaba Group Holding Limited (the "Company") is a limited liability company, which was incorporated in the Cayman Islands on June 28, 1999. The Company is a holding company and conducts its businesses primarily through its subsidiaries. In these consolidated financial statements, where appropriate, the term "Company" also refers to its subsidiaries as a whole. The Company provides the technology infrastructure and marketing reach to help merchants, brands, retailers and other businesses to leverage the power of new technology to engage with their users and customers and operate in a more efficient way. SoftBank Group Corp. (together with its subsidiaries, "SoftBank") is a major shareholder of the Company.

The Company has seven operating and reportable segments, namely China commerce, International commerce, Local consumer services, Cainiao, Cloud, Digital media and entertainment, and Innovation initiatives and others segments. An ecosystem has developed around the Company's platforms and businesses that consists of consumers, merchants, brands, retailers, third-party service providers, strategic alliance partners and other businesses.

The Company's China commerce segment is comprised of (i) China commerce retail businesses and (ii) China commerce wholesale businesses. China commerce retail businesses consist of Taobao, the digital retail platform and Tmall, the third-party online and mobile commerce platform, Taobao Deals, which offers consumers value-for-money products, Taocaicai, which provides next-day pick-up services for groceries and fresh goods at neighborhood pick-up points, as well as direct sales businesses, including Sun Art, Tmall Supermarket and Freshippo, which the Company has developed a digital commerce infrastructure that offers an upgraded consumer experience by integrating online and offline capabilities for the Company's marketplaces and direct sales businesses. China commerce wholesale businesses include 1688.com, the integrated domestic wholesale marketplace.

The Company's International commerce segment is comprised of (i) International commerce retail businesses and (ii) International commerce wholesale businesses. International commerce retail businesses include Lazada, the e-commerce platform in Southeast Asia, AliExpress, the international retail marketplace, Trendyol, the e-commerce platform in Türkiye, and Daraz, the e-commerce platform across South Asia with key markets in Pakistan and Bangladesh. International commerce wholesale businesses include Alibaba.com, the integrated international online wholesale marketplace.

The Company's Local consumer services segment is comprised of (i) "To-Home" businesses which include Ele.me, the local services and on-demand delivery platform, and Taoxianda, the online-offline integration service solution for FMCG brands and third-party grocery retail partners, and (ii) "To-Destination" businesses which include Amap, the provider of mobile digital map, navigation and real-time traffic information in China, Fliggy, the online travel platform, and Koubei, the restaurant and local services guide platform for in-store consumption.

The Company's Cainiao segment is comprised of Cainiao Network, which leverages the Company's self-developed and the Company's logistics partners' capacity and capabilities, and offers domestic and international one-stop-shop logistics services and supply chain management solutions, fulfilling various logistics needs of merchants and consumers at scale.

The Company's Cloud segment is comprised of Alibaba Cloud, a cloud business that offers a complete suite of cloud services, including proprietary servers, elastic computing, storage, network, security, database and big data, and IoT services, as well as DingTalk, the digital collaboration workplace and application development platform that offers new ways of working, sharing and collaboration for modern enterprises and organizations.

1. Organization and principal activities (Continued)

The Company's Digital media and entertainment segment leverages the Company's deep consumer insights to serve the broader interests of consumers through the Company's key distribution platforms, including Youku, and the Company's other diverse content platforms, including Alibaba Pictures, that provide online videos, films, live events, news feeds and literature, among others. In addition, the Company engages in the development, distribution and operation of mobile games through Lingxi Games.

The Company's Innovation initiatives and others segment includes businesses such as DAMO Academy, the global research program in cutting-edge technologies that aim to integrate and speed up knowledge exchange between science and industry, Tmall Genie, which provides a selection of IoT-enabled smart home appliances, and others.

The Company's American depositary shares ("ADSs") have been listed on the New York Stock Exchange ("NYSE") under the symbol of "BABA". On November 26, 2019, the Company completed its global offering and the Company's ordinary shares have been listed on the Hong Kong Stock Exchange ("HKSE") under the code "9988". The Company issued 575,000,000 ordinary shares, including 75,000,000 ordinary shares under an over-allotment option, at Hong Kong Dollar ("HK$")176 per share. Net proceeds raised by the Company from the global offering after deducting underwriting discounts and commissions and other offering expenses amounted to Renminbi ("RMB")90,442 million.

2. Summary of significant accounting policies

(a) Basis of presentation

The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Effective on July 30, 2019, the Company subdivided each of its issued and unissued ordinary shares into eight ordinary shares (the "Share Subdivision"). Following the Share Subdivision, the Company's authorized share capital became United States Dollar ("US$") 100,000 divided into 32,000,000,000 ordinary shares of par value US$0.000003125 per share. The number of issued and unissued ordinary shares as disclosed elsewhere in these consolidated financial statements are presented on a basis after taking into account the effects of the Share Subdivision and have been retrospectively adjusted, where applicable.

Simultaneously with the Share Subdivision, the change in ratio of the Company's ADS to ordinary share (the "ADS Ratio Change") also became effective. Following the ADS Ratio Change, each ADS now represents eight ordinary shares. Previously, each ADS represented one ordinary share. Given that the ADS Ratio Change was exactly proportionate to the Share Subdivision, no new ADSs were issued to any ADS holder and the total number of the Company's outstanding ADSs remains unchanged immediately after the Share Subdivision and the ADS Ratio Change became effective.

Translations of balances in the consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows from RMB into the US$ as of and for the year ended March 31, 2022 are solely for the convenience of the readers and are calculated at the rate of US$1.00=RMB6.3393, representing the exchange rate set forth in the H.10 statistical release of the Federal Reserve Board on March 31, 2022. No representation is made that the RMB amounts could have been, or could be, converted, realized or settled into US$ at this rate, or at any other rate.

2. Summary of significant accounting policies (Continued)

(b) Use of estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. As of March 31, 2022, the Company considered the economic implications of the COVID-19 pandemic on its significant judgments and estimates. Given the impact and other unforeseen effects on the global economy from the COVID-19 pandemic, these estimates required increased judgment, and actual results could differ from these estimates.

(c) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries, which include the PRC-registered entities directly or indirectly owned by the Company ("WFOEs") and variable interest entities ("VIEs") over which the Company is the primary beneficiary. All transactions and balances among the Company and its subsidiaries have been eliminated upon consolidation. The results of subsidiaries acquired or disposed of are recorded in the consolidated income statements from the effective date of acquisition or up to the effective date of disposal, as appropriate.

A subsidiary is an entity in which (i) the Company directly or indirectly controls more than 50% of the voting power; or (ii) the Company has the power to appoint or remove the majority of the members of the board of directors or to cast a majority of votes at the meetings of the board of directors or to govern the financial and operating policies of the investee pursuant to a statute or under an agreement among the shareholders or equity holders. A VIE is required to be consolidated by the primary beneficiary of the entity if the equity holders in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties.

Due to legal restrictions on foreign ownership and investment in, among other areas, value-added telecommunications services, which include the operations of Internet content providers, the Company operates its Internet businesses and other businesses in which foreign investment is restricted or prohibited in the PRC through various contractual arrangements with VIEs that are incorporated and owned by PRC citizens or by PRC entities owned and/or controlled by PRC citizens. Specifically, these representative PRC domestic companies are Zhejiang Taobao Network Co., Ltd., Zhejiang Tmall Network Co., Ltd., Hangzhou Alibaba Advertising Co., Ltd., Hangzhou Ali Venture Capital Co., Ltd., Shanghai Rajax Information Technology Co., Ltd., Alibaba Cloud Computing Ltd. and Alibaba Culture Entertainment Co., Ltd. The registered capital of these PRC domestic companies was funded by the Company through loans extended to the equity holders of these PRC domestic companies.

The Company has entered into certain exclusive technical services agreements with these PRC domestic companies, which entitle it to receive a majority of their residual returns and make it obligatory for the Company to absorb a majority of the risk of losses from their activities. In addition, the Company has entered into certain agreements with the equity holders of these PRC domestic companies, including loan agreements that require them to contribute registered capital to those PRC domestic companies, exclusive call option agreements to acquire the equity interests in these companies when permitted by the PRC laws, rules and regulations, equity pledge agreements of the equity interests held by those equity holders, and proxy agreements that irrevocably authorize individuals designated by the Company to exercise the equity owner's rights over these PRC domestic companies.

2. Summary of significant accounting policies (Continued)

(c) Consolidation (Continued)

Details of the typical structure of the Company's representative VIEs are set forth below:

(i) Contracts that give the Company effective control of VIEs

Loan agreements

Pursuant to the relevant loan agreements, the respective WFOEs have granted loans to the equity holders of the VIEs, which may only be used for the purpose of its business operation activities agreed by the WFOEs or the acquisition of the VIEs. The WFOEs may require acceleration of repayment at their absolute discretion. When the equity holders of the VIEs make early repayment of the outstanding amount, the WFOEs or a third-party designated by the WFOEs may purchase the equity interests in the VIEs at a price equal to the outstanding amount of the loan, subject to any applicable PRC laws, rules and regulations. The equity holders of the VIEs undertake not to enter into any prohibited transactions in relation to the VIEs, including the transfer of any business, material assets or equity interests in the VIEs to any third party.

Exclusive call option agreements

The equity holders of the VIEs have granted the WFOEs exclusive call options to purchase their equity interest in the VIEs at an exercise price equal to the higher of (i) the paid-in registered capital in the VIEs; and (ii) the minimum price as permitted by applicable PRC laws. Each relevant VIE has further granted the relevant WFOE an exclusive call option to purchase its assets at an exercise price equal to the book value of the assets or the minimum price as permitted by applicable PRC laws, whichever is higher. Certain VIEs and their equity holders will also jointly grant the WFOEs (A) exclusive call options to request the VIEs to decrease their registered capital at an exercise price equal to the higher of (i) the paid-in registered capital in the VIEs and (ii) the minimum price as permitted by applicable PRC laws (the "Capital Decrease Price"), and (B) exclusive call options to subscribe for the increased capital of the VIEs at a price equal to the Capital Decrease Price, or the sum of the Capital Decrease Price and the unpaid registered capital, if applicable, as of the capital decrease. The WFOEs may nominate another entity or individual to purchase the equity interest or assets, or to subscribe for the increased capital, if applicable, under the call options. Execution of each call option shall not violate the applicable PRC laws, rules and regulations. Each equity holder of the VIE has agreed that the following amounts, to the extent in excess of the original registered capital that they contributed to the VIE (after deduction of relevant tax expenses), belong to and shall be paid to the WFOEs: (i) proceeds from the transfer of its equity interests in the VIE, (ii) proceeds received in connection with a capital decrease in the VIE, and (iii) distributions or liquidation residuals from the disposal of its equity interests in the VIE upon termination or liquidation. Moreover, any profits, distributions or dividends (after deduction of relevant tax expenses) received by the VIEs also belong to and shall be paid to the WFOEs. The exclusive call option agreements remain in effect until the equity interest or assets that are the subject of these agreements are transferred to the WFOEs.

2. Summary of significant accounting policies (Continued)

(c) Consolidation (Continued)

(i) Contracts that give the Company effective control of VIEs (Continued)

Proxy agreements

Pursuant to the relevant proxy agreements, the equity holders of the VIEs irrevocably authorize any person designated by the WFOEs to exercise their rights of the equity holders of the VIEs, including without limitation the right to vote and appoint directors.

Equity pledge agreements

Pursuant to the relevant equity pledge agreements, the equity holders of the VIEs have pledged all of their interests in the equity of the VIEs as a continuing first priority security interest in favor of the corresponding WFOEs to secure the outstanding amounts advanced under the relevant loan agreements described above and to secure the performance of obligations by the VIEs and/or the equity holders under the other structure contracts. Each WFOE is entitled to exercise its right to dispose of the pledged interests in the equity of the VIE held by the equity holders and has priority in receiving payment by the application of proceeds from the auction or sale of the pledged interests, in the event of any breach or default under the loan agreement or other structure contracts, if applicable. These equity pledge agreements remain in force until the later of (i) the full performance of the contractual arrangements by the relevant parties, and (ii) the full repayment of the loans made to the equity holders of the VIEs.

(ii) Contracts that enable the Company to receive substantially all of the economic benefits from the VIEs

Exclusive technology services agreements or exclusive services agreements

Each relevant VIE has entered into an exclusive technology services agreement or an exclusive services agreement with the respective WFOE, pursuant to which the relevant WFOE provides exclusive services to the VIE. In exchange, the VIE pays a service fee to the WFOE, the amount of which shall be determined, to the extent permitted by applicable PRC laws as proposed by the WFOE, resulting in a transfer of substantially all of the profits from the VIE to the WFOE.

Other arrangements

The exclusive call option agreements described above also entitle the WFOEs to all profits, distributions or dividends (after deduction of relevant tax expenses) to be received by the equity holder of the VIEs, and the following amounts, to the extent in excess of the original registered capital that they contributed to the VIEs (after deduction of relevant tax expenses) to be received by each equity holder of the VIEs: (i) proceeds from the transfer of its equity interests in the VIEs, (ii) proceeds received in connection with a capital decrease in the VIEs, and (iii) distributions or liquidation residuals from the disposal of its equity interests in the VIEs upon termination or liquidation.

Based on these contractual agreements, the Company believes that the PRC domestic companies as described above should be considered as VIEs because the equity holders do not have significant equity at risk nor do they have the characteristics of a controlling financial interest. Given that the Company is the primary beneficiary of these PRC domestic companies, the Company believes that these VIEs should be consolidated based on the structure as described above.

2. Summary of significant accounting policies (Continued)

(c) Consolidation (Continued)

The following financial information of the consolidated VIEs and their subsidiaries was recorded in the accompanying consolidated financial statements:

	As of March 31,	
	2021	2022
	(in millions of RMB)	
Cash and cash equivalents and short-term investments	17,295	**15,943**
Investments in equity method investees and equity securities and other investments	44,125	**37,647**
Accounts receivable, net of allowance	18,259	**22,003**
Amounts due from non-VIE subsidiaries of the Company	19,838	**28,377**
Property and equipment, net and intangible assets, net	7,354	**8,608**
Others	18,726	**25,927**
Total assets	125,597	**138,505**
Amounts due to non-VIE subsidiaries of the Company	94,779	**89,271**
Accrued expenses, accounts payable and other liabilities	30,684	**38,826**
Deferred revenue and customer advances	13,103	**13,570**
Total liabilities	138,566	**141,667**

	Year ended March 31,		
	2020	2021	2022
	(in millions of RMB)		
Revenue (i)	81,742	93,029	**111,498**
Net (loss) income	(1,757)	2,557	**5,944**
Net cash (used in) provided by operating activities	(253)	329	**19,932**
Net cash used in investing activities	(7,289)	(18,445)	**(16,710)**
Net cash provided by (used in) financing activities	9,887	14,463	**(9,904)**

(i) Revenue generated by the VIEs are primarily from cloud services, digital media and entertainment services and others.

The VIEs did not have any material related party transactions except for the related party transactions which are disclosed in Note 22 or elsewhere in these consolidated financial statements, and those transactions with other subsidiaries that are not VIEs, which were eliminated upon consolidation.

Under the contractual arrangements with the VIEs, the Company has the power to direct activities of the VIEs and can have assets transferred out of the VIEs under its control. Therefore, the Company considers that there is no asset in any of the VIEs that can be used only to settle obligations of the VIEs, except for registered capital and PRC statutory reserves. As all VIEs are incorporated as limited liability companies under the Company Law of the corresponding jurisdictions, creditors of the VIEs do not have recourse to the general credit of the Company for any of the liabilities of the VIEs.

2. Summary of significant accounting policies (Continued)

(c) Consolidation (Continued)

Currently, there is no contractual arrangement which requires the Company to provide additional financial support to the VIEs. However, as the Company conducts its businesses primarily based on the licenses and approvals held by its VIEs, the Company has provided and will continue to provide financial support to the VIEs considering the business requirements of the VIEs, as well as the Company's own business objectives in the future.

Unrecognized revenue-producing assets held by the VIEs include certain Internet content provision and other licenses, domain names and trademarks. The Internet content provision and other licenses are required under relevant PRC laws, rules and regulations for the operation of Internet businesses in the PRC, and therefore are integral to the Company's operations. The Internet content provision licenses require that core PRC trademark registrations and domain names are held by the VIEs that provide the relevant services.

(d) Business combinations and noncontrolling interests

The Company accounts for its business combinations using the acquisition method of accounting in accordance with ASC 805 "Business Combinations." The cost of an acquisition is measured as the aggregate of the acquisition date fair value of the assets transferred to the sellers, liabilities incurred by the Company and equity instruments issued by the Company. Transaction costs directly attributable to the acquisition are expensed as incurred. Identifiable assets acquired and liabilities assumed are measured separately at their fair values as of the acquisition date, irrespective of the extent of any noncontrolling interests. The excess of (i) the total costs of acquisition, fair value of the noncontrolling interests and acquisition date fair value of any previously held equity interest in the acquiree over (ii) the acquisition date amounts of the identifiable net assets of the acquiree is recorded as goodwill. If the cost of acquisition is less than the acquisition date amounts of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated income statements. During the measurement period, which can be up to one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Subsequent to the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any further adjustments are recorded in the consolidated income statements.

In a business combination achieved in stages, the Company re-measures the previously held equity interest in the acquiree immediately before obtaining control at its acquisition date fair value and the re-measurement gain or loss, if any, is recognized in the consolidated income statements.

When there is a change in ownership interests or a change in contractual arrangements that results in a loss of control of a subsidiary, the Company deconsolidates the subsidiary from the date control is lost. Any retained noncontrolling investment in the former subsidiary is measured at fair value and is included in the calculation of the gain or loss upon deconsolidation of the subsidiary.

For the Company's non-wholly owned subsidiaries, a noncontrolling interest is recognized to reflect the portion of equity that is not attributable, directly or indirectly, to the Company. When the noncontrolling interest is contingently redeemable upon the occurrence of a conditional event, which is not solely within the control of the Company, the noncontrolling interest is classified as mezzanine equity. The Company accretes changes in the redemption value over the period from the date that it becomes probable that the mezzanine equity will become redeemable to the earliest redemption date using the effective interest method. Consolidated net income in the consolidated income statements includes net income or loss attributable to noncontrolling interests and mezzanine equity holders when applicable.

2. Summary of significant accounting policies (Continued)

(d) Business combinations and noncontrolling interests (Continued)

Net (loss) income attributable to mezzanine equity holders is included in net loss attributable to noncontrolling interests in the consolidated income statements, while it is excluded from the consolidated statements of changes in shareholders' equity. During the years ended March 31, 2020, 2021 and 2022, net (loss) income attributable to mezzanine equity holders amounted to RMB(124) million, RMB140 million and RMB188 million, respectively. The cumulative results of operations attributable to noncontrolling interests, along with adjustments for share-based compensation expense arising from outstanding share-based awards relating to subsidiaries' shares, are also recorded as noncontrolling interests on the Company's consolidated balance sheets. Cash flows related to transactions with noncontrolling interests are presented under financing activities in the consolidated statements of cash flows.

(e) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (the "CODM"), which is comprised of certain members of the Company's management team. Prior to the quarter ended December 31, 2021, the Company had four operating and reportable segments, namely Core commerce, Cloud computing, Digital media and entertainment, and Innovation initiatives and others segments. Starting from the quarter ended December 31, 2021, the CODM started to review information under a new reporting structure, and segment reporting has been updated to conform to this change, which also provides greater transparency in the Company's business progress and financial performance. Consequently, the Company presents seven operating and reportable segments as set out in Notes 1 and 26 to reflect the change.

(f) Foreign currency translation

The functional currency of the Company is US$. The Company's subsidiaries with operations in mainland China, the Hong Kong Special Administrative Region of the PRC ("Hong Kong" or "Hong Kong S.A.R."), the United States and other jurisdictions generally use their respective local currencies as their functional currencies. When the Company determines that a subsidiary is operating in a highly inflationary economy, the financial statements of this subsidiary shall be remeasured prospectively as if the functional currency were the functional currency of its immediate parent company. The reporting currency of the Company is RMB as the major operations of the Company are within the PRC. The financial statements of the Company's subsidiaries, other than the subsidiaries with the functional currency of RMB, are translated into RMB using the exchange rate as of the balance sheet date for assets and liabilities and the average daily exchange rate for each month for income and expense items. Translation gains and losses are recorded in accumulated other comprehensive income or loss as a component of shareholders' equity.

In the financial statements of the Company's subsidiaries, transactions in currencies other than the functional currency are measured and recorded in the functional currency using the exchange rate in effect at the date of the transaction. At the balance sheet date, monetary assets and liabilities that are denominated in currencies other than the functional currency are translated into the functional currency using the exchange rate at the balance sheet date. All gains and losses arising from foreign currency transactions are recorded in the consolidated income statements during the year in which they occur.

2. Summary of significant accounting policies (Continued)

(g) Revenue recognition

Revenue is principally comprised of customer management services revenue, membership fees, logistics services revenue, cloud services revenue, sales of goods and other revenue. Revenue represents the amount of consideration the Company is entitled to upon the transfer of promised goods or services in the ordinary course of the Company's activities and is recorded net of value-added tax ("VAT"). Consistent with the criteria of ASC 606 "Revenue from Contracts with Customers", the Company recognizes revenue when performance obligations are satisfied by transferring control of a promised good or service to a customer. For performance obligations that are satisfied at a point in time, the Company also considers the following indicators to assess whether control of a promised good or service is transferred to the customer: (i) right to payment, (ii) legal title, (iii) physical possession, (iv) significant risks and rewards of ownership and (v) acceptance of the good or service. For performance obligations satisfied over time, the Company recognizes revenue over time by measuring the progress toward complete satisfaction of a performance obligation.

For revenue arrangements with multiple distinct performance obligations, each distinct performance obligation is separately accounted for and the total consideration is allocated to each performance obligation based on the relative standalone selling price at contract inception.

The Company evaluates if it is a principal or an agent in a transaction to determine whether revenue should be recorded on a gross or net basis. The Company is acting as the principal if it obtains control over the goods and services before they are transferred to customers. Generally, when the Company is primarily obligated in a transaction, is subject to inventory risk, has latitude in establishing prices, or has several but not all of these indicators, the Company acts as the principal and revenue is recorded on a gross basis. Generally, when the Company is not primarily obligated in a transaction, does not bear the inventory risk and does not have the ability to establish the price, the Company acts as the agent and revenue is recorded on a net basis.

When services are exchanged or swapped for other services, revenue is recognized based on the estimated standalone selling price of services promised to customer if the fair value of the services received cannot be reasonably estimated. The amount of revenue recognized for barter transactions was not material for each of the periods presented.

Practical expedients and exemptions

The Company applies the practical expedient to not disclose the value of unsatisfied performance obligations for contracts with an original expected duration of one year or less and contracts for which revenue is recognized at the amount to which the Company has the right to invoice for services performed.

The Company applies the practical expedient to not adjust any of the transaction price for the time value of money for contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer is within one year.

2. Summary of significant accounting policies (Continued)

(g) Revenue recognition (Continued)

Revenue recognition policies by type are as follows:

(i) Customer management services revenue

Within the Company's China commerce and International commerce segments, the Company provides the following customer management services to merchants on the Company's retail and wholesale marketplaces and certain third-party marketing affiliates' websites:

Pay-for-performance ("P4P") marketing services

P4P marketing services allow merchants to bid for keywords that match product or service listings appearing in search results on the Company's marketplaces. Merchants bid for keywords through an online auction system. The positioning of the listings and the price for the positioning are determined through an online auction system, which facilitates price discovery through a market-based mechanism. In general, merchants prepay for P4P marketing services and the related revenue is recognized when a user clicks their product or service listings as this is the point of time when the merchants benefit from the marketing services rendered.

In-feed marketing services

In-feed marketing services allow merchants to bid to market to groups of consumers with similar profiles that match product or service listings appearing in browser results on the Company's marketplaces. Merchants bid for groups of consumers with similar profiles through an online auction system. The positioning of the listings and the price for the positioning are determined through an online auction system, which facilitates price discovery through a market-based mechanism. In general, merchants prepay for in-feed marketing services and the related revenue is recognized when a user clicks their product or service listings as this is the point of time when the merchants benefit from the marketing services rendered.

Display marketing services

Display marketing services allow merchants to place advertisements on the Company's marketplaces, at fixed prices or prices established by a market-based bidding system and in particular formats. In general, merchants need to prepay for display marketing which is accounted for as customer advances and revenue is recognized either ratably over the period in which the advertisement is displayed as the merchants simultaneously consume the benefits as the advertisement is displayed or when an advertisement is viewed by users, depending on the type of marketing services selected by the merchants.

2. Summary of significant accounting policies (Continued)

(g) Revenue recognition (Continued)

(i) Customer management services revenue (Continued)

The Company also places P4P marketing services content and display marketing services content through the third-party marketing affiliate program. A substantial portion of customer management services revenue generated through the third-party marketing affiliate program represented P4P marketing services revenue. In delivery of these customer management services, the Company, through the third-party marketing affiliate program, places the P4P marketing services content of the participating merchants on third-party online resources in the forms of picture or text links through contextual relevance technology to match merchants' marketing content to the textual content of the third-party online resources and the users' attributes based on the Company's systems and algorithms. When the links on third-party online resources are clicked, users are diverted to a landing page of the Company's marketplaces where listings of the participating merchant as well as similar products or services of other merchants are presented. In limited cases, the Company may embed a search box for one of its marketplaces on the third-party online resources, and when a keyword is input into the search box, the user will be diverted to the Company's marketplaces where search results are presented. Revenue is recognized when the users further click on the P4P marketing content on the landing pages. The Company places display marketing content on third-party online resources in a similar manner. In general, merchants need to prepay for display marketing which is accounted for as customer advances and revenue is recognized ratably over the period in which the advertisement is displayed as merchants simultaneously consume the benefits as the advertisement is displayed.

P4P marketing services revenue, in-feed marketing services revenue, as well as display marketing services revenue generated on the Company's marketplaces or through the third-party marketing affiliate program are recorded on a gross basis when the Company is the principal to the merchants in the arrangements. For third-party marketing affiliates with whom the Company has an arrangement to share the revenue, traffic acquisition cost is also recognized at the same time if the P4P marketing content on the landing page clicked by the users is from merchants participating in the third-party marketing affiliate program.

Commissions on transactions

The Company earns commissions from merchants when transactions are completed on Tmall and certain other retail marketplaces of the Company. The commissions are generally determined as a percentage based on the value of merchandise being sold by the merchants. The commission revenue includes merchant deposits that are expected to be non-refundable and is accounted for as variable consideration (Note 2(ac)), which is estimated at contract inception and updated at the end of each reporting period if additional information becomes available. Revenue related to commissions is recognized in the consolidated income statements based on the expected value when the performance obligation is satisfied. Adjustments to the estimated variable consideration related to prior reporting periods were not material for each of the periods presented.

2. Summary of significant accounting policies (Continued)

(g) Revenue recognition (Continued)

(i) Customer management services revenue (Continued)

Taobaoke services

In addition, the Company offers the Taobaoke program which generates commissions from merchants for transactions completed by consumers sourced from certain third-party marketing affiliates' websites and mobile apps. The commission rates on Taobaoke are set by the merchants. The Company's commission revenue is recognized at the time when the underlying transaction is completed. The Company evaluates if it is a principal or an agent in a transaction to determine whether the commission revenue is recognized on a gross or net basis. When the Company is the agent of the arrangement (such as arrangements where the Company does not have latitude in establishing prices or does not have inventory risk), the commission revenue is recorded on a net basis. When the Company is the principal of the arrangement (such as arrangements where the Company is obligated to pay for website inventory costs in fixed amounts to third-party marketing affiliates regardless of whether commission revenue is generated from these marketing affiliates), the commission revenue is recorded on a gross basis.

(ii) Membership fees

The Company earns membership fees revenue from wholesale sellers in respect of the sale of membership packages and subscriptions that allow them to host premium storefronts on the Company's wholesale marketplaces, as well as the provision of other value-added services, and from customers in respect of the sale of membership packages which allow them to access premium content on Youku's paid content platforms. These service fees are paid in advance for a specific contracted service period. All these fees are initially deferred as deferred revenue and customer advances when received and revenue is recognized ratably over the term of the respective service contracts as the services are provided.

(iii) Logistics services revenue

The Company earns logistics services revenue from domestic and international one-stop-shop logistics services and the supply chain management solutions provided by Cainiao Network and Lazada as well as on-demand delivery services provided by Ele.me. Revenue is recognized at the time when the logistics services are provided.

(iv) Cloud services revenue

The Company earns cloud services revenue from the provision of cloud services such as proprietary servers, elastic computing, storage, network, security, database and big data, and IoT services. Certain cloud services allow customers to use hosted software over the contract period without taking possession of the software. These cloud services are mainly charged on either a subscription or consumption basis. Revenue related to cloud services charged on a subscription basis is recognized ratably over the contract period. Revenue related to cloud services charged on a consumption basis, such as the quantity of storage or elastic computing services used in a period, is recognized based on the customer utilization of the resources.

2. Summary of significant accounting policies (Continued)

(g) Revenue recognition (Continued)

(iv) Cloud services revenue (Continued)

For the provision of hybrid cloud services, which include hardware, software licenses, software installation services, application development and maintenance services, each distinct performance obligation identified is separately accounted for and the total consideration is allocated to each performance obligation based on the relative standalone selling prices at contract inception. Revenue for each performance obligation is recognized when the control of the promised goods or services is transferred to the customer.

(v) Sales of goods

Revenue from the sales of goods is mainly generated from Sun Art, Tmall Supermarket and Freshippo. Revenue from the sales of goods is recognized when the control over the promised goods is transferred to customers. Receipts of fees in respect of all other incidental goods or services provided by the Company that are distinct performance obligations are recognized when the control of the underlying goods or services is transferred to the customers. The amounts relating to these incidental services are not material to the Company's total revenue for each of the periods presented.

(h) Cost of revenue

Cost of revenue consists primarily of cost of inventories, logistics costs, expenses associated with the operation of the Company's mobile platforms and websites (such as depreciation and maintenance expenses for servers and computers, call centers and other equipment, and bandwidth and co-location fees), staff costs and share-based compensation expense, traffic acquisition costs, content costs, payment processing fees and other related incidental expenses that are directly attributable to the Company's principal operations.

(i) Product development expenses

Product development expenses consist primarily of staff costs and share-based compensation expense for research and development personnel and other expenses that are directly attributable to the development of new technologies and products for the businesses of the Company, such as the development of the Internet infrastructure, applications, operating systems, software, databases and networks.

The Company expenses all costs that are incurred in connection with the planning and implementation phases of development and costs that are associated with repair or maintenance of the existing websites or the development of software and website content. Costs incurred in the development phase are capitalized and amortized over the estimated product life. However, as the amount of costs qualified for capitalization has been insignificant, all website and software development costs have been expensed as incurred.

(j) Sales and marketing expenses

Sales and marketing expenses consist primarily of online and offline advertising expenses, promotion expenses, staff costs and share-based compensation expense, sales commissions and other related incidental expenses that are incurred directly to attract or retain consumers and merchants.

The Company expenses the costs of producing advertisements at the time production occurs, and expenses the costs of delivering advertisements in the period in which the advertising space or airtime is used. Advertising and promotional expenses totaled RMB30,949 million, RMB57,073 million and RMB91,103 million during the years ended March 31, 2020, 2021 and 2022, respectively.

2. Summary of significant accounting policies (Continued)

(k) Share-based compensation

Share-based awards granted are measured at fair value on grant date and share-based compensation expense is recognized (i) immediately at the grant date if no vesting conditions are required, or (ii) using the accelerated attribution method, net of estimated forfeitures, over the requisite service period. The fair values of restricted share units ("RSUs") and restricted shares are determined with reference to the fair value of the underlying shares and the fair value of share options is generally determined using the Black-Scholes valuation model. The value is recognized as an expense over the respective service period, net of estimated forfeitures. Share-based compensation expense, when recognized, is charged to the consolidated income statements with the corresponding entry to additional paid-in capital, liability or noncontrolling interests as disclosed in Note 2(d).

On each measurement date, the Company reviews internal and external sources of information to assist in the estimation of various attributes to determine the fair value of the share-based awards, including the fair value of the underlying shares, expected life and expected volatility. The Company recognizes the impact of any revisions to the original forfeiture rate assumptions in the consolidated income statements, with a corresponding adjustment to equity.

(l) Other employee benefits

The Company's subsidiaries in the PRC participate in a government-mandated multi-employer defined contribution plan pursuant to which certain retirement, medical and other welfare benefits are provided to employees. The relevant labor regulations require the Company's subsidiaries in the PRC to pay the local labor and social welfare authorities monthly contributions based on the applicable benchmarks and rates stipulated by the local government. The relevant local labor and social welfare authorities are responsible for meeting all retirement benefits obligations and the Company's subsidiaries in the PRC have no further commitments beyond their monthly contributions. The contributions to the plan are expensed as incurred. The Company also makes payments to other defined contribution plans and defined benefit plans for the benefit of employees employed by subsidiaries outside of the PRC.

During the years ended March 31, 2020, 2021 and 2022, contributions to the plans amounting to RMB6,705 million, RMB8,223 million and RMB13,086 million, respectively, were charged to the consolidated income statements. Amounts contributed to defined benefit plans during the years ended March 31, 2020, 2021 and 2022 were insignificant.

(m) Income taxes

The Company accounts for income taxes using the liability method, under which deferred income tax is recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax of a change in tax rates is recognized as income or expense in the period that includes the enactment date. Valuation allowance is provided on deferred tax assets to the extent that it is more likely than not that the asset will not be realizable in the foreseeable future.

Deferred tax is recognized on the undistributed earnings of subsidiaries, which are presumed to be distributed to parent companies, unless there is sufficient evidence that the subsidiaries have invested or will invest the undistributed earnings permanently in the domestic jurisdictions or the earnings will not be subject to tax upon the subsidiaries' liquidation. Deferred tax is recognized for temporary differences in relation to certain investments in equity method investees, equity securities and other investments.

2. Summary of significant accounting policies (Continued)

(m) Income taxes (Continued)

The Company adopts ASC 740 "Income Taxes" which prescribes a more likely than not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides guidance on derecognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, accounting for income taxes in interim periods and income tax disclosures. The Company did not have significant unrecognized uncertain tax positions or any unrecognized liabilities, interest or penalties associated with unrecognized tax benefit as of and for the years ended March 31, 2020, 2021 and 2022.

In April 2021, the Company adopted ASU 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes". ASU 2019-12 simplifies various aspects related to accounting for income taxes, removing certain exceptions to the general principles in ASC 740 and also clarifies and amends existing guidance to improve consistent application. The adoption of ASU 2019-12 did not have a material impact on the Company's financial position, results of operations and cash flows.

(n) Government grants

Government grants, which mainly represent amounts received from central and local governments in connection with the Company's investments in local business districts and contributions to technology development, are recognized as income in other income, net or as a reduction of specific costs and expenses for which the grants are intended to compensate. Such amounts are recognized in the consolidated income statements upon receipt and when all conditions attached to the grants are fulfilled.

(o) Leases

The Company determines if an arrangement is a lease at inception. Leases that transfer substantially all of the benefits and risks incidental to the ownership of assets are accounted for as finance leases as if there was an acquisition of an asset and incurrence of an obligation at the inception of the lease. All other leases are accounted for as operating leases. The Company has no significant finance leases.

The Company recognizes lease liabilities and corresponding right-of-use assets on the balance sheet for leases. Operating lease right-of-use assets are included in non-current prepayments, receivables and other assets (Note 13), and operating lease liabilities are included in current accrued expenses, accounts payable and other liabilities and other non-current liabilities (Note 19) on the consolidated balance sheets. Operating lease right-of-use assets and operating lease liabilities are initially recognized based on the present value of future lease payments at lease commencement. The operating lease right-of-use asset also includes any lease payments made prior to lease commencement and the initial direct costs incurred by the lessee and is recorded net of any lease incentives received. As the interest rates implicit in most of the leases are not readily determinable, the Company uses the incremental borrowing rates based on the information available at lease commencement to determine the present value of the future lease payments. Operating lease expenses are recognized on a straight-line basis over the term of the lease.

The Company elected to combine the lease and non-lease components for leases of certain asset classes such as shops and malls and equipment leases. Lease and non-lease components for leases of other asset classes are accounted for separately. The Company also elected not to recognize short-term leases with an initial lease term of twelve months or less.

2. Summary of significant accounting policies (Continued)

(p) Cash and cash equivalents

The Company considers all short-term, highly liquid investments with an original maturity of three months or less, when purchased, to be cash equivalents. Cash and cash equivalents primarily represent bank deposits and fixed deposits with original maturities of less than three months.

(q) Short-term investments

Short-term investments consist primarily of investments in fixed deposits with original maturities between three months and one year and certain investments in wealth management products, marketable debt securities and other investments that the Company has the intention to redeem within one year.

(r) Accounts receivable

Accounts receivable represent the amounts that the Company has an unconditional right to consideration. The Company maintains an allowance for doubtful accounts to reserve for potentially uncollectible receivable amounts. The allowance for doubtful accounts were RMB3,977 million and RMB4,912 million as of March 31, 2021 and 2022, respectively. In April 2020, the Company adopted ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement on Credit Losses on Financial Instruments", including certain subsequent amendments, transitional guidance and other interpretive guidance within ASU 2018-19, ASU 2019-04, ASU 2019-05, ASU 2019-11, ASU 2020-02 and ASU 2020-03 (collectively, including ASU 2016-13, "ASC 326"). ASC 326 introduces an approach based on expected losses to estimate the allowance for doubtful accounts, which replaces the previous incurred loss impairment model. The Company's estimation of allowance for doubtful accounts considers factors such as historical credit loss experience, age of receivable balances, current market conditions, reasonable and supportable forecasts of future economic conditions, as well as an assessment of receivables due from specific identifiable counterparties to determine whether these receivables are considered at risk or uncollectible. The Company assesses collectibility by pooling receivables that have similar risk characteristics and evaluates receivables individually when specific receivables no longer share those risk characteristics. For receivables evaluated individually, when it is determined that foreclosure is probable or when the debtor is experiencing financial difficulty at the reporting date and repayment is expected to be provided substantially through the operation or sale of collateral, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate. The adoption of ASC 326 did not have a material impact on the Company's financial position, results of operations and cash flows. The consolidated financial statements for the year ended March 31, 2020 were not retrospectively adjusted.

(s) Inventories

Inventories mainly consist of merchandise available for sale. They are accounted for using the weighted average cost method and stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2. Summary of significant accounting policies (Continued)

(t) Equity securities and other investments

Equity securities and other investments represent the Company's investments in equity securities that are not accounted for under the equity method, as well as other investments which primarily consist of debt investments.

(i) Equity securities

Equity securities not accounted for using the equity method are carried at fair value with unrealized gains and losses recorded in the consolidated income statements, according to ASC 321 "Investments - Equity Securities".

The Company elected to record a majority of equity investments in privately held companies using the measurement alternative at cost, less impairment, with subsequent adjustments for observable price changes resulting from orderly transactions for identical or similar investments of the same issuer.

Equity investments in privately held companies accounted for using the measurement alternative are subject to periodic impairment reviews. The Company's impairment analysis considers both qualitative and quantitative factors that may have a significant effect on the fair value of these equity securities, including consideration of the impact of the COVID-19 pandemic and Russia-Ukraine conflict.

In computing realized gains and losses on equity securities, the Company determines cost based on amounts paid using the average cost method. Dividend income is recognized when the right to receive the payment is established.

(ii) Debt investments

Debt investments are accounted for at amortized cost or under the fair value option, which the Company has elected for certain investments including convertible and exchangeable bonds subscribed. The fair value option permits the irrevocable election on an instrument-by-instrument basis at initial recognition or upon an event that gives rise to a new basis of accounting for that instrument. The investments accounted for under the fair value option are carried at fair value with unrealized gains and losses recorded in the consolidated income statements. Interest income from debt investments is recognized using the effective interest method which is reviewed and adjusted periodically based on changes in estimated cash flows.

(u) Investments in equity method investees

The Company applies the equity method to account for equity investments in common stock or in-substance common stock, according to ASC 323 "Investments - Equity Method and Joint Ventures", over which it has significant influence but does not own a controlling financial interest, unless the fair value option is elected for an investment.

An investment in in-substance common stock is an investment in an entity that has risk and reward characteristics that are substantially similar to that entity's common stock. The Company considers subordination, risks and rewards of ownership and obligation to transfer value when determining whether an investment in an entity is substantially similar to an investment in that entity's common stock.

2. Summary of significant accounting policies (Continued)

(u) Investments in equity method investees (Continued)

Under the equity method, the Company's share of the post-acquisition profits or losses of the equity method investee is recognized in the consolidated income statements and its share of post-acquisition movements in accumulated other comprehensive income is recognized in other comprehensive income. The Company records its share of the results of the equity method investees on a one quarter in arrears basis. The excess of the carrying amount of the investment over the underlying equity in net assets of the equity method investee generally represents goodwill and intangible assets acquired. When the Company's share of losses of the equity method investee equals or exceeds its interest in the equity method investee, the Company does not recognize further losses, unless the Company has incurred obligations or made payments or guarantees on behalf of the equity method investee.

The Company continually reviews its investments in equity method investees to determine whether a decline in fair value below the carrying value is other-than-temporary. The primary factors the Company considers in its determination include the severity and the length of time that the fair value of the investment is below its carrying value; the financial condition, the operating performance and the prospects of the equity method investee; the geographic region, market and industry in which the equity method investee operates, including consideration of the impact of the COVID-19 pandemic and Russia-Ukraine conflict; and other company specific information such as recent financing rounds completed by the equity method investee. If the decline in fair value is deemed to be other-than-temporary, the carrying value of the investment in the equity method investee is written down to its fair value.

(v) Property and equipment, net

Property and equipment are stated at cost less accumulated depreciation and any impairment loss. Depreciation is computed using the straight-line method with no residual value based on the estimated useful lives of the various classes of assets, which range as follows:

Computer equipment and software	3 - 5 years
Furniture, office and transportation equipment and others	3 - 10 years
Buildings and other property	10 - 50 years
Property improvements	shorter of remaining lease period or estimated useful life

Construction in progress represents buildings and related premises under construction, which is stated at actual construction cost less any impairment loss. Construction in progress is transferred to the respective category of property and equipment when completed and ready for its intended use.

Costs of repairs and maintenance are expensed as incurred and asset improvements are capitalized. The cost and related accumulated depreciation of assets disposed of or retired are removed from the accounts, and any resulting gain or loss is reflected in the consolidated income statements.

2. Summary of significant accounting policies (Continued)

(w) Intangible assets other than licensed copyrights

Intangible assets mainly include those acquired through business combinations and purchased intangible assets. Intangible assets acquired through business combinations are recognized as assets separate from goodwill if they satisfy either the "contractual-legal" or "separability" criterion. Intangible assets arising from business combinations are measured at fair value upon acquisition using valuation techniques such as discounted cash flow analysis and ratio analysis with reference to comparable companies in similar industries under the income approach, market approach and cost approach. Major assumptions used in determining the fair value of these intangible assets include future growth rates and weighted average cost of capital. Purchased intangible assets are initially recognized and measured at cost upon acquisition. Separately identifiable intangible assets that have determinable lives continue to be amortized over their estimated useful lives using the straight-line method as follows:

User base and customer relationships	3 - 16 years
Trade names, trademarks and domain names	5 - 20 years
Developed technology and patents	2 - 7 years
Non-compete agreements	over the contracted term of up to 10 years

(x) Licensed copyrights

Licensed copyrights related to titles to movies, television series, variety shows, animations and other video content acquired from external parties are carried at the lower of unamortized cost or fair value. The amortization period for the licensed content vary depending on the type of content, which typically ranges from six months to ten years. Licensed copyrights are presented on the consolidated balance sheets as current assets under prepayments, receivables and other assets, or non-current assets under intangible assets, net, based on estimated time of usage. Licensed copyrights are generally amortized using an accelerated method based on historical viewership consumption patterns. Estimates of the consumption patterns for licensed copyrights are reviewed periodically and revised if necessary. For the years ended March 31, 2020, 2021 and 2022, amortization expenses in connection with the licensed copyrights of RMB9,390 million, RMB9,093 million and RMB8,610 million were recorded in cost of revenue within the Company's Digital media and entertainment segment.

On a periodic basis, the Company evaluates the program usefulness of licensed copyrights pursuant to the guidance in ASC 920 "Entertainment - Broadcasters", which provides that the rights be reported at the lower of unamortized cost or fair value. When there is a change in the expected usage of licensed copyrights, the Company estimates the fair value of licensed copyrights to determine if any impairment exists. The fair value of licensed copyrights is determined by estimating the expected cash flows from advertising and membership fees, less any costs and expenses, over the remaining useful lives of the licensed copyrights at the film-group level. Estimates that impact these cash flows include anticipated levels of demand for the Company's advertising services and the expected selling prices of advertisements. For the years ended March 31, 2020, 2021 and 2022, impairment charges in connection with the licensed copyrights of RMB2,654 million, RMB1,688 million and RMB745 million were recorded in cost of revenue within the Company's Digital media and entertainment segment.

2. Summary of significant accounting policies (Continued)

(x) Licensed copyrights (Continued)

In April 2020, the Company adopted ASU 2019-02, "Entertainment – Films – Other Assets – Film Costs (Subtopic 926-20) and Entertainment – Broadcasters – Intangibles – Goodwill and Other (Subtopic 920-350)". As a result of the adoption of this new accounting update, cash outflows for the acquisition of licensed copyrights amounting to RMB11,811 million and RMB10,096 million are classified as operating activities in the consolidated statements of cash flows for the years ended March 31, 2021 and 2022, respectively. Comparative figure was not retrospectively adjusted and were classified as investing activities in the consolidated statements of cash flows for the year ended March 31, 2020. The adoption of this guidance did not have a material impact on the Company's financial position and results of operations.

(y) Goodwill

Goodwill represents the excess of the purchase consideration over the acquisition date amounts of the identifiable tangible and intangible assets acquired and liabilities assumed from the acquired entity as a result of the Company's acquisitions of interests in its subsidiaries. Goodwill is not amortized but is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that it might be impaired. In accordance with ASC 350, the Company may first assess qualitative factors to determine whether it is necessary to perform the quantitative goodwill impairment test. In the qualitative assessment, the Company considers factors such as macroeconomic conditions, industry and market considerations, overall financial performance of the reporting unit, and other specific information related to the operations, business plans and strategies of the reporting unit, including consideration of the impact of the COVID-19 pandemic. Based on the qualitative assessment, if it is more likely than not that the fair value of a reporting unit is less than the carrying amount, the quantitative impairment test is performed. The Company may also bypass the qualitative assessment and proceed directly to perform the quantitative impairment test.

In April 2020, the Company adopted ASU 2017-04, "Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment". After adopting this guidance, the Company performs the quantitative impairment test by comparing the fair value of each reporting unit to its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill is not considered to be impaired. If the carrying amount of a reporting unit exceeds its fair value, the amount by which the carrying amount exceeds the reporting unit's fair value is recognized as impairment. Application of a goodwill impairment test requires significant management judgment, including the identification of reporting units, allocation of assets, liabilities and goodwill to reporting units, and determination of the fair value of each reporting unit.

(z) Impairment of long-lived assets other than goodwill and licensed copyrights

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted net cash flows expected to be generated by the asset. If the assets are considered to be impaired, the impairment recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Impairment of long-lived assets other than goodwill and licensed copyrights recognized for the years ended March 31, 2020, 2021 and 2022 was RMB874 million, nil and RMB973 million, respectively.

2. Summary of significant accounting policies (Continued)

(aa) Derivatives and hedging

All contracts that meet the definition of a derivative are recognized on the consolidated balance sheets as either assets or liabilities and recorded at fair value. Changes in the fair value of derivatives are either recognized periodically in the consolidated income statements or in other comprehensive income depending on the use of the derivatives and whether they qualify for hedge accounting and are so designated as cash flow hedges, fair value hedges or net investment hedges.

To qualify for hedge accounting, the hedge relationship is designated and formally documented at inception, detailing the particular risk management objective and strategy for the hedge (which includes the item and risk that is being hedged), the derivative that is being used and how hedge effectiveness is being assessed. A derivative has to be effective in accomplishing the objective of offsetting either changes in fair value or cash flows for the risk being hedged. The effectiveness of the hedging relationship is evaluated on a prospective and retrospective basis using qualitative and quantitative measures of correlation. Qualitative methods may include comparison of critical terms of the derivative to those of the hedged item. Quantitative methods include a comparison of the changes in the fair value or discounted cash flow of the hedging instrument to that of the hedged item. A hedging relationship is considered initially effective if the results of the hedging instrument are within a ratio of 80% to 125% of the results of the hedged item.

Interest rate swaps

Interest rate swaps designated as hedging instruments to hedge against the cash flows attributable to recognized assets or liabilities or forecasted payments may qualify as cash flow hedges. The Company entered into interest rate swap contracts to swap floating interest payments related to certain borrowings for fixed interest payments to hedge the interest rate risk associated with certain forecasted payments and obligations. All changes in the fair value of interest rate swaps that are designated and qualify as cash flow hedges are recognized in accumulated other comprehensive income. Amounts in accumulated other comprehensive income are reclassified into earnings in the same period during which the hedged forecasted transaction affects earnings.

The Company has elected the optional expedients under ASC 848 “Reference Rate Reform” for certain existing interest rate swaps that are designated as cash flow hedges in the hedging relationship designation and the assessment of probability of forecasted transaction and hedge effectiveness.

(ab) Bank borrowings and unsecured senior notes

Bank borrowings and unsecured senior notes are recognized initially at fair value, net of upfront fees, debt discounts or premiums, debt issuance costs and other incidental fees. Upfront fees, debt discounts or premiums, debt issuance costs and other incidental fees are recorded as a reduction of the proceeds received and the related accretion is recorded as interest expense in the consolidated income statements over the estimated term of the facilities using the effective interest method.

2. Summary of significant accounting policies (Continued)

(ac) Merchant deposits

The Company collects deposits representing an annual upfront service fee from merchants on Tmall and AliExpress before the beginning of each calendar year. These deposits are initially recorded as a liability by the Company. The deposits are refundable to a merchant if the level of sales volume that is generated by that merchant on Tmall or AliExpress meets the target during the period. If the transaction volume target is not met at the end of each calendar year, the relevant deposits will become non-refundable. These merchant deposits are accounted for as variable consideration at an amount that is estimated at contract inception. The estimate is updated at the end of each reporting period and when there are changes in circumstances during the reporting period. Merchant deposits are recognized as revenue in the consolidated income statements when the likelihood of refund to the merchant is considered remote based on the patterns of sales volume generated by the merchant during the reporting period.

(ad) Deferred revenue and customer advances

Deferred revenue and customer advances generally represent cash received from customers that relate to goods or services to be provided in the future. Deferred revenue, mainly relating to membership fees and cloud services revenue, is stated at the amount of service fees received less the amount previously recognized as revenue upon the provision of the respective services to customers.

(ae) Commitments and contingencies

In the normal course of business, the Company is subject to contingencies, such as legal proceedings and claims arising out of its business, that cover a wide range of matters. Liabilities for the contingencies are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated.

Certain conditions may exist as of the date the consolidated financial statements are issued, which may result in a loss to the Company, but which will only be resolved when one or more future events occur or fail to occur. The Company assesses these contingent liabilities, which inherently involves judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in legal proceedings, the Company, in consultation with its legal counsel, evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein. If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, the estimated liability would be accrued in the consolidated financial statements. If the assessment indicates that a potentially material loss contingency is not probable, or is probable but cannot be estimated, the nature of the contingent liability, together with an estimate of the range of the reasonably possible loss, if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee would be disclosed.

2. Summary of significant accounting policies (Continued)

(af) Treasury shares

The Company accounts for treasury shares using the cost method. Under this method, the cost incurred to purchase the shares is recorded in the treasury shares account on the consolidated balance sheets. At retirement of the treasury shares, the ordinary shares account is charged only for the aggregate par value of the shares. The excess of the acquisition cost of treasury shares over the aggregate par value is allocated between additional paid-in capital and retained earnings. The treasury shares account includes 143,363,408 ordinary shares and nil ordinary shares issued at par to wholly-owned subsidiaries of the Company for the purpose of certain equity investment plans for management as of March 31, 2021 and 2022, respectively.

(ag) Statutory reserves

In accordance with the relevant regulations and their articles of association, subsidiaries of the Company incorporated in the PRC are required to allocate at least 10% of their after-tax profit determined based on the PRC accounting standards and regulations to the general reserve until the reserve has reached 50% of the relevant subsidiary's registered capital. Appropriations to the enterprise expansion fund and staff welfare and bonus fund are at the discretion of the respective board of directors of the subsidiaries. These reserves can only be used for specific purposes and are not transferable to the Company in the form of loans, advances or cash dividends. During the years ended March 31, 2020, 2021 and 2022, appropriations to the general reserve amounted to RMB1,032 million, RMB1,247 million and RMB2,492 million, respectively. No appropriations to the enterprise expansion fund and staff welfare and bonus fund have been made by the Company.

(ah) Newly adopted accounting standard updates

In April 2021, the Company adopted ASU 2020-01, "Investments – Equity Securities (Topic 321), Investments – Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815) – Clarifying the Interactions between Topic 321, Topic 323, and Topic 815 (a consensus of the FASB Emerging Issues Task Force)", which clarifies the interactions of the accounting for certain equity securities under ASC 321, investments accounted for under the equity method of accounting in ASC 323, and the accounting for certain forward contracts and purchased options accounted for under ASC 815. The Company adopted this guidance prospectively and the adoption of this guidance did not have a material impact on the financial position, results of operations and cash flows.

3. Recent accounting pronouncements

In March 2020, the FASB issued ASU 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting" and issued a subsequent amendment which refines the scope of the ASU and clarifies some of its guidance as part of the FASB's monitoring of global reference rate reform activities in January 2021 within ASU 2021-01 (collectively, including ASU 2020-04, "ASC 848"). ASC 848 provides optional expedients and exceptions for applying U.S. GAAP on contract modifications and hedge accounting to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform, if certain criteria are met. These optional expedients and exceptions provided in ASC 848 are effective for the Company from January 1, 2020 through December 31, 2022. The Company has elected the optional expedients for certain existing interest rate swaps that are designated as cash flow hedges, which did not have a material impact on the financial position, results of operations and cash flows. The Company is evaluating the effects, if any, of the potential election of the other optional expedients and exceptions provided in this guidance on the financial position, results of operations and cash flows.

3. Recent accounting pronouncements (Continued)

In August 2020, the FASB issued ASU 2020-06, "Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity", which simplifies an issuer's accounting for certain convertible instruments and the application of derivatives scope exception for contracts in an entity's own equity. This guidance also addresses how convertible instruments are accounted for in the diluted earnings per share calculation and required enhanced disclosures about the terms of convertible instruments and contracts in an entity's own equity. The new guidance is required to be applied either retrospectively to financial instruments outstanding as of the beginning of the first comparable reporting period for each prior reporting period presented or retrospectively with the cumulative effect of the change to be recognized as an adjustment to the opening balance of retained earnings at the date of adoption. This guidance is effective for the Company for the year ending March 31, 2023 and interim reporting periods during the year ending March 31, 2023. Early adoption is permitted. The Company does not expect the adoption of this guidance will have a material impact on the financial position, results of operations and cash flows.

In October 2021, the FASB issued ASU 2021-08, "Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers", which provides guidance on the acquirer's accounting for acquired revenue contracts with customers in a business combination. The amendments require an acquirer recognizes and measures contract assets and contract liabilities acquired in a business combination at the acquisition date in accordance with ASC 606 as if it had originated the contracts. This guidance also provides certain practical expedients for acquirers when recognizing and measuring acquired contract assets and contract liabilities from revenue contracts in a business combination. The new guidance is required to be applied prospectively to business combinations occurring on or after the date of adoption. This guidance is effective for the Company for the year ending March 31, 2024 and interim reporting periods during the year ending March 31, 2024. Early adoption is permitted. The Company does not expect that the adoption of this guidance will have a material impact on the financial position, results of operations and cash flows.

In November 2021, the FASB issued ASU 2021-10, "Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance", which provides guidance on the disclosure of transactions with a government that are accounted for by applying a grant or contribution accounting model by analogy. The new guidance is required to be applied either prospectively to all transactions within the scope of ASU 2021-10 that are reflected in financial statements at the date of adoption and new transactions that are entered into after the date of adoption or retrospectively to those transactions. This guidance is effective for the Company for the year ending March 31, 2023. Early adoption is permitted. The Company does not expect that the adoption of this guidance will have a material impact on the financial position, results of operations and cash flows.

In June 2022, the FASB issued ASU 2022-03, "Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions", which clarifies that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. The amendments also clarify that an entity cannot, as a separate unit of account, recognize and measure a contractual sale restriction. This guidance also requires certain disclosures for equity securities subject to contractual sale restrictions. The new guidance is required to be applied prospectively with any adjustments from the adoption of the amendments recognized in earnings and disclosed on the date of adoption. This guidance is effective for the Company for the year ending March 31, 2025 and interim reporting periods during the year ending March 31, 2025. Early adoption is permitted. The Company does not expect that the adoption of this guidance will have a material impact on the financial position, results of operations and cash flows.

4. Significant mergers and acquisitions and investments

Mergers and acquisitions

(a) Acquisition of Sun Art Retail Group Limited ("Sun Art")

Sun Art, a company that is listed on the HKSE, is a leading hypermarket operator in the PRC. The Company previously held an approximately 31% effective equity interest in Sun Art and the investment in Sun Art was previously accounted for under the equity method. New Retail Strategic Opportunities Fund, L.P. (the "Offshore Retail Fund"), an investment fund for which the Company is able to exercise significant influence over its investment decisions, is also an existing shareholder in Sun Art.

In October 2020, the Company acquired additional effective equity interest in Sun Art for a cash consideration of US$3.6 billion (RMB24.1 billion). Upon the completion of the transaction, the Company's effective equity interest in Sun Art increased to approximately 67% and Sun Art became a consolidated subsidiary of the Company.

The allocation of the purchase price as of the date of acquisition is summarized as follows:

	Amounts *(in millions of RMB)*
Net assets acquired (i)	49,672
Amortizable intangible assets (ii)	
Trade names, trademarks and domain names	11,500
Non-compete agreements	4,700
Developed technology and patents	615
User base and customer relationships	47
Goodwill (Note 17)	13,474
Deferred tax liabilities	(9,629)
Noncontrolling interests (iii)	(23,684)
	46,695

	Amounts *(in millions of RMB)*
Total purchase price is comprised of:	
- cash consideration	24,136
- fair value of previously held equity interests	22,559
	46,695

(i) Net assets acquired primarily included property and equipment of RMB27,333 million, operating lease right-of-use assets relating to land use rights of RMB22,997 million, payables and accruals for cost of revenue of RMB14,681 million, short-term investments of RMB14,387 million, customer advances of RMB11,082 million and inventories of RMB9,341 million as of the date of acquisition.

(ii) Acquired amortizable intangible assets had estimated amortization periods not exceeding 13 years and a weighted-average amortization period of 11.8 years.

(iii) Fair value of the noncontrolling interests was estimated with reference to the market price per share as of the acquisition date.

4. Significant mergers and acquisitions and investments (Continued)

Mergers and acquisitions (Continued)

(a) Acquisition of Sun Art Retail Group Limited ("Sun Art") (Continued)

A gain of RMB6,381 million in relation to the revaluation of the previously held equity interests was recorded in interest and investment income, net in the consolidated income statement for the year ended March 31, 2021. The fair value of the previously held equity interests was estimated with reference to the market price per share as of the acquisition date.

As reported in Sun Art's 2020/2021 annual report, revenue and net income for the 15 months ended March 31, 2021 were RMB124.3 billion and RMB3.8 billion, respectively. Revenue and net income for the year ended December 2019 were RMB95.4 billion and RMB3.0 billion, respectively.

The acquisition of Sun Art demonstrates the Company's continued commitment to Sun Art as well as to further update its digital commerce infrastructure by further integrating online and offline resources in the PRC's retail sector. Goodwill arising from this acquisition was attributable to the synergies expected from the combined operations of Sun Art and the Company, the assembled workforce and their knowledge and experience in the retail sector in the PRC. The Company did not expect the goodwill recognized to be deductible for income tax purposes.

In December 2020, the Company acquired additional ordinary shares of Sun Art from public shareholders for a cash consideration of HK$4.9 billion (RMB4.1 billion) through a mandatory general offer as required under the Hong Kong Code on Takeovers and Mergers, which resulted in a reduction in noncontrolling interests amounting to RMB4,592 million. Upon the completion of the mandatory general offer, the Company's effective equity interest in Sun Art further increased to approximately 74%.

(b) Acquisition of HQG, Inc. ("Koala")

Koala is an import e-commerce platform in the PRC. In September 2019, the Company acquired a 100% equity interest in Koala from NetEase, Inc. for an aggregate purchase price of US$1,874 million (RMB13,326 million), comprising cash and approximately 14.3 million newly issued ordinary shares (equivalent to approximately 1.8 million ADSs) of the Company valued at US$316 million (RMB2,252 million).

The allocation of the purchase price as of the date of acquisition is summarized as follows:

	Amounts *(in millions of RMB)*
Net assets acquired (i)	1,621
Amortizable intangible assets (ii)	
Trade names, trademarks and domain names	2,531
User base and customer relationships	1,297
Non-compete agreements	1,040
Developed technology and patents	394
Goodwill	6,781
Deferred tax liabilities	(338)
	13,326

4. Significant mergers and acquisitions and investments (Continued)

Mergers and acquisitions (Continued)

(b) Acquisition of HQG, Inc. ("Koala") (Continued)

	Amounts
	(in millions of RMB)
Total purchase price is comprised of:	
– cash consideration	10,025
– share consideration	2,252
– contingent consideration (iii)	1,049
	13,326

(i) Net assets acquired primarily included inventories of RMB1,943 million as of the date of acquisition.

(ii) Acquired amortizable intangible assets had estimated amortization periods not exceeding 13 years and a weighted-average amortization period of 8.5 years.

(iii) Contingent consideration primarily includes cash consideration that is contingently payable upon the satisfaction of certain non-compete provisions by the selling equity holders, and will not exceed RMB846 million.

The Company expected that the acquisition will further elevate the Company's import service and experience for consumers in the PRC through synergies across the Company's ecosystem. Goodwill arising from this acquisition was attributable to the synergies expected from the combined operations of Koala and the Company, the assembled workforce and their knowledge and experience in the import e-commerce sector in the PRC. The Company did not expect the goodwill recognized to be deductible for income tax purposes.

(c) Other acquisitions

Other acquisitions that constitute business combinations are summarized in the following table:

	Year ended March 31,		
	2020	2021	**2022**
	(in millions of RMB)		
Net assets (liabilities)	846	(106)	**852**
Identifiable intangible assets	364	3,888	**1,000**
Deferred tax liabilities	(53)	(195)	**(170)**
	1,157	3,587	**1,682**
Noncontrolling interests and mezzanine equity	(998)	(3,310)	**(1,884)**
Net identifiable assets (liabilities)	159	277	**(202)**
Goodwill	7,840	4,105	**3,283**
Total purchase consideration	7,999	4,382	**3,081**
Fair value of previously held equity interests	(2,215)	(2,434)	**(31)**
Purchase consideration settled	(5,146)	(1,794)	**(2,671)**
Deferred consideration as of year end	638	154	**379**
Total purchase consideration is comprised of:			
– cash consideration	5,784	875	**3,050**
– non-cash consideration	–	1,073	**–**
– fair value of previously held equity interests	2,215	2,434	**31**
	7,999	4,382	**3,081**

4. Significant mergers and acquisitions and investments (Continued)

Mergers and acquisitions (Continued)

(c) Other acquisitions (Continued)

In relation to the revaluation of previously held equity interests, the Company recognized a gain of RMB1,538 million, a gain of RMB2,378 million and a loss of RMB2 million in the consolidated income statements for the years ended March 31, 2020, 2021 and 2022, respectively, for the other acquisitions that constitute business combinations.

Pro forma results of operations for these acquisitions have not been presented because the effects of these acquisitions, except for Sun Art (Note 4(a)), are not material to the consolidated income statements for the year ended March 31, 2020, 2021 and 2022, either individually or in aggregate.

Equity investments and others

(d) Investment in Bilibili, Inc. ("Bilibili")

Bilibili, a company that is listed on both the Nasdaq Global Select Market and the HKSE, is a PRC-based video streaming platform. The Company previously held approximately 8% equity interest in Bilibili. In March 2021, the Company acquired newly issued shares of Bilibili for a cash consideration of HK$5,818 million (RMB4,885 million). Upon the completion of the transaction, the Company's equity interest in Bilibili remained at approximately 8%. The investment is carried at fair value with unrealized gains and losses recorded in the consolidated income statements both before and after the additional investment in March 2021.

(e) Investment in STO Express Co., Ltd. ("STO Express")

STO Express, a company that is listed on the Shenzhen Stock Exchange, is one of the leading express delivery services companies in the PRC. In July 2019, the Company acquired an approximately 14.7% effective equity interest in STO Express through an investment vehicle for a cash consideration of RMB4.7 billion. The investment was accounted for under the fair value option and recorded under equity securities and other investments. In addition, under a call option agreement the Company entered into with the same major shareholder of STO Express, the Company may elect to acquire an additional effective equity interest of approximately 31.3% in STO Express for a total consideration of RMB10.0 billion. The call option agreement is measured at fair value with unrealized gains and losses recorded in the consolidated income statements. Losses recorded in interest and investment income, net relating to this call option agreement amounted to RMB1,766 million, RMB1,413 million and RMB36 million for the years ended March 31, 2020, 2021 and 2022, respectively.

In February 2021, the Company acquired additional effective equity interest in STO Express for a cash consideration of RMB3.3 billion by effectively exercising a portion of the above call options. Upon the completion of the transaction, the Company's effective equity interest in STO Express increased to 25% and the investment in STO Express is accounted for under the equity method (Note 14). Out of the total consideration, which primarily included the cash consideration and the carrying amount of the effective equity interest in STO Express previously held by the Company, RMB1,731 million was allocated to amortizable intangible assets, RMB2,433 million was allocated to goodwill, RMB477 million was allocated to deferred tax liabilities and RMB2,002 million was allocated to net assets acquired.

The Company may elect to exercise the remaining call options to acquire an additional effective equity interest of 21% in STO Express for a total consideration of RMB6.7 billion at any time on or before December 27, 2022.

4. Significant mergers and acquisitions and investments (Continued)

Equity investments and others (Continued)

(f) Investment in Mango Excellent Media Co., Ltd. ("Mango Excellent Media")

Mango Excellent Media, a company that is listed on the Shenzhen Stock Exchange, is an audiovisual interaction-focused new media service platform in the PRC. In December 2020, the Company acquired an approximately 5% equity interest in Mango Excellent Media for a cash consideration of RMB6.2 billion. The investment was carried at fair value with unrealized gains and losses recorded in the consolidated income statements. The investment was fully disposed in October 2021.

(g) Investment in China Broadcasting Network Joint Stock Corporation Limited ("China Broadcasting Network")

China Broadcasting Network is a telecommunications company in the PRC. In October and December 2020, the Company invested a total of RMB10.0 billion for an approximately 7% equity interest in China Broadcasting Network. The investment is accounted for using the measurement alternative.

(h) Investment in YTO Express Group Co., Ltd. ("YTO Express")

YTO Express, a company that is listed on the Shanghai Stock Exchange, is one of the leading express delivery services companies in the PRC. The Company previously held an approximately 11% equity interest in YTO Express and carried the investment at fair value with unrealized gains and losses recorded in the consolidated income statements. Yunfeng, which is comprised of certain investment funds the general partner of which Jack Ma has equity interests in, is also an existing shareholder of YTO Express.

In September 2020, the Company acquired additional equity interest in YTO Express for a cash consideration of RMB6.6 billion. Upon the completion of the transaction, the Company's equity interest in YTO Express increased to approximately 23% and the investment in YTO Express is accounted for under the equity method (Note 14). Out of the total consideration, which included the cash consideration and the carrying amount of the previously held equity interest in YTO Express, RMB4,442 million was allocated to amortizable intangible assets, RMB4,270 million was allocated to goodwill, RMB1,171 million was allocated to deferred tax liabilities and RMB3,891 million was allocated to net assets acquired.

(i) Investment in Meinian Onehealth Healthcare Holdings Co., Ltd. ("Meinian")

Meinian, a company that is listed on the Shenzhen Stock Exchange, offers health examination, health evaluation, health consulting, and other services. In November to December 2019, the Company, together with Ant Group, acquired new and existing shares of Meinian, representing an approximately 14% equity interest in Meinian for a total cash consideration of RMB6,700 million. Yunfeng is also an investor in this transaction.

The investment in Meinian is accounted for under the equity method because the Company is able to exercise significant influence over operating and financial policies of Meinian. Out of the total cash consideration, RMB2,573 million was allocated to amortizable intangible assets, RMB4,579 million was allocated to goodwill, RMB643 million was allocated to deferred tax liabilities and RMB191 million was allocated to net assets acquired.

In November 2020, the Company disposed of certain portion of its equity interest in Meinian. Upon the completion of the transaction, the Company's equity interest in Meinian decreased to approximately 13%.

4. Significant mergers and acquisitions and investments (Continued)

Equity investments and others (Continued)

(j) Investment in AliExpress Russia Holding Pte. Ltd. ("AliExpress Russia Joint Venture")

AliExpress Russia Joint Venture is a joint venture set up by the Company, VK Company Limited ("VK", formerly known as Mail.ru Group Limited), a leading Internet company in Russia, Public Joint Stock Company MegaFon ("MegaFon", a Russian mobile telecommunications operator) and Joint Stock Company "Managing Company of Russian Direct Investment Fund" ("RDIF", a Russian sovereign wealth fund). In October 2019, the Company invested approximately US$100 million into the joint venture and contributed the Company's AliExpress Russia businesses into the joint venture. The other shareholders of the joint venture also made cash and non-cash contributions to the joint venture pursuant to the transaction documents. After the completion of the transaction, the Company held an approximately 56% equity interest and less-than-majority voting rights in the joint venture. As part of the transaction, the Company has also acquired a minority stake in VK.

The contribution of the Company's AliExpress Russia businesses into the joint venture resulted in the deconsolidation of these businesses, and a one-time gain of RMB10.3 billion was recognized in interest and investment income, net in the consolidated income statement for the year ended March 31, 2020.

The investment in the AliExpress Russia Joint Venture is accounted for under the equity method (Note 14). Out of the total consideration, RMB2,325 million was allocated to amortizable intangible assets, RMB4,290 million was allocated to goodwill, RMB116 million was allocated to deferred tax liabilities and RMB1,630 million was allocated to net assets acquired.

In connection with the transaction, the Company also entered into an option agreement with another shareholder of the joint venture, allowing the transfer of equity interest in the joint venture between the Company and this shareholder in the future. In December 2020, this shareholder exercised a call option under this agreement to acquire additional equity interest in the AliExpress Russia Joint Venture from the Company for a cash consideration of US$194 million (RMB1,269 million). Upon the completion of this transaction, the Company's equity interest in the AliExpress Russia Joint Venture decreased to approximately 48%.

In August 2021, the Company acquired newly issued shares of the AliExpress Russia Joint Venture for a cash consideration of US$192 million (RMB1,244 million). Other investors also acquired equity interest in the AliExpress Russia Joint Venture in connection with this transaction. Upon the completion of this transaction, the Company's equity interest in AliExpress Russia Joint Venture remained at approximately 48%.

(k) Investment in Ant Group Co., Ltd. ("Ant Group")

Ant Group provides comprehensive digital payment services and facilitates digital financial and value-added services for consumers and merchants, in China and across the world. In August 2014, the Company entered into a share and asset purchase agreement (the "SAPA"), and entered into or amended certain ancillary agreements including an amendment and restatement of the intellectual property license agreement (the "2014 IPLA") with Alipay.com Co., Ltd. ("Alipay"), a subsidiary of Ant Group. Pursuant to these agreements, the Company restructured its relationships with Ant Group and Alipay.

4. Significant mergers and acquisitions and investments (Continued)

Equity investments and others (Continued)

(k) Investment in Ant Group Co., Ltd. ("Ant Group") (Continued)

In February 2018, the Company amended both the SAPA and the Alipay commercial agreement, and agreed with Ant Group and certain other parties on forms of certain ancillary agreements. In September 2019, the Company further amended the SAPA and entered into a cross license agreement and certain ancillary agreements and amendments, including the previously agreed form of amendment and restatement of the 2014 IPLA ("the Amended IPLA"). In August 2020, the Company further amended the SAPA, the Alipay commercial agreement and certain other agreements. In July 2022, the Company and Ant Group further amended the SAPA and the Alipay commercial agreement.

SAPA

Issuance of equity interest

In September 2019, following the satisfaction of the closing conditions, the Company received the 33% equity interest in Ant Group pursuant to the SAPA, as amended in 2018 and 2019.

Under the SAPA, as amended in 2018 and 2019, the consideration to acquire the newly issued 33% equity interest in Ant Group was fully funded by concurrent payments from Ant Group to the Company in consideration for certain intellectual property rights and assets that the Company transferred to Ant Group upon the issuance of the equity interest. Such consideration was determined based on the fair values of the underlying assets exchanged in the transaction as described above at contract inception in 2014, whereby the fair value of the intellectual property rights and assets approximated the fair value of the equity interest at the time.

The Company accounts for its equity interest in Ant Group under the equity method. Upon the receipt of the equity interest in September 2019, this investment was initially measured at cost, with an upward adjustment determined based on the fair value of the Company's share of Ant Group's net assets as of the completion date of the transaction.

Upon the completion, the Company recorded the 33% equity interest in Ant Group with a carrying value amounting to RMB90.7 billion in investments in equity method investees, other cost reimbursement of RMB0.6 billion from Ant Group to the Company pursuant to the SAPA, as amended in 2018 and 2019, and the deferred tax effect of RMB19.7 billion, with a corresponding gain of RMB71.6 billion recorded in interest and investment income, net in the year ended March 31, 2020. The difference between the carrying value of the 33% equity interest in Ant Group and the Company's share of the carrying value of Ant Group's net assets upon completion is a basis difference, which mainly represents the fair value adjustments of amortizable intangible assets with a weighted average amortization period of 9.5 years and equity investments. These adjustments amounted to RMB24.5 billion and RMB5.3 billion, respectively, both of which were net of their corresponding tax effects.

The application of accounting principles related to the measurement of the 33% equity interest in Ant Group and the recognition of the upward adjustment require significant management judgment, which included (i) determination of the contract inception date of the SAPA for the initial measurement of the 33% equity interest in Ant Group and (ii) determination of the accounting treatment for the difference between the Company's share of the fair value of Ant Group's net assets acquired and the cost of investment when the former is greater than the latter.

In relation to the determination of the contract inception date of the SAPA, management considered the relevant U.S. GAAP guidance and focused on the legal enforceability of the agreement, and determined that the contract inception date was in 2014.

4. Significant mergers and acquisitions and investments (Continued)

Equity investments and others (Continued)

(k) Investment in Ant Group Co., Ltd. ("Ant Group") (Continued)

SAPA (Continued)

Issuance of equity interest (Continued)

In relation to the determination of the accounting treatment for the difference between the Company's share of the fair value of Ant Group's net assets acquired and the cost of investment when the former is greater than the latter, in the absence of specific guidance and with the diversity in practice, management assessed various views derived from the interpretations of relevant U.S. GAAP and made reference to the relevant guidance of other international accounting framework and recognized the difference under interest and investment income, net with a corresponding increase to the initial carrying value of the investment in Ant Group.

Subsequent to the receipt of the equity interest in Ant Group, the proportionate share of results of Ant Group, adjusted for the effects of the basis difference as described above, is recorded in share of results of equity method investees in the consolidated income statements on a one quarter in arrears basis.

Pre-emptive rights

Following the receipt of equity interest in Ant Group, the Company has pre-emptive rights to participate in other issuances of equity securities by Ant Group and certain of its affiliates prior to the time of Ant Group meeting certain minimum criteria for a qualified IPO set forth in the SAPA (as amended) (a "Qualified IPO"). These pre-emptive rights entitle the Company to maintain the equity ownership percentage the Company holds in Ant Group immediately prior to any such issuances. In connection with the exercise of the pre-emptive rights, the Company is also entitled to receive certain payments from Ant Group, effectively funding the subscription for these additional equity interest, up to a value of US$1.5 billion, subject to certain adjustments. In addition, under the SAPA (as amended), in certain circumstances the Company is permitted to exercise pre-emptive rights through an alternative arrangement which will further protect the Company from dilution. The value of the pre-emptive rights was considered to be insignificant upon the receipt of equity interest in Ant Group.

Corporate governance provisions

Under the SAPA (as amended), in addition to jointly recommending an independent director together with Ant Group (who will be subject to vetting requirements as set forth in the SAPA (as amended)), the Company has the right to nominate two officers or employees of the Company for election to the board of Ant Group. In each case, these director nomination rights will continue unless the Company ceases to own a certain amount of its post-issuance equity interest in Ant Group or upon the completion of a Qualified IPO of Ant Group, whichever is earlier. In September 2019, the Company nominated two officers of the Company who have then been elected to the board of Ant Group pursuant to these director nomination rights under the SAPA (as amended).

4. Significant mergers and acquisitions and investments (Continued)

Mergers and acquisitions (Continued)

(k) Investment in Ant Group Co., Ltd. ("Ant Group") (Continued)

2014 IPLA and Amended IPLA

2014 IPLA

Under the 2014 IPLA, the Company received, in addition to a software technology service fee, royalty streams related to Alipay and other current and future businesses of Ant Group (collectively, the "Profit Share Payments"). The Profit Share Payments were paid at least annually and equaled the sum of an expense reimbursement plus 37.5% of the consolidated pre-tax income of Ant Group, subject to certain adjustments. The expense reimbursement represented the reimbursement for the costs and expenses incurred by the Company in the provision of software technology services. The Company accounted for the Profit Share Payments in the periods when the services were provided, where the payments were expected to approximate the estimated fair values of the services provided. Upon the receipt of the equity interest in September 2019, the Company terminated the 2014 IPLA, and the Profit Share Payments arrangement was terminated.

Income in connection with the Profit Share Payments, net of costs incurred by the Company, of RMB3,835 million, was recorded in other income, net in the consolidated income statements for the year ended March 31, 2020 (Note 22).

Amended IPLA

Pursuant to the SAPA, as amended in 2018 and 2019, the Company, Ant Group and Alipay entered into the Amended IPLA upon the receipt of the 33% equity interest in Ant Group in September 2019, at which time the Company also transferred certain intellectual property and assets to Ant Group.

The Amended IPLA will terminate upon the earliest of:

- the full payment of all pre-emptive rights funded payments under the SAPA (as amended);
- the closing of a Qualified IPO of Ant Group or Alipay; and
- the transfer to Ant Group of any remaining intellectual property the Company owns that is exclusively related to the business of Ant Group.

(l) Investment in Red Star Macalline Group Corporation Limited ("Red Star")

Red Star, a company that is listed on both the HKSE and Shanghai Stock Exchange, is a leading home improvement and furnishings shopping mall operator in the PRC. In May 2019, the Company completed the subscription of exchangeable bonds issued by the controlling shareholder of Red Star for a cash consideration of RMB4,359 million. The exchangeable bonds have a term of five years and are exchangeable into ordinary shares of Red Star at an initial price of RMB12.28 per share, subject to adjustments if there are corporate events such as distribution of stock dividends, new shares issuance and rights issue. The exchangeable bonds are accounted for under the fair value option and recorded under equity securities and other investments. In addition, the Company acquired an approximately 2% equity interest in Red Star for a total consideration of HK$447 million (RMB390 million). The equity interest in Red Star is carried at fair value with unrealized gains and losses recorded in the consolidated income statements. The Offshore Retail Fund is also an investor in this transaction.

In September 2021, the Company disposed of certain portion of the exchangeable bonds issued by the controlling shareholder of Red Star. In October 2021, the Company acquired additional equity interest in Red Star for a cash consideration of RMB350 million. Upon the completion of the transaction, the Company's equity interest in Red Star increased to approximately 3%.

5. Revenue

Revenue by segment is as follows:

	Year ended March 31,		
	2020	2021	2022
	(in millions of RMB)		
China commerce:			
China commerce retail (i)			
– Customer management	244,479	304,543	**315,038**
– Direct sales and others (ii)	95,071	182,818	**260,955**
	339,550	487,361	**575,993**
China commerce wholesale (iii)	12,427	14,322	**16,712**
Total China commerce	351,977	501,683	**592,705**
International commerce:			
International commerce retail (iv)	24,323	34,455	**42,668**
International commerce wholesale (v)	9,594	14,396	**18,410**
Total International commerce	33,917	48,851	**61,078**
Local consumer services (vi)(xi)	29,660	35,442	**43,491**
Cainiao (vii)	22,233	37,258	**46,107**
Cloud (viii)(xii)	40,301	60,558	**74,568**
Digital media and entertainment (ix)	29,094	31,186	**32,272**
Innovation initiatives and others (x)(xi)(xii)	2,529	2,311	**2,841**
	509,711	717,289	**853,062**

(i) Revenue from China commerce retail is primarily generated from the Company's China commerce retail businesses and includes revenue from customer management services and sales of goods.

(ii) Revenue from direct sales and others under China commerce retail is primarily generated from the Company's direct sales businesses, comprising mainly Sun Art, Tmall Supermarket and Freshippo. Revenue of Sun Art included in the consolidated income statement of the Company since the date of acquisition was RMB42.9 billion for the year ended March 31, 2021.

(iii) Revenue from China commerce wholesale is primarily generated from 1688.com and includes revenue from membership fees and related value-added services and customer management services.

(iv) Revenue from International commerce retail is primarily generated from Lazada and AliExpress and includes revenue from logistics services, customer management services and sales of goods.

(v) Revenue from International commerce wholesale is primarily generated from Alibaba.com and includes revenue from membership fees and related value-added services and customer management services.

(vi) Revenue from Local consumer services primarily represents platform commissions, logistics services revenue from the provision of on-demand delivery services and revenue from other services provided by Ele.me.

(vii) Revenue from Cainiao represents logistics services revenue from the domestic and international one-stop-shop logistics services and supply chain management solutions provided by Cainiao Network.

(viii) Revenue from Cloud is primarily generated from the provision of cloud services, which include public cloud services and hybrid cloud services.

(ix) Revenue from Digital media and entertainment is primarily generated from Youku and other content platforms, as well as the online games business, and includes revenue from membership fees, self-developed online games and customer management services.

(x) Revenue from Innovation initiatives and others primarily represented other revenue from businesses such as Tmall Genie and other innovation initiatives. Other revenue also includes the annual fee for the SME loan business received from Ant Group and its affiliates and such arrangement was terminated in December 2021 (Note 22).

(xi) For the year ended March 31, 2022, as a result of the change in segment reporting (Note 2(e)), the Company reclassified revenue from Amap, which was previously reported under the Innovation initiatives and others segment, as revenue from the Local consumer services segment. Figures for the years ended March 31, 2020 and 2021 were reclassified to conform to this presentation.

(xii) For the year ended March 31, 2022, the Company reclassified revenue from DingTalk, which was previously reported under the Innovation initiatives and others segment, as revenue from the Cloud segment in order to conform to the way that we manage and monitor segment performance. Figures for the years ended March 31, 2020 and 2021 were reclassified to conform to this presentation.

5. Revenue (Continued)

Revenue by type is as follows:

	Year ended March 31,		
	2020	2021	**2022**
	(in millions of RMB)		
Customer management services (i)	297,592	363,381	**379,999**
Membership fees	22,846	29,450	**35,739**
Logistics services	33,942	55,653	**71,279**
Cloud services	40,016	60,120	**74,123**
Sales of goods	95,503	180,634	**255,171**
Other revenue (ii)	19,812	28,051	**36,751**
	509,711	717,289	**853,062**

(i) Customer management services mainly include P4P marketing, in-feed marketing, display marketing and commission.

(ii) Other revenue includes revenue from self-developed online games, other value-added services provided through various platforms and businesses and the annual fee for the SME loan business received from Ant Group and its affiliates (Note 22).

The amount of revenue recognized for performance obligations satisfied (or partially satisfied) in prior periods for contracts with expected duration of more than one year during the years ended March 31, 2020, 2021 and 2022 were not material.

6. Leases

The Company entered into operating lease agreements primarily for shops and malls, offices, warehouses and land. Certain lease agreements contain an option for the Company to renew a lease for a term of up to five years or an option to terminate a lease early. The Company considers these options in determining the classification and measurement of the leases.

The leases may include variable payments based on measures such as the level of sales at a physical store, which are expensed as incurred.

Components of operating lease cost are as follows:

	Year ended March 31,		
	2020	2021	**2022**
	(in millions of RMB)		
Operating lease cost	5,600	6,812	**10,982**
Variable lease cost	79	47	**837**
Total operating lease cost	5,679	6,859	**11,819**

For the years ended March 31, 2020, 2021 and 2022, cash payments for operating leases amounted to RMB3,666 million, RMB4,408 million and RMB6,556 million, respectively. For the years ended March 31, 2021 and 2022, the operating lease assets obtained in exchange for operating lease liabilities amounted to RMB6,974 million and RMB7,375 million, respectively.

6. Leases (Continued)

As of March 31, 2021 and 2022, the Company's operating leases had a weighted average remaining lease term of 9.9 years and 9.9 years, respectively. As of the same dates, the Company's operating leases had a weighted average discount rate of 5.4% and 5.1%, respectively. Future lease payments under operating leases as of March 31, 2022 are as follows:

	Amounts
	(in millions of RMB)
For the year ending March 31,	
2023	6,717
2024	5,888
2025	4,978
2026	4,244
2027	3,614
Thereafter	20,335
	45,776
Less: imputed interest	(10,523)
Total operating lease liabilities (Note 19)	35,253

7. Income tax expenses

Composition of income tax expenses

	Year ended March 31,		
	2020	2021	**2022**
	(in millions of RMB)		
Current income tax expense	24,005	26,042	**28,184**
Deferred taxation	(3,443)	3,236	**(1,369)**
	20,562	29,278	**26,815**

Under the current laws of the Cayman Islands, the Company is not subject to tax on its income or capital gains. In addition, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax is imposed. The Company's subsidiaries incorporated in Hong Kong were subject to the Hong Kong profits tax rate at 16.5% for the years ended March 31, 2020, 2021 and 2022. The Company's subsidiaries incorporated in other jurisdictions were subject to income tax charges calculated according to the tax laws enacted or substantially enacted in the countries where they operate and generate income.

Current income tax expense primarily includes the provision for PRC Enterprise Income Tax ("EIT") for subsidiaries operating in the PRC and withholding tax on earnings that have been declared for distribution by PRC subsidiaries to offshore holding companies. Substantially all of the Company's income before income tax and share of results of equity method investees are generated by these PRC subsidiaries. These subsidiaries are subject to EIT on their taxable income as reported in their respective statutory financial statements adjusted in accordance with the relevant tax laws, rules and regulations in the PRC.

7. Income tax expenses (Continued)

Composition of income tax expenses (Continued)

Under the PRC Enterprise Income Tax Law (the "EIT Law"), the standard enterprise income tax rate for domestic enterprises and foreign invested enterprises is 25%. In addition, the EIT Law provides for, among others, a preferential tax rate of 15% for enterprises qualified as High and New Technology Enterprises. Further, certain subsidiaries were recognized as Software Enterprises and thereby entitled to full exemption from EIT for two years beginning from their first profitable calendar year and a 50% reduction for the subsequent three calendar years. In addition, a duly recognized Key Software Enterprise ("KSE") within China's national plan can enjoy a preferential EIT rate of 10%. The KSE status is subject to review by the relevant authorities every year and the timing of the annual review and notification by the relevant authorities may vary from year to year. The related reduction in tax expense as a result of official notification confirming the KSE status is accounted for upon the receipt of such notification.

The tax status of the subsidiaries of the Company with major taxable profits is described below:

- Alibaba (China) Technology Co., Ltd. ("Alibaba China"), Taobao (China) Software Co., Ltd. ("Taobao China"), Zhejiang Tmall Technology Co., Ltd. ("Tmall China") and Alibaba (China) Co., Ltd ("China Co."), entities primarily engaged in the operations of the Company's wholesale marketplaces, Taobao, Tmall, and technology, software research and development and relevant services, respectively, were qualified as High and New Technology Enterprises. Alibaba China, Taobao China and Tmall China also obtained the annual review and notification relating to the renewal of the KSE status for the taxation years of 2018 and 2019 in the quarters ended September 30, 2019 and 2020, respectively. Accordingly, Alibaba China, Taobao China and Tmall China, which had applied an EIT rate of 15% for the taxation years of 2018 and 2019, reflected the reduction in tax rate to 10% for the taxation years of 2018 and 2019 in the consolidated income statements for the years ended March 31, 2020 and 2021.

- Alibaba (Beijing) Software Services Co., Ltd ("Alibaba Beijing"), an entity primarily engaged in the operations of technology, software research and development and relevant services, was recognized as a High and New Technology Enterprise. Alibaba Beijing was also granted the Software Enterprise status and was thereby entitled to an income tax exemption for two years beginning from its first profitable taxation year of 2017, and a 50% reduction for the subsequent three consecutive years starting from the taxation year of 2019. Accordingly, Alibaba Beijing was entitled to an EIT rate of 12.5% (50% reduction in the standard statutory rate) during the taxation years of 2019, 2020 and 2021. Alibaba Beijing also obtained notification of recognition as a KSE for the taxation year of 2019 in the quarter ended September 30, 2020. Accordingly, Alibaba Beijing, which had applied an EIT rate of 12.5% for the taxation year of 2019, reflected the reduction in tax rate to 10% for the taxation year of 2019 in the consolidated income statement for the year ended March 31, 2021.

The total tax adjustments for the recognition of KSE status for Alibaba China, Taobao China, Tmall China, Alibaba Beijing and certain other PRC subsidiaries of the Company, amounting to RMB4,144 million, RMB6,085 million and nil, were recorded in the consolidated income statements for the years ended March 31, 2020, 2021 and 2022, respectively.

For the taxation years of 2020 and 2021, Alibaba China, Taobao China, Tmall China, China Co. and Alibaba Beijing did not obtain the KSE status, and accordingly, Alibaba China, Taobao China, Tmall China and China Co. continued to apply an EIT rate of 15% as High and New Technology Enterprises, and Alibaba Beijing applied an EIT rate of 12.5% (50% reduction in the standard statutory rate) as a Software Enterprise.

Most of the remaining PRC entities of the Company are subject to EIT at 25% for the years ended March 31, 2020, 2021 and 2022.

7. Income tax expenses (Continued)

Composition of income tax expenses (Continued)

Pursuant to the EIT Law, a 10% withholding tax is levied on dividends declared by PRC companies to their foreign investors. A lower withholding tax rate of 5% is applicable if direct foreign investors with at least 25% equity interest in the PRC company are incorporated in Hong Kong and meet the relevant requirements pursuant to the tax arrangement between mainland China and Hong Kong S.A.R. Since the equity holders of the major PRC subsidiaries of the Company are Hong Kong incorporated companies and meet the relevant requirements pursuant to the tax arrangement between mainland China and Hong Kong S.A.R., the Company has used 5% to provide for deferred tax liabilities on retained earnings which are anticipated to be distributed. As of March 31, 2022, the Company has accrued the withholding tax on substantially all of the distributable earnings of the PRC subsidiaries, except for those undistributed earnings that the Company intends to invest indefinitely in the PRC which amounted to RMB176.4 billion.

Composition of deferred tax assets and liabilities

	As of March 31,	
	2021	2022
	(in millions of RMB)	
Deferred tax assets		
Licensed copyrights	3,664	3,893
Tax losses carried forward and others (i)	40,031	46,945
	43,695	50,838
Valuation allowance	(32,654)	(36,363)
Total deferred tax assets	11,041	14,475
Deferred tax liabilities		
Identifiable intangible assets	(22,212)	(20,773)
Withholding tax on undistributed earnings (ii)	(8,066)	(8,106)
Equity method investees and others (iii)	(29,320)	(32,827)
Total deferred tax liabilities	(59,598)	(61,706)
Net deferred tax liabilities	(48,557)	(47,231)

(i) Others primarily represents deferred tax assets for share-based awards, investments in equity method investees, equity securities and other investments, as well as accrued expenses which are not deductible until paid under PRC tax laws.

(ii) The related deferred tax liabilities as of March 31, 2021 and 2022 were provided on the assumption that substantially all of the distributable earnings of PRC subsidiaries will be distributed as dividends, except for those undistributed earnings that the Company intends to invest indefinitely in the PRC which amounted to RMB195.3 billion and RMB176.4 billion, respectively.

(iii) Deferred tax liabilities for investments in equity method investees mainly includes the deferred tax effect on the gain in relation to the receipt of the 33% equity interest in Ant Group of RMB19.7 billion (Note 4(k)). Others primarily represents deferred tax liabilities for investments in equity securities and other investments.

Valuation allowances provided on the deferred tax assets mainly related to the tax losses carried forward due to the uncertainty surrounding their realization. If events occur in the future that improve the certainty of realization, an adjustment to the valuation allowances will be made and consequently income tax expenses will be reduced.

7. Income tax expenses (Continued)

Composition of deferred tax assets and liabilities (Continued)

As of March 31, 2022, the accumulated tax losses of subsidiaries incorporated in Singapore, Hong Kong S.A.R. and Indonesia, subject to the agreement of the relevant tax authorities, of RMB20,319 million, RMB7,008 million and RMB4,071 million, respectively, are allowed to be carried forward to offset against future taxable profits. The carry forward of tax losses in Singapore and Hong Kong S.A.R. generally has no time limit, while the tax losses in Indonesia will expire, if unused, in the years ending March 31, 2023 through 2027. The accumulated tax losses of subsidiaries incorporated in the PRC, subject to the agreement of the PRC tax authorities, of RMB129,793 million as of March 31, 2022 will expire, if unused, in the years ending March 31, 2023 through 2032.

Reconciliation of the differences between the statutory EIT rate applicable to profits of the consolidated entities and the income tax expenses of the Company:

	Year ended March 31,		
	2020	2021	**2022**
	(in millions of RMB, except per share data)		
Income before income tax and share of result of equity method investees	166,645	165,578	**59,550**
Income tax computed at statutory EIT rate (25%)	41,661	41,395	**14,888**
Effect of different tax rates available to different jurisdictions	(1,085)	(1,982)	**(2,006)**
Effect of tax holiday and preferential tax benefit on assessable profits of subsidiaries incorporated in the PRC	(18,552)	(20,675)	**(7,367)**
Effect of the gain in relation to the receipt of the 33% equity interest in Ant Group (Note 4(k))	(17,890)	-	**-**
Non-deductible expenses and non-taxable income, net (i)	9,553	1,980	**13,518**
Additional deductions of certain research and development expenses incurred by subsidiaries in the PRC (ii)	(7,219)	(8,305)	**(10,052)**
Withholding tax on the earnings distributed and anticipated to be remitted	4,621	4,612	**5,026**
Change in valuation allowance and others (iii)	9,473	12,253	**12,808**
Income tax expenses	20,562	29,278	**26,815**
Effect of tax holidays inside the PRC on basic earnings per share (RMB)	0.88	0.96	**0.34**
Effect of tax holidays inside the PRC on basic earnings per ADS (RMB)	7.06	7.65	**2.73**

(i) Expenses not deductible for tax purposes and non-taxable income primarily represent impairment of goodwill, a fine imposed pursuant to the PRC Anti-monopoly Law (the "Anti-monopoly Fine"), investment income or loss and share-based compensation expense.

(ii) This amount represents tax incentives relating to the research and development expenses of certain major operating subsidiaries in the PRC.

(iii) Change in valuation allowance primarily represents valuation allowance for temporary differences associated with tax losses and investments in certain equity securities and other investments. Besides, others primarily represents deferred tax effect for temporary differences in relation to certain investments in equity method investees, as well as other tax benefits which were not previously recognized.

8. Share-based awards

(a) Share-based awards relating to ordinary shares of the Company

Share-based awards such as RSUs, incentive and non-statutory stock options, restricted shares, dividend equivalents, share appreciation rights and share payments may be granted to any directors, employees and consultants of the Company or affiliated companies under equity incentive plans adopted since the inception of the Company. Currently, the 2014 Post-IPO Equity Incentive Plan (the "2014 Plan"), which was adopted in September 2014 and has a ten-year term, is in effect and governs the terms of the awards. If an award terminates, expires or lapses, or is canceled for any reason, ordinary shares subject to the award become available for the grant of a new award under the 2014 Plan. Starting from April 1, 2015 and on each anniversary thereof, an additional amount equal to the lesser of (A) 200,000,000 ordinary shares, and (B) such lesser number of ordinary shares as determined by the board of directors becomes available for the grant of a new award under the 2014 Plan. All share-based awards granted under the 2014 Plan are subject to dilution protection should the capital structure of the Company be affected by a share split, reverse share split, share dividend or other dilutive action. As of March 31, 2022, the number of shares authorized but unissued was 295,352,672 ordinary shares.

Following the Share Subdivision and the ADS Ratio Change as detailed in Note 2 (a), each ordinary share was subdivided into eight ordinary shares and each ADS represents eight ordinary shares. Pro-rata adjustments have been made to the number of ordinary shares underlying each share-based award granted, so as to give the participants the same proportion of the equity that they would have been entitled to prior to the Share Subdivision. Subsequent to the Share Subdivision, eight ordinary shares are issuable upon the vesting or the exercise of one share-based award. The Share Subdivision has no impact on the number of share-based awards, the weighted average grant date fair value and the weighted average exercise price per share-based award as stated below.

RSUs

A summary of the changes in the RSUs relating to ordinary shares granted by the Company during the year ended March 31, 2022 is as follows:

	Number of RSUs	Weighted-average grant date fair value
		US$
Awarded and unvested as of April 1, 2021	63,363,237	192.19
Granted	28,230,674	200.52
Vested	(23,702,603)	175.56
Canceled/forfeited	(7,215,021)	203.85
Awarded and unvested as of March 31, 2022 (i)	60,676,287	201.17
Expected to vest as of March 31, 2022 (ii)	**50,145,101**	**200.96**

(i) No outstanding RSUs will be vested after the expiry of a period of up to ten years from the date of grant.

(ii) RSUs expected to vest are the result of applying the pre-vesting forfeiture rate assumptions to total outstanding RSUs.

8. Share-based awards (Continued)

(a) Share-based awards relating to ordinary shares of the Company (Continued)

RSUs (Continued)

As of March 31, 2022, there were RMB25,636 million of unamortized compensation costs related to all outstanding RSUs, net of expected forfeitures. These amounts are expected to be recognized over a weighted average period of 1.9 years.

During the years ended March 31, 2020, 2021 and 2022, the Company recognized share-based compensation expense of RMB25,651million, RMB28,934 million and RMB30,313 million, respectively, in connection with the above RSUs.

Share options

A summary of the changes in the share options relating to ordinary shares granted by the Company during the year ended March 31, 2022 is as follows:

	Number of share options	Weighted average exercise price	Weighted average remaining contractual life
		US$	*(in years)*
Outstanding as of April 1, 2021	5,976,850	88.94	2.6
Granted	1,710,000	25.04	7.2
Exercised	(313,516)	59.12	-
Outstanding as of March 31, 2022	7,373,334	75.39	3.5
Vested and exercisable as of March 31, 2022 (i)	**5,132,667**	**76.95**	**2.1**
Vested and expected to vest as of March 31, 2022 (ii)	**7,135,333**	**74.42**	**3.4**

(i) No outstanding share options will be vested or exercisable after the expiry of a period of up to ten years from the date of grant.

(ii) Share options expected to vest are the result of applying the pre-vesting forfeiture rate assumptions to total outstanding share options.

8. Share-based awards (Continued)

(a) Share-based awards relating to ordinary shares of the Company (Continued)

Share options (Continued)

As of March 31, 2022, the aggregate intrinsic value of all outstanding options was RMB2,032 million. As of the same date, the aggregate intrinsic value of options that were vested and exercisable and options that were vested and expected to vest was RMB1,194 million and RMB1,969 million, respectively.

During the years ended March 31, 2020, 2021 and 2022, the weighted average grant date fair value of share options granted was US$57.33, nil and US$103.72, respectively, and the total grant date fair value of options vested during the same years was RMB295 million, RMB335 million and RMB306 million, respectively. During the same years, the aggregate intrinsic value of share options exercised was RMB1,011 million, RMB468 million and RMB137 million, respectively.

Cash received from option exercises under the share option plans for the years ended March 31, 2020, 2021 and 2022 was RMB960 million, RMB205 million and RMB109 million, respectively.

No share options were granted during the year ended March 31, 2021. The fair value of each option granted during the years ended March 31, 2020 and 2022 is estimated on the measurement date using the Black-Scholes model by applying the assumptions below:

	Year ended March 31,		
	2020	2021	**2022**
Risk-free interest rate (i)	1.68%	-	**1.93%-2.00%**
Expected dividend yield (ii)	0%	-	**0%**
Expected life (years) (iii)	4.50	-	**3.71-7.14**
Expected volatility (iv)	34.7%	-	**35.7%**

(i) Risk-free interest rate is based on the yields of United States Treasury securities with maturities similar to the expected life of the share options in effect on the measurement date.

(ii) Expected dividend yield is assumed to be nil as the Company has no history or expectation of paying a dividend on its ordinary shares.

(iii) Expected life of share options is based on management's estimate on timing of exercise of share options.

(iv) Expected volatility is assumed based on the historical volatility of the Company in the period equal to the expected life of each grant.

As of March 31, 2022, there were RMB437 million of unamortized compensation costs related to these outstanding share options, net of expected forfeitures. These amounts are expected to be recognized over a weighted average period of 3.5 years.

During the years ended March 31, 2020, 2021 and 2022, the Company recognized share-based compensation expense of RMB140 million, RMB159 million and RMB86 million, respectively, in connection with the above share options.

8. Share-based awards (Continued)

(a) Share-based awards relating to ordinary shares of the Company (Continued)

Partner Capital Investment Plan

The Company adopted the Partner Capital Investment Plan in 2013 to offer selected management of the Company rights or interests to acquire restricted shares of the Company. The rights or interests offered before 2016 were subject to a non-compete provision and were accounted for as noncontrolling interests of the Company as these rights or interests were issued by the Company's subsidiaries and classified as equity at the subsidiary level. The rights or interests offered in the subsequent periods were subject to certain service provisions that were not related to employment and were accounted for as share options issued by the Company.

During the year ended March 31, 2022, all rights and interests under the Partner Capital Investment Plan have been converted, exercised or replaced with grants under the 2014 Plan. No further subscription of rights or interests under the Partner Capital Investment Plan will be made hereafter.

Share-based compensation expense of RMB425 million, RMB224 million and RMB177 million was recognized in connection with these rights or interests for the years ended March 31, 2020, 2021 and 2022, respectively.

(b) Share-based awards relating to Ant Group

The employees of the Company hold share-based awards granted by Ant Group and Hangzhou Junhan Equity Investment Partnership ("Junhan"), a major equity holder of Ant Group. These awards tied to the valuation of Ant Group and will be settled by respective grantors upon disposal of these awards by the holders, vesting or exercise of these awards, depending on the forms of these awards. In addition, Junhan and Ant Group have the right to repurchase the vested awards (or any underlying equity for the settlement of the vested awards) granted by them, as applicable, from the holders upon an initial public offering of Ant Group or the termination of the holders' employment with the Company at a price to be determined based on the then fair market value of Ant Group.

For accounting purposes, these awards meet the definition of a financial derivative. The cost relating to these awards is recognized by the Company and the related expense is recognized over the requisite service period in the consolidated income statements with a corresponding credit to additional paid-in capital. Subsequent changes in the fair value of these awards are recorded in the consolidated income statements. The expenses relating to these awards are re-measured at the fair value on each reporting date until their settlement dates. The fair value of the underlying equity is primarily determined with reference to the business enterprise value, or BEV, of Ant Group which is based on the contemporaneous valuation report, external information and information obtained from Ant Group.

During the years ended March 31, 2020, 2021 and 2022, the Company recognized expenses of RMB1,261 million, RMB17,315 million and a net reversal of RMB11,585 million, respectively, in respect of the share-based awards relating to Ant Group.

Starting from April 2020, the parties agreed to settle with each other the cost associated with certain share-based awards granted to each other's employees upon vesting. The settlement amounts under this arrangement depend on the values of Ant Group share-based awards granted to the Company's employees and the Company's share-based awards granted to employees of Ant Group, in which the net settlement amount is insignificant to the Company.

Share-based awards relating to ordinary shares of the Company and Ant Group are generally subject to a four-year vesting schedule as determined by the administrator of the plans. Depending on the nature and the purpose of the grant, share-based awards generally vest 25% or 50% upon the first or second anniversary of the vesting commencement date, respectively, as provided in the award agreements, and 25% every year thereafter. Share-based awards granted to certain management members of the Company are subject to a vesting period of up to six years.

8. Share-based awards (Continued)

(c) Share-based compensation expense by function

	Year ended March 31,		
	2020	2021	**2022**
	(in millions of RMB)		
Cost of revenue	7,322	11,224	**5,725**
Product development expenses	13,654	21,474	**11,035**
Sales and marketing expenses	3,830	5,323	**3,050**
General and administrative expenses	6,936	12,099	**4,161**
	31,742	50,120	**23,971**

9. Earnings per share/ADS

Following the Share Subdivision and the ADS Ratio Change as detailed in Note 2(a), each ordinary share was subdivided into eight ordinary shares and each ADS represents eight ordinary shares.

Basic earnings per share is computed by dividing net income attributable to ordinary shareholders by the weighted average number of outstanding ordinary shares, adjusted for treasury shares. Basic earnings per ADS is derived from the basic earnings per share after the ADS Ratio Change.

For the calculation of diluted earnings per share, net income attributable to ordinary shareholders for basic earnings per share is adjusted by the effect of dilutive securities, including share-based awards, under the treasury stock method. Potentially dilutive securities, of which the amounts are insignificant, have been excluded from the computation of diluted net income per share if their inclusion is anti-dilutive. Diluted earnings per ADS is derived from the diluted earnings per share after the ADS Ratio Change.

9. Earnings per share/ADS (Continued)

The following table sets forth the computation of basic and diluted net income per share/ADS for the following periods:

	Year ended March 31,		
	2020	2021	2022
	(in millions of RMB, except share data and per share data)		
Earnings per share			
Numerator:			
Net income attributable to ordinary shareholders for computing net income per ordinary share – basic	149,263	150,308	**61,959**
Dilution effect arising from share-based awards issued by subsidiaries and equity method investees	(48)	(55)	**(37)**
Net income attributable to ordinary shareholders for computing net income per ordinary share – diluted	149,215	150,253	**61,922**
Shares (denominator):			
Weighted average number of shares used in calculating net income per ordinary share – basic (million shares)	21,017	21,619	**21,558**
Adjustments for dilutive RSUs and share options (million shares)	329	363	**229**
Weighted average number of shares used in calculating net income per ordinary share – diluted (million shares)	21,346	21,982	**21,787**
Net income per ordinary share – basic (RMB)	7.10	6.95	**2.87**
Net income per ordinary share – diluted (RMB)	6.99	6.84	**2.84**
Earnings per ADS			
Net income per ADS – basic (RMB)	56.82	55.63	**22.99**
Net income per ADS – diluted (RMB)	55.93	54.70	**22.74**

10. Restricted cash and escrow receivables

	As of March 31,	
	2021	**2022**
	(in millions of RMB)	
Consumer protection fund deposits from merchants on the marketplaces (i)	33,426	**35,268**
Others	1,781	**2,187**
	35,207	**37,455**

(i) The amount represents consumer protection fund deposits received from merchants on the Company's marketplaces, which are restricted for the purpose of compensating consumers for claims against merchants. A corresponding liability is recorded in other deposits and advances received under accrued expenses, accounts payable and other liabilities (Note 19) on the consolidated balance sheets.

11. Equity securities and other investments

	As of March 31, 2021		
	Original cost	Cumulative net gains (losses)	Carrying value
	(in millions of RMB)		
Equity securities:			
Listed equity securities	83,099	41,742	124,841
Investments in privately held companies	107,395	(6,708)	100,687
Debt investments	22,412	(912)	21,500
	212,906	34,122	247,028

	As of March 31, 2022		
	Original cost	**Cumulative net gains (losses)**	**Carrying value**
	(in millions of RMB)		
Equity securities:			
Listed equity securities	**93,599**	**9,661**	**103,260**
Investments in privately held companies	**110,096**	**(859)**	**109,237**
Debt investments	**27,153**	**(7,366)**	**19,787**
	230,848	**1,436**	**232,284**

Details of the significant additions during the years ended March 31, 2020, 2021 and 2022 are set out in Note 4.

11. Equity securities and other investments (Continued)

Equity securities

For equity securities which were still held as of March 31, 2020, 2021 and 2022, net unrealized (losses) gains, including impairment losses, of RMB(15,264) million, RMB45,139 million and RMB(25,587) million, respectively, were recognized in interest and investment income, net, for the years ended March 31, 2020, 2021 and 2022.

Investments in privately held companies include equity investments for which the Company elected to account for using the measurement alternative (Note 2(t)), for which the carrying value as of March 31, 2021 and 2022 were RMB96,946 million and RMB99,270 million, respectively.

For equity investments accounted for using the measurement alternative as of March 31, 2021, the Company recorded cumulative upward adjustments of RMB16,351 million and cumulative impairments and downward adjustments of RMB24,008 million. For these investments, the Company recorded upward adjustments of RMB6,061 million and impairments and downward adjustments of RMB8,042 million during the year ended March 31, 2021.

For equity investments accounted for using the measurement alternative as of March 31, 2022, the Company recorded cumulative upward adjustments of RMB26,759 million and cumulative impairments and downward adjustments of RMB27,827 million. For these investments, the Company recorded upward adjustments of RMB19,159 million and impairments and downward adjustments of RMB7,603 million during the year ended March 31, 2022.

Debt investments

Debt investments include convertible and exchangeable bonds accounted for under the fair value option, for which the fair value as of March 31, 2021 and 2022 were RMB11,343 million and RMB8,339 million, respectively. The aggregate fair value of these convertible and exchangeable bonds was higher (lower) than their aggregate unpaid principal balance as of March 31, 2021 and 2022 by RMB90 million and RMB(3,248) million, respectively. Unrealized (losses) gains recorded on these convertible and exchangeable bonds in the consolidated income statements were RMB(1,651) million, RMB1,573 million and RMB(3,112) million during the years ended March 31, 2020, 2021 and 2022, respectively.

Debt investments also include debt investments accounted for at amortized cost, for which the allowance for credit losses as of March 31, 2021 and 2022 were RMB1,110 million and RMB4,336 million, respectively.

During the years ended March 31, 2020, 2021 and 2022, impairment losses on these debt investments of RMB890 million, RMB175 million and RMB3,225 million, respectively, were recorded in interest and investment income, net in the consolidated income statements.

The carrying amount of debt investments accounted for at amortized cost approximates their fair value due to the fact that the related effective interest rates approximate rates currently offered by financial institutions for similar debt instruments of comparable maturities.

12. Fair value measurement

Fair value is defined as 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. To increase the comparability of fair value measures, the following hierarchy prioritizes the inputs to valuation methodologies used to measure fair value:

Level 1	—	Valuations based on unadjusted quoted prices for identical assets and liabilities in active markets.
Level 2	—	Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.
Level 3	—	Valuations based on unobservable inputs reflecting assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

Fair value of listed equity securities are based on quoted prices in active markets for identical assets or liabilities. Certain other financial instruments, such as interest rate swap contracts and certain option agreements, are valued based on inputs derived from or corroborated by observable market data. Valuations of convertible and exchangeable bonds that do not have a quoted price are generally performed using valuation models such as the binomial model with unobservable inputs including risk-free interest rate and expected volatility. The valuation of contingent consideration is performed using an expected cash flow method with unobservable inputs including the probability to achieve the contingencies, which is assessed by the Company, in connection with the contingent consideration arrangements. Investments in privately held companies for which the Company elected to record using the measurement alternative are re-measured on a non-recurring basis, and are categorized within Level 3 under the fair value hierarchy. The values are estimated based on valuation methods using the observable transaction price at the transaction date and other unobservable inputs including volatility, as well as rights and obligations of the securities.

12. Fair value measurement (Continued)

The following table summarizes the Company's assets and liabilities that are measured at fair value on a recurring basis and are categorized under the fair value hierarchy:

	As of March 31, 2021			
	Level 1	Level 2	Level 3	Total
	(in millions of RMB)			
Assets				
Time deposits (i)	–	104,896	–	104,896
Wealth management products (i)	–	47,480	–	47,480
Restricted cash and escrow receivables	35,207	–	–	35,207
Listed equity securities (ii)	124,841	–	–	124,841
Convertible and exchangeable bonds (ii)	–	1,698	9,645	11,343
Option agreements (iii)	–	2,493	111	2,604
Others (v)	686	128	3,895	4,709
	160,734	156,695	13,651	331,080
Liabilities				
Contingent consideration in relation to investments and acquisitions (iv)	–	–	2,232	2,232
Interest rate swap contracts and others (iv)	–	47	174	221
	–	47	2,406	2,453

	As of March 31, 2022			
	Level 1	Level 2	Level 3	Total
	(in millions of RMB)			
Assets				
Time deposits (i)	–	233,724	–	233,724
Wealth management products (i)	–	21,261	–	21,261
Marketable debt securities (i)	–	1,529	–	1,529
Restricted cash and escrow receivables	37,455	–	–	37,455
Listed equity securities (ii)	103,260	–	–	103,260
Convertible and exchangeable bonds (ii)	–	1,067	7,272	8,339
Option agreements (iii)	–	1	825	826
Others (v)	2,196	2,402	8,292	12,890
	142,911	259,984	16,389	419,284
Liabilities				
Contingent consideration in relation to investments and acquisitions (iv)	–	–	829	829
Interest rate swap contracts and others (iv)	–	354	170	524
	–	354	999	1,353

(i) Included in short-term investments on the consolidated balance sheets.

(ii) Included in equity securities and other investments on the consolidated balance sheets.

(iii) Included in prepayments, receivables and other assets on the consolidated balance sheets.

(iv) Included in accrued expenses, accounts payable and other liabilities on the consolidated balance sheets.

(v) Others primarily represent other investments with underlying assets measured at fair value.

12. Fair value measurement (Continued)

Convertible and exchangeable bonds categorized within Level 3 under the fair value hierarchy:

	Amounts
	(in millions of RMB)
Balance as of March 31, 2020	3,995
Additions	4,477
Net increase in fair value	1,306
Foreign currency translation adjustments	(133)
Balance as of March 31, 2021	9,645
Additions	1,915
Net decrease in fair value	(2,734)
Disposal	(1,225)
Conversion	(162)
Foreign currency translation adjustments	(167)
Balance as of March 31, 2022	**7,272**

Contingent consideration in relation to investments and acquisitions categorized within Level 3 under the fair value hierarchy:

	Amounts
	(in millions of RMB)
Balance as of March 31, 2020	4,400
Net decrease in fair value	(48)
Payment	(1,972)
Foreign currency translation adjustments	(148)
Balance as of March 31, 2021	2,232
Additions	376
Net decrease in fair value	(19)
Payment	(1,746)
Foreign currency translation adjustments	(14)
Balance as of March 31, 2022	**829**

13. Prepayments, receivables and other assets

	As of March 31,	
	2021	**2022**
	(in millions of RMB)	
Current:		
Accounts receivable, net of allowance	27,076	**32,813**
Inventories	27,858	**30,087**
VAT receivables, net of allowance	17,363	**23,779**
Prepaid cost of revenue, sales and marketing and other expenses	18,532	**17,902**
Amounts due from related companies (i)	10,374	**12,188**
Advances to/receivables from customers, merchants and others	7,163	**11,205**
Deferred direct selling costs and cost of revenue (ii)	3,303	**3,915**
Interest receivables	2,110	**2,449**
Others	10,929	**11,657**
	124,708	**145,995**
Non-current:		
Operating lease right-of-use assets	72,040	**78,053**
Deferred tax assets (Note 7)	11,041	**14,475**
Film costs and prepayment for licensed copyrights and others	9,349	**12,425**
Prepayment for acquisition of property and equipment	2,704	**3,592**
Others	3,298	**4,602**
	98,432	**113,147**

(i) Amounts due from related companies primarily represent balances arising from transactions with Ant Group (Note 22), including dividend receivable from Ant Group amounting to nil and RMB3,945 million as of March 31, 2021 and 2022, respectively. The balances are unsecured, interest free and repayable within the next twelve months.

(ii) The Company is obligated to pay certain costs upon the receipt of membership fees from merchants or other customers, which primarily consist of sales commissions, and certain costs associated with cloud services. The membership fees and cloud services revenue are initially deferred and recognized as revenue in the consolidated income statements in the period in which the services are rendered. As such, the related costs are also initially deferred and recognized in the consolidated income statements in the same period as the related service fees and revenue are recognized.

14. Investments in equity method investees

	Amounts
	(in millions of RMB)
Balance as of March 31, 2020	189,632
Additions	17,731
Share of results, other comprehensive income and other reserves (i)	14,014
Disposals	(1,386)
Distributions	(1,976)
Transfers (ii)	(9,122)
Impairment loss (iii)	(7,256)
Foreign currency translation adjustments	(1,448)
Balance as of March 31, 2021	200,189
Additions	8,964
Share of results, other comprehensive income and other reserves (i)	18,822
Disposals	(1,237)
Distributions (iv)	(5,329)
Transfers	5,159
Impairment loss (iii)	(6,201)
Foreign currency translation adjustments	(725)
Balance as of March 31, 2022	**219,642**

(i) Share of results, other comprehensive income and other reserves include the share of results of the equity method investees, the gain or loss arising from the deemed disposal of the equity method investees and the amortization of basis differences. The amount excludes the expenses relating to the share-based awards underlying the equity of the Company and Ant Group granted to employees of certain equity method investees.

(ii) During the year ended March 31, 2021, transfers were primarily related to the consolidation of Sun Art (Note 4(a)) and additional investments in YTO Express (Note 4(h)) and STO Express (Note 4(e)).

(iii) Impairment loss recorded represents other-than-temporary decline in fair value below the carrying value of the investments in equity method investees. The valuation inputs for the fair value measurement with respect to the impairments include the stock price for equity method investees that are listed, as well as certain unobservable inputs that are not subject to meaningful aggregation.

(iv) Includes dividend declared by Ant Group amounting to RMB3,945 million (Note 13).

As of March 31, 2022, equity method investments with an aggregate carrying amount of RMB42,595 million are publicly traded and the total market value of these investments amounted to RMB38,244 million. As of March 31, 2022, the Company's retained earnings included undistributed earnings from equity method investees of RMB46,149 million.

14. Investments in equity method investees (Continued)

For the years ended March 31, 2020, 2021 and 2022, equity method investments held by the Company in aggregate have met the significance criteria as defined under Rule 4-08(g) of Regulation S-X. As such, the Company is required to present summarized financial information for all of its equity method investments as a group as follows:

	Year ended March 31,		
	2020	2021	**2022**
	(in millions of RMB)		
Operating data:			
Revenue	553,387	657,065	**541,712**
Cost of revenue	(443,198)	(474,123)	**(371,076)**
Income from operations	5,274	55,896	**38,006**
Net income	30,578	95,224	**113,970**

	As of March 31,	
	2021	**2022**
	(in millions of RMB)	
Balance sheet data:		
Current assets	668,838	**624,045**
Non-current assets	586,434	**870,394**
Current liabilities	464,257	**426,170**
Non-current liabilities	129,985	**118,575**
Noncontrolling interests and mezzanine equity	22,997	**16,059**

15. Property and equipment, net

	As of March 31,	
	2021	**2022**
	(in millions of RMB)	
Building, property improvements and other property	99,087	**106,794**
Computer equipment and software	84,802	**94,539**
Construction in progress	19,958	**43,675**
Furniture, office and transportation equipment and others	17,147	**20,554**
	220,994	**265,562**
Less: accumulated depreciation and impairment	(73,582)	**(93,756)**
Net book value	147,412	**171,806**

Depreciation expenses recognized for the years ended March 31, 2020, 2021 and 2022 were RMB20,325 million, RMB25,550 million and RMB25,470 million, respectively.

16. Intangible assets, net

	As of March 31,	
	2021	**2022**
	(in millions of RMB)	
User base and customer relationships	50,066	**47,941**
Trade names, trademarks and domain names	39,440	**39,080**
Non-compete agreements	19,445	**14,436**
Developed technology and patents	12,855	**7,088**
Licensed copyrights (Note 2(x)) and others	9,411	**8,384**
	131,217	**116,929**
Less: accumulated amortization and impairment	(60,384)	**(57,698)**
Net book value	70,833	**59,231**

During the years ended March 31, 2020, 2021 and 2022, the Company acquired intangible assets amounting to RMB5,626 million, RMB20,750 million and RMB1,000 million, respectively, in connection with business combinations, which were measured at fair value upon acquisition. Details of intangible assets acquired in connection with business combinations are included in Note 4.

The estimated aggregate amortization expenses for each of the five succeeding fiscal years and thereafter are as follows:

	Amounts
	(in millions of RMB)
For the year ending March 31,	
2023	12,660
2024	10,886
2025	7,249
2026	4,536
2027	4,629
Thereafter	19,271
	59,231

17. Goodwill

Changes in the carrying amount of goodwill by segment for the years ended March 31, 2021 and 2022 were as follows:

	Core commerce	China commerce	International commerce	Local consumer services	Cainiao	Cloud	Digital media and entertainment	Innovation initiatives and others	Total
					(in millions of RMB)				
Balance as of March 31, 2020	209,533	–	–	–	–	2,510	58,673	6,066	276,782
Additions (i)	14,605	–	–	–	–	–	–	2,974	17,579
Deconsolidation of subsidiaries	–	–	–	–	–	(455)	–	–	(455)
Measurement period adjustments	240	–	–	–	–	–	–	–	240
Foreign currency translation adjustments	(1,364)	–	–	–	–	(11)	–	–	(1,375)
Balance as of March 31, 2021	223,014	–	–	–	–	2,044	58,673	9,040	292,771
Additions	2,506	523	–	–	–	254	–	–	3,283
Impairment	–	–	–	–	–	–	(25,141)	–	(25,141)
Allocation of goodwill (ii)	(224,407)	174,424	17,630	20,292	16,346	815	–	(5,100)	–
Foreign currency translation adjustments	(1,113)	–	(169)	–	–	(50)	–	–	(1,332)
Balance as of March 31, 2022	–	174,947	17,461	20,292	16,346	3,063	33,532	3,940	269,581

(i) During the year ended March 31, 2021, additions under the Core commerce segment primarily included the acquisition of Sun Art (Note 4(a)).

(ii) During the year ended March 31, 2022, the Company allocated its goodwill primarily as a result of the change in segments (Note 26).

Gross goodwill balances were RMB297,250 million and RMB299,201 million as of March 31, 2021 and 2022, respectively. Accumulated impairment losses were RMB4,479 million and RMB29,620 million as of March 31, 2021 and 2022, respectively.

In the annual goodwill impairment assessment, the Company concluded that the carrying amounts of certain reporting units exceeded their respective fair values and recorded impairment losses of RMB576 million, nil and RMB25,141 million during the years ended March 31, 2020, 2021 and 2022, respectively. During the year ended March 31, 2022, considered the changes in market conditions, the Company performed quantitative impairment tests on certain reporting units under the Digital media and entertainment segment and recognized impairment charges of RMB14,754 million relating to one listed reporting unit and RMB10,387 million relating to one unlisted reporting unit. The fair value of the listed reporting unit is determined based on its market capitalization, adjusted for control premium. The fair value of the unlisted reporting unit is determined using the income approach, which is based on the discounted cash flow analysis derived from assumptions of future growth rates and weighted average cost of capital. The goodwill impairment is presented as an unallocated item in the segment information (Note 26) because the CODM of the Company does not consider this as part of the segment operating performance measure.

18. Deferred revenue and customer advances

Deferred revenue and customer advances primarily represent service fees prepaid by merchants or customers for which the relevant services have not been provided. The respective balances are as follows:

	As of March 31,	
	2021	**2022**
	(in millions of RMB)	
Deferred revenue	30,508	**32,085**
Customer advances	35,139	**38,388**
	65,647	**70,473**
Less: current portion	(62,489)	**(66,983)**
Non-current portion	3,158	**3,490**

All service fees received in advance are initially recorded as customer advances. These amounts are transferred to deferred revenue upon commencement of the provision of services by the Company and are recognized in the consolidated income statements in the period in which the services are provided. In general, service fees received in advance are non-refundable after the amounts are transferred to deferred revenue. Substantially all of the balances of deferred revenue and customer advances are generally recognized as revenue within one year.

19. Accrued expenses, accounts payable and other liabilities

	As of March 31,	
	2021	**2022**
	(in millions of RMB)	
Current:		
Payables and accruals for cost of revenue and sales and marketing expenses	94,368	**107,205**
Other deposits and advances received (i)	53,794	**55,200**
Accrued bonus and staff costs, including sales commission	24,871	**28,343**
Payable to merchants and third party marketing affiliates	24,681	**26,798**
Anti-monopoly Fine (Note 25(b))	18,228	**-**
Payables and accruals for purchases of property and equipment	11,836	**17,032**
Other taxes payable (ii)	7,922	**8,761**
Amounts due to related companies (iii)	5,926	**7,783**
Contingent and deferred consideration in relation to investments and acquisitions	4,146	**2,045**
Operating lease liabilities (Note 6)	4,069	**4,994**
Escrow money payable	211	**203**
Others	11,088	**13,096**
	261,140	**271,460**
Non-current:		
Operating lease liabilities (Note 6)	28,217	**30,259**
Contingent and deferred consideration in relation to investments and acquisitions	1,049	**990**
Others	1,488	**628**
	30,754	**31,877**

(i) Other deposits and advances received as of March 31, 2021 and 2022 include consumer protection fund deposits received from merchants on the Company's marketplaces (Note 10).

(ii) Other taxes payable primarily represent VAT and PRC individual income tax of employees withheld by the Company.

(iii) Amounts due to related companies primarily represent balances arising from the transactions with Ant Group (Note 22). The balances are unsecured, interest free and repayable within the next twelve months.

20. Bank borrowings

Bank borrowings are analyzed as follows:

	As of March 31	
	2021	2022
	(in millions of RMB)	
Current portion:		
Short-term other borrowings (i)	3,606	8,841
Non-current portion:		
US$4.0 billion syndicated loan denominated in US$ (ii)	26,153	25,331
Long-term other borrowings (iii)	12,182	12,913
	38,335	38,244

(i) As of March 31, 2021 and 2022, the Company had short-term borrowings from banks which were repayable within one year or on demand and charged interest rates ranging from 0.6% to 12.5% and 0.6% to 12.5% per annum, respectively. As of March 31, 2021 and 2022, the weighted average interest rate of these borrowings was 2.9% and 2.8% per annum, respectively. The borrowings are primarily denominated in RMB or HK$.

(ii) As of March 31, 2021 and 2022, the Company had a US$4.0 billion syndicated loan, which was entered into with a group of eight lead arrangers. The loan was priced at 85 basis points over LIBOR and will mature in May 2024. Certain related floating interest payments are hedged by certain interest rate swap contracts entered into by the Company. The proceeds of the loan were used for general corporate and working capital purposes (including acquisitions).

(iii) As of March 31, 2021 and 2022, the Company had long-term borrowings from banks with weighted average interest rates of 4.3% and 4.1% per annum, respectively. The borrowings are primarily denominated in RMB.

Certain other bank borrowings are collateralized by a pledge of certain buildings and property improvements, construction in progress and land use rights in the PRC with carrying values of RMB18,365 million and RMB19,617 million, as of March 31, 2021 and 2022, respectively. As of March 31, 2022, the Company is in compliance with all covenants in relation to bank borrowings.

In April 2017, the Company obtained a revolving credit facility provided by certain financial institutions for an amount of US$5.15 billion, which has not yet been drawn down. The interest rate on any outstanding utilized amount under this credit facility was calculated based on LIBOR plus 95 basis points. This facility is reserved for general corporate and working capital purposes (including acquisitions). In June 2021, the terms of this credit facility were amended and the amount of the credit facility was increased to US$6.5 billion. The expiration date of the credit facility was extended to June 2026. Under the amended terms of the credit facility, the interest rate on any outstanding utilized amount will be calculated based on LIBOR plus 80 basis points.

As of March 31, 2022, the borrowings will be due according to the following schedule:

	Principal amounts
	(in millions of RMB)
Within 1 year	8,841
Between 1 to 2 years	732
Between 2 to 3 years	27,960
Between 3 to 4 years	2,791
Between 4 to 5 years	1,907
Beyond 5 years	4,921
	47,152

21. Unsecured senior notes

In November 2014, the Company issued unsecured senior notes including floating rate and fixed rate notes with varying maturities for an aggregate principal amount of US$8.0 billion (the "2014 Senior Notes"), of which US$1.3 billion was repaid in November 2017, US$2.25 billion was repaid in November 2019 and US$1.5 billion was repaid in November 2021. The 2014 Senior Notes are senior unsecured obligations that are listed on the HKSE, and interest is payable in arrears, quarterly for the floating rate notes and semiannually for the fixed rate notes.

In December 2017, the Company issued unsecured fixed rate senior notes with varying maturities for an aggregate principal amount of US$7.0 billion (the "2017 Senior Notes"). The 2017 Senior Notes are senior unsecured obligations that are listed on the Singapore Stock Exchange, and interest is payable in arrears semiannually.

In February 2021, the Company issued unsecured fixed rate senior notes with varying maturities for an aggregate principal amount of US$5.0 billion (the "2021 Senior Notes"). The 2021 Senior Notes are senior unsecured obligations that are listed on the Singapore Stock Exchange, and interest is payable in arrears semiannually.

The following table provides a summary of the Company's unsecured senior notes as of March 31, 2021 and 2022:

	As of March 31,		Effective
	2021	**2022**	interest rate
	(in millions of RMB)		
US$1,500 million 3.125% notes due 2021	9,831	**–**	3.26%
US$700 million 2.800% notes due 2023	4,584	**4,439**	2.90%
US$2,250 million 3.600% notes due 2024	14,724	**14,256**	3.68%
US$2,550 million 3.400% notes due 2027	16,616	**16,091**	3.52%
US$1,500 million 2.125% notes due 2031	9,782	**9,469**	2.20%
US$700 million 4.500% notes due 2034	4,545	**4,400**	4.60%
US$1,000 million 4.000% notes due 2037	6,510	**6,300**	4.06%
US$1,000 million 2.700% notes due 2041	6,463	**6,256**	2.80%
US$1,750 million 4.200% notes due 2047	11,382	**11,014**	4.25%
US$1,500 million 3.150% notes due 2051	9,764	**9,448**	3.19%
US$1,000 million 4.400% notes due 2057	6,501	**6,290**	4.44%
US$1,000 million 3.250% notes due 2061	6,510	**6,296**	3.28%
Carrying value	107,212	**94,259**	
Unamortized discount and debt issuance costs	756	**668**	
Total principal amounts of unsecured senior notes	107,968	**94,927**	
Less: current portion of principal amounts of unsecured senior notes	(9,845)	**–**	
Non-current portion of principal amounts of unsecured senior notes	98,123	**94,927**	

21. Unsecured senior notes (Continued)

The effective interest rates for the unsecured senior notes include the interest charged on the notes as well as amortization of the debt discounts and debt issuance costs.

The unsecured senior notes contain covenants including, among others, limitation on liens, consolidation, merger and sale of the Company's assets. As of March 31, 2022, the Company is in compliance with all these covenants. In addition, the unsecured senior notes rank senior in right of payment to all of the Company's existing and future indebtedness expressly subordinated in right of payment to the notes and rank at least equally in right of payment with all of the Company's existing and future unsecured unsubordinated indebtedness (subject to any priority rights pursuant to applicable law).

As of March 31, 2022, the future principal payments for the Company's unsecured senior notes will be due according to the following schedule:

	Principal amounts
	(in millions of RMB)
Within 1 year	–
Between 1 to 2 years	4,445
Between 2 to 3 years	14,287
Between 3 to 4 years	–
Between 4 to 5 years	–
Thereafter	76,195
	94,927

As of March 31, 2021 and 2022, the fair values of the Company's unsecured senior notes, based on Level 2 inputs, were US$16,976 million (RMB111,419 million) and US$14,067 million (RMB89,319 million), respectively.

22. Related party transactions

During the years ended March 31, 2020, 2021 and 2022, other than disclosed elsewhere, the Company had the following material related party transactions:

Transactions with Ant Group and its affiliates

	Year ended March 31,		
	2020	2021	2022
	(in millions of RMB)		
Amounts earned by the Company			
Cloud services revenue (i)	1,872	3,916	**5,536**
Administrative and support services (i)	1,224	1,208	**1,165**
Annual fee for SME loan business (ii)	954	954	**708**
Profit Share Payments (iii)	3,835	–	**–**
Marketplace software technology services fee and other amounts earned (i)	2,075	2,427	**2,358**
	9,960	8,505	**9,767**
Amounts incurred by the Company			
Payment processing and escrow services fee (iv)	8,723	10,598	**11,824**
Other amounts incurred (i)	2,743	4,509	**3,542**
	11,466	15,107	**15,366**

(i) The Company has other commercial arrangements and cost sharing arrangements with Ant Group and its affiliates on various sales and marketing, cloud, and other administrative and support services.

(ii) Pursuant to the SAPA, the Company entered into software system use and service agreements with Ant Group in 2014, under which the Company would receive annual fees for SME loan business for a term of seven years. In calendar years 2018 to 2021, the Company received or will receive annual fees equal to the amount received in calendar year 2017, which was equal to 2.5% of the average daily balance of the SME loans made by Ant Group and its affiliates during that year. The annual fee payment by Ant Group in relation to SME loan business was terminated in December 2021.

(iii) In 2014, the Company entered into the 2014 IPLA with Ant Group. Under the 2014 IPLA, the Company received the Profit Share Payments amounting to the sum of an expense reimbursement plus 37.5% of the consolidated pre-tax income of Ant Group, subject to certain adjustments. Upon the receipt of 33% equity interest in Ant Group in September 2019, the Company entered into the Amended IPLA and terminated the 2014 IPLA, and the Profit Share Payments arrangement was terminated (Note 4(k)). Profit Share Payments were recorded in other income, net in the consolidated income statements, net of the costs incurred for the provision of the software technology services reimbursed by Ant Group.

(iv) The Company has a commercial agreement with Alipay whereby the Company receives payment processing and escrow services in exchange for a payment for the services fee, which was recognized in cost of revenue.

As of March 31, 2021 and 2022, the Company had certain amounts of cash held in accounts managed by Alipay in connection with the provision of online and mobile commerce and related services for a total amount of RMB6,831 million and RMB8,987 million, respectively, which have been classified as cash and cash equivalents on the consolidated balance sheets.

22. Related party transactions (Continued)

Transactions with other investees

The Company has commercial arrangements with certain investees of the Company related to cloud services. In connection with these services provided by the Company, RMB1,548 million, RMB2,411 million and RMB1,826 million were recorded in revenue in the consolidated income statements for the years ended March 31, 2020, 2021 and 2022, respectively.

The Company has commercial arrangements with certain investees of the Company related to marketing services. In connection with these services provided to the Company, RMB1,146 million, RMB1,394 million and RMB976 million were recorded in cost of revenue and sales and marketing expenses in the consolidated income statements for the years ended March 31, 2020, 2021 and 2022, respectively.

The Company has commercial arrangements with certain investees of the Company related to logistics services. In connection with these services provided by the Company, RMB1,400 million, RMB1,732 million and RMB1,728 million were recorded in revenue in the consolidated income statements for the years ended March 31, 2020, 2021 and 2022, respectively. Costs and expenses incurred in connection with these services provided to the Company of RMB8,265 million, RMB11,068 million and RMB13,120 million were recorded in the consolidated income statements for the same periods, respectively.

The Company has extended loans to certain investees for working capital and other uses in conjunction with the Company's investments. As of March 31, 2021 and 2022, the aggregate outstanding balance of these loans was RMB2,824 million and RMB3,000 million, respectively, with remaining terms of up to five years and interest rates of up to 10% per annum as of March 31, 2021, and remaining terms of up to four years and interest rates of up to 10% per annum as of March 31, 2022.

The Company provided a guarantee for a term loan facility of HK$7.7 billion in favor of Hong Kong Cingleot Investment Management Limited ("Cingleot"), a company that is partially owned by Cainiao Network, in connection with a logistics center development project at the Hong Kong International Airport. As of March 31, 2022, HK$3,413 million was drawn down by Cingleot under this facility.

Other transactions

The Company's ecosystem offers different platforms on which different enterprises operate and the Company believes that all transactions on the Company's platforms are conducted on terms obtained in arm's length transactions with similar unrelated parties.

Other than the transactions disclosed above or elsewhere in the consolidated financial statements, the Company has commercial arrangements with SoftBank, other investees and other related parties to provide and receive certain marketing, cloud and other services and products. The amounts relating to these services provided and received represent less than 1% of the Company's revenue and total costs and expenses, respectively, for the years ended March 31, 2020, 2021 and 2022.

In addition, the Company has made certain acquisitions and equity investments together with related parties from time to time during the years ended March 31, 2020, 2021 and 2022. The agreements for acquisitions and equity investments were entered into by the parties involved and conducted on fair value basis. The significant acquisitions and equity investments together with related parties are included in Note 4.

23. Restricted net assets

PRC laws and regulations permit payments of dividends by the Company's subsidiaries incorporated in the PRC only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. In addition, the Company's subsidiaries incorporated in the PRC are required to annually appropriate 10% of their net income to the statutory reserve prior to payment of any dividends, unless the reserve has reached 50% of their respective registered capital. Furthermore, registered share capital and capital reserve accounts are also restricted from distribution. As a result of the restrictions described above and elsewhere under PRC laws and regulations, the Company's subsidiaries incorporated in the PRC are restricted in their ability to transfer a portion of their net assets to the Company in the form of dividends. The restriction amounted to RMB165,590 million as of March 31, 2022. Except for the above or disclosed elsewhere, there is no other restriction on the use of proceeds generated by the Company's subsidiaries to satisfy any obligations of the Company.

24. Commitments

(a) Capital commitments

The Company's capital commitments primarily relate to capital expenditures contracted for purchase of property and equipment, including the construction of corporate campuses. Total capital commitments contracted but not provided for amounted to RMB37,595 million and RMB39,272 million as of March 31, 2021 and 2022, respectively. The capital expenditures contracted for are analyzed as follows:

	As of March 31,	
	2021	**2022**
	(in millions of RMB)	
No later than 1 year	23,424	**25,438**
Later than 1 year and no later than 5 years	13,768	**13,781**
More than 5 years	403	**53**
	37,595	**39,272**

(b) Investment commitments

The Company was obligated to pay up to RMB19,466 million and RMB12,456 million for business combinations and equity investments under various arrangements as of March 31, 2021 and 2022, respectively. The commitment balance as of March 31, 2021 primarily includes the consideration for the investment in Focus Media Information Technology Co.Ltd., of which the arrangement was terminated in November 2021, and the remaining committed capital of certain investment funds. The commitment balance as of March 31,2022 primarily includes the remaining committed capital of certain investment funds.

24. Commitments (Continued)

(c) Other commitments

The Company also has other commitments including commitments for co-location and bandwidth fees, licensed copyrights and marketing expenses. These commitments are analyzed as follows:

	As of March 31,	
	2021	**2022**
	(in millions of RMB)	
No later than 1 year	35,109	**37,229**
Later than 1 year and no later than 5 years	17,266	**17,347**
More than 5 years	2,849	**2,446**
	55,224	**57,022**

As a marketing initiative, the Company entered into a framework agreement with the International Olympic Committee (the "IOC") and the United States Olympic Committee in January 2017 for a long-term partnership arrangement through 2028. Joining in The Olympic Partner worldwide sponsorship program, the Company has become the official "E-Commerce Services" Partner and "Cloud Services" Partner of the IOC. In addition, the Company has been granted certain marketing rights, benefits and opportunities relating to future Olympic Games and related initiatives, events and activities. The Company committed to provide at least US$815 million worth of cash, cloud infrastructure services and cloud computing services, as well as marketing and media support in connection with various Olympic initiatives, events and activities, including the Olympic Games and the Winter Olympic Games through 2028.

25. Risks and contingencies

(a) The Company is incorporated in the Cayman Islands and considered as a foreign entity under PRC laws. Due to legal restrictions on foreign ownership and investment in, among other areas, value-added telecommunications services, which include the operations of Internet content providers, the Company operates its Internet businesses and other businesses through various contractual arrangements with VIEs that are incorporated and owned by PRC citizens or by PRC entities owned and/or controlled by PRC citizens. The VIEs hold the licenses and approvals that are essential for their business operations in the PRC and the Company has entered into various agreements with the VIEs and their equity holders such that the Company has the right to benefit from their licenses and approvals and generally has control of the VIEs. In the Company's opinion, the current ownership structure and the contractual arrangements with the VIEs and their equity holders as well as the operations of the VIEs are in substantial compliance with all existing PRC laws, rules and regulations. However, there may be changes and other developments in PRC laws, rules and regulations. Accordingly, the Company gives no assurance that PRC government authorities will not take a view in the future that is contrary to the opinion of the Company. If the current ownership structure of the Company and its contractual arrangements with the VIEs and their equity holders were found to be in violation of any existing or future PRC laws or regulations, the Company's ability to conduct its business could be impacted and the Company may be required to restructure its ownership structure and operations in the PRC to comply with the changes in the PRC laws which may result in deconsolidation of the VIEs.

25. Risks and contingencies (Continued)

(b) The PRC market in which the Company operates poses certain macro-economic and regulatory risks and uncertainties. These uncertainties extend to the ability of the Company to operate or invest in online and mobile commerce or other Internet related businesses, representing the principal services provided by the Company, in the PRC. The information and technology industries are highly regulated. Restrictions are currently in place or are unclear regarding what specific segments of these industries foreign owned enterprises, like the Company, may operate. If new or more extensive restrictions were imposed on the segments in which the Company is permitted to operate, the Company could be required to sell or cease to operate or invest in some or all of its current businesses in the PRC. These uncertainties also extend to the PRC's regulations relating to anti-monopoly and anti-unfair competition. In December 2020, the State Administration for Market Regulation of the PRC (the "SAMR") commenced an investigation on the Company pursuant to the PRC Anti-monopoly Law. Following the investigation, in April 2021, the SAMR issued an administrative penalty decision of the anti-monopoly investigation into the Company and imposed a fine of RMB18.2 billion (Note 19), which was accrued for as of March 31, 2021. The amount has been paid as of March 31, 2022. The SAMR also issued an administrative guidance, instructing the Company to implement a comprehensive rectification program, and to file a self-assessment and compliance report to the SAMR for three consecutive years.

(c) PRC regulators have enhanced their scrutiny over financial technology, or fintech, businesses, and have proposed or promulgated several new measures and rules to strengthen regulations over certain financial industries in which Ant Group operates, such as digital payment, wealth management, micro financing and insurance. Ant Group has also been in discussions with PRC regulators about its business. In December 2020, Ant Group announced that it would establish a rectification working group and bring the operation and development of its finance-related businesses in line with regulatory requirements. In April 2021, Ant Group announced that under the regulators' guidance, and in accordance with regulatory requirements, Ant Group had completed the formulation of its rectification plan, according to which Ant Group would apply to set up a financial holding company to ensure its financial-related businesses are fully regulated. To implement the rectification plan and comply with applicable new measures and rules, Ant Group may be required to spend significant time and resources and make changes to its businesses. As a result of regulatory developments, Ant Group's business operations and growth prospects could be materially and adversely affected. Given that Ant Group offers a variety of services and products that have become essential parts of the services and experience the Company offers to consumers and merchants on the Company's platforms, rectification and other regulatory requirements placed on Ant Group could in turn have a material adverse effect on the Company.

(d) The Company is exposed to interest rate risk related to its indebtedness. The Company also has interest bearing assets, including cash and cash equivalents, short-term investments and restricted cash. Certain of the Company's indebtedness carries floating interest rates based on a spread over LIBOR. As a result, the interest expenses associated with these indebtedness will be subject to the potential impact of any fluctuation in LIBOR. The Company uses derivatives, such as interest rate swaps, to manage its interest rate exposure, and has entered into various agreements with various financial institutions as counterparties to swap a certain portion of its floating interest rate debt to effectively become fixed interest rate debt. Uncertainties surrounding the phase-out of LIBOR may cause a sudden and prolonged increase or decrease in LIBOR, could adversely affect the Company's operating results and financial condition, as well as the Company's cash flows. In addition, since LIBOR will not be available, the Company may need to further negotiate with its lenders to agree on an alternative basis of interest, which may result in an interest rate differing from the Company's expectations and could materially affect the cost of these facilities to the Company.

25. Risks and contingencies (Continued)

(e) The Company's sales, purchase and expense transactions are generally denominated in RMB and a significant portion of the Company's assets and liabilities are denominated in RMB. RMB is not freely convertible into foreign currencies. In the PRC, foreign exchange transactions are required by law to be transacted only by authorized financial institutions at exchange rates set by the People's Bank of China (the "PBOC").

Remittances in currencies other than RMB by the Company in the PRC must be processed through the PBOC or other PRC foreign exchange regulatory bodies and require certain supporting documentation in order to effect the remittance. If the foreign exchange control system prevents the Company from obtaining sufficient foreign currencies to satisfy its currency demands, the Company may not be able to pay dividends in foreign currencies and the Company's ability to fund its business activities that are conducted in foreign currencies could be adversely affected.

(f) In the ordinary course of business, the Company makes strategic investments to increase the service offerings and expand capabilities. The Company continually reviews its investments to determine whether there is a decline in fair value below the carrying value. Fair value of the listed securities is subject to volatility and may be materially affected by market fluctuations.

(g) Financial instruments that potentially subject the Company to significant concentration of credit risk consist principally of cash and cash equivalents, short-term investments, restricted cash and equity securities and other investments. As of March 31, 2021 and 2022, substantially all of the Company's cash and cash equivalents, short-term investments and restricted cash were held by major financial institutions located worldwide, including mainland China and Hong Kong S.A.R. If the financial institutions and other issuers of financial instruments held by the Company could become insolvent or if the markets for these instruments could become illiquid as a result of a severe economic downturn, the Company could lose some or all of the value of its investments.

(h) During the years ended March 31, 2020, 2021 and 2022, the Company offered a trade assurance program on the international wholesale marketplaces at no charge to the wholesale buyers and sellers. If the wholesale sellers who participate in this program do not deliver the products in their stated specifications to the wholesale buyers on schedule, the Company may compensate the wholesale buyers for their losses on behalf of the wholesale sellers up to a pre-determined amount following a review of each particular case. In turn, the Company will seek a full reimbursement from the wholesale sellers for the prepaid reimbursement amount, yet the Company is exposed to a risk over the collectibility of the reimbursement from the wholesale sellers. During the years ended March 31, 2020, 2021 and 2022, the Company did not incur any material losses with respect to the compensation provided under this program. Given that the maximum compensation for each wholesale seller is pre-determined based on their individual risk assessments by the Company considering their credit profile or other relevant information, the Company determined that the likelihood of material default on the payments are not probable and therefore no provisions have been made in relation to this program.

25. Risks and contingencies (Continued)

(i) In the ordinary course of business, the Company is from time to time involved in legal proceedings and litigations in relation to disputes relating to trademarks and other intellectual property, among others. In 2017, Beijing Jingdong Shiji Trading Co., Ltd. and Beijing Jingdong 360 E-commerce Co., Ltd. sued Tmall China, Zhejiang Tmall Network Co., Ltd. and Alibaba Group Holding Limited for abuse of dominant market position. The plaintiffs requested the three defendants to cease relevant acts and claimed a substantial amount of damages in the original complaint. In March 2021, the plaintiffs amended their claim to seek higher damages. The case is pending in Beijing High People's Court and the potential damages are not reasonably estimable at the current stage. There are no legal proceedings and litigations that have in the recent past had, or to the Company's knowledge, are probable to have, a material impact on the Company's financial positions, results of operations or cash flows. The Company did not accrue any material loss contingencies in this respect as of March 31, 2021 and 2022.

(j) The global outbreak of the COVID-19 pandemic is having a significant negative impact on the global economy, which has adversely affected the Company's business and financial results. Starting in late January 2020, the COVID-19 pandemic triggered a series of lock-downs, social distancing requirements and travel restrictions that have significantly and negatively affected, and may continue to negatively affect, our various businesses in China, particularly the Company's China commerce and local consumer services businesses. The Company's key international commerce businesses also experienced a negative impact. The COVID-19 pandemic also presented and may continue to present challenges to the Company's business operations as well as the business operations of the Company's merchants, business partners and other participants in the Company's ecosystem, such as closure of offices and facilities, disruptions to or even suspensions of normal business and logistics operations, as well as restrictions on travel. It is not possible to determine the ultimate impact of the COVID-19 pandemic on the Company's business operations and financial results, which is highly dependent on numerous factors, including the duration and spread of the pandemic and any resurgence of the COVID-19 pandemic in China or elsewhere, actions taken by governments, the response of businesses and individuals to the pandemic, the impact of the pandemic on business and economic conditions in China and globally, consumer demand, the Company's ability and the ability of merchants, retailers, logistics service providers and other participants in the Company's ecosystem to continue operations in areas affected by the pandemic and the Company's efforts and expenditures to support merchants and partners and ensure the safety of the Company's employees. The COVID-19 pandemic may continue to adversely affect the Company's business and results of operations.

(k) The Russia-Ukraine conflict has resulted in significant disruptions to supply chains, logistics and business activities in the region that has negatively affected our international commerce business and Cainiao's international logistics business. The conflict has also caused, and continues to intensify, significant geopolitical tensions in Europe and across the globe. The resulting sanctions imposed are expected to have significant impacts on the economic conditions of the countries and markets targeted by such sanctions, and may have unforeseen, unpredictable secondary effects on global energy prices, supply chains and other aspects of the global economy. The conflict may adversely affect our business, financial condition and results of operations.

26. Segment information

The Company presents segment information after elimination of inter-company transactions. In general, revenue, cost of revenue and operating expenses are directly attributable, or are allocated, to each segment. The Company allocates costs and expenses that are not directly attributable to a specific segment, such as those that support infrastructure across different segments, to different segments mainly on the basis of usage, revenue or headcount, depending on the nature of the relevant costs and expenses. The Company does not allocate assets to its segments as the CODM does not evaluate the performance of segments using asset information.

Starting from the quarter ended December 31, 2021, the CODM started to review information under a new reporting structure, and segment reporting has been updated to conform to this change, which also provides greater transparency in the Company's business progress and financial performance (Note 2(e)). The following tables present the summary of each segment's revenue, income from operations and adjusted earnings before interest, taxes and amortization ("Adjusted EBITA") which is considered as a segment operating performance measure, for the years ended March 31, 2020, 2021 and 2022. Comparative figures for the years ended March 31, 2020 and 2021 were recast to conform to the segment presentation for the year ended March 31, 2022.

	Year ended March 31, 2020									
	China commerce	International commerce	Local consumer services (i)	Cainiao	Cloud (ii)	Digital media and entertainment	Innovation initiatives and others (i)(ii)	Total segments	Unallocated (iii)	Consolidated
	(in millions of RMB, except percentages)									
Revenue	351,977	33,917	29,660	22,233	40,301	29,094	2,529	509,711	–	509,711
Income (Loss) from operations	174,561	(7,615)	(26,289)	(5,218)	(9,662)	(15,389)	(6,661)	103,727	(12,297)	91,430
Add: share-based compensation expense	9,409	2,996	3,027	961	6,231	2,566	2,308	27,498	4,244	31,742
Add: amortization and impairment of intangible assets	845	279	8,245	2,373	25	1,377	86	13,230	158	13,388
Add: impairment of goodwill	–	–	–	–	–	–	–	–	576	576
Adjusted EBITA (iv)	184,815	(4,340)	(15,017)	(1,884)	(3,406)	(11,446)	(4,267)	144,455	(7,319)	
Adjusted EBITA margin (v)	53%	(13)%	(51)%	(8)%	(8)%	(39)%	(169)%			

	Year ended March 31, 2021									
	China commerce	International commerce	Local consumer services (i)	Cainiao	Cloud (ii)	Digital media and entertainment	Innovation initiatives and others (i)(ii)	Total segments	Unallocated (iii)	Consolidated
	(in millions of RMB, except percentages)									
Revenue	501,683	48,851	35,442	37,258	60,558	31,186	2,311	717,289	–	717,289
Income (Loss) from operations	197,135	(9,361)	(29,100)	(3,964)	(12,479)	(10,321)	(7,802)	124,108	(34,430)	89,678
Add: share-based compensation expense	14,505	4,223	4,972	1,956	10,205	3,281	2,518	41,660	8,460	50,120
Add: amortization of intangible assets	1,922	206	7,852	1,195	23	922	83	12,203	224	12,427
Add: Anti-monopoly Fine	–	–	–	–	–	–	–	–	18,228	18,228
Adjusted EBITA (iv)	213,562	(4,932)	(16,276)	(813)	(2,251)	(6,118)	(5,201)	177,971	(7,518)	
Adjusted EBITA margin (v)	43%	(10)%	(46)%	(2)%	(4)%	(20)%	(225)%			

26. Segment information (Continued)

	Year ended March 31, 2022									
	China commerce	International commerce	Local consumer services (i)	Cainiao	Cloud (ii)	Digital media and entertainment	Innovation initiatives and others (i)(ii)	Total segments	Unallocated (iii)	Consolidated
	(in millions of RMB, except percentages)									
Revenue	592,705	61,078	43,491	46,107	74,568	32,272	2,841	853,062	–	853,062
Income (Loss) from operations	172,219	(10,655)	(30,485)	(3,920)	(5,167)	(7,019)	(9,424)	105,549	(35,911)	69,638
Add: share-based compensation expense	7,078	1,569	2,556	1,396	6,297	1,520	1,839	22,255	1,716	23,971
Add: amortization of intangible assets	2,817	95	6,154	1,059	16	809	456	11,406	241	11,647
Add: impairment of goodwill	–	–	–	–	–	–	–	–	25,141	25,141
Adjusted EBITA (iv)	182,114	(8,991)	(21,775)	(1,465)	1,146	(4,690)	(7,129)	139,210	(8,813)	
Adjusted EBITA margin (v)	31%	(15)%	(50)%	(3)%	2%	(15)%	(251)%			

The following table presents the reconciliation from the Adjusted EBITA to the consolidated net income for the years ended March 31, 2020, 2021 and 2022:

	Year ended March 31,		
	2020	2021	**2022**
	(in millions of RMB)		
Total Segments Adjusted EBITA	144,455	177,971	**139,210**
Unallocated (iii)	(7,319)	(7,518)	**(8,813)**
Share-based compensation expense	(31,742)	(50,120)	**(23,971)**
Amortization and impairment of intangible assets	(13,388)	(12,427)	**(11,647)**
Impairment of goodwill	(576)	–	**(25,141)**
Anti-monopoly Fine	–	(18,228)	**–**
Consolidated income from operations	91,430	89,678	**69,638**
Interest and investment income, net	72,956	72,794	**(15,702)**
Interest expense	(5,180)	(4,476)	**(4,909)**
Other income, net	7,439	7,582	**10,523**
Income tax expenses	(20,562)	(29,278)	**(26,815)**
Share of results of equity method investees	(5,733)	6,984	**14,344**
Consolidated net income	140,350	143,284	**47,079**

26. Segment information (Continued)

The following table presents the consolidated depreciation and impairment of property and equipment, and operating lease cost relating to land use rights by segment for the years ended March 31, 2020, 2021 and 2022:

	Year ended March 31,		
	2020	2021	**2022**
	(in millions of RMB)		
China commerce	6,605	9,790	**13,043**
International commerce	725	1,180	**1,473**
Local consumer services (i)	766	1,161	**1,237**
Cainiao	694	872	**992**
Cloud (ii)	9,257	11,161	**7,613**
Digital media and entertainment	1,359	1,109	**956**
Innovation initiatives and others and unallocated (i)(ii)(iii)	1,117	1,116	**2,494**
Consolidated depreciation and impairment of property and equipment, and operating lease cost relating to land use rights	20,523	26,389	**27,808**

(i) For the year ended March 31, 2022, as a result of the change in segment reporting (Note 2(e)), the Company reclassified results of Amap, which was previously reported under the Innovation initiatives and others segment, to the Local consumer services segment. Figures for the years ended March 31, 2020 and 2021 were reclassified to conform to this presentation.

(ii) For the year ended March 31, 2022, the Company reclassified results of DingTalk, which was previously reported under the Innovation initiatives and others segment, to the Cloud segment in order to conform to the way that we manage and monitor segment performance. Figures for the years ended March 31, 2020 and 2021 were reclassified to conform to this presentation.

(iii) Unallocated expenses primarily relate to corporate administrative costs and other miscellaneous items that are not allocated to individual segments.

(iv) Adjusted EBITA represents net income before (i) interest and investment income, net, interest expense, other income, net, income tax expenses and share of results of equity method investees, (ii) certain non-cash expenses, consisting of share-based compensation expense, amortization and impairment of intangible assets and impairment of goodwill, and (iii) Anti-monopoly Fine, which the Company does not believe are reflective of the Company's core operating performance during the periods presented.

(v) Adjusted EBITA margin represents Adjusted EBITA divided by revenue.

Details of the Company's revenue by segment are set out in Note 5. As substantially all of the Company's long-lived assets are located in the PRC and substantially all of the Company's revenue is derived from within the PRC, no geographical information is presented.

APPENDIX II

REPRODUCTION OF THE PRESS RELEASE DATED 3 AUGUST 2022 CONTAINING THE GUARANTOR’S CONSOLIDATED FINANCIAL RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2022

The information set out below is a reproduction of the press release dated 3 August 2022 containing the Guarantor’s consolidated financial results for the second quarter ended 30 June 2022.

SOCIETE GENERALE

RESULTS AT JUNE 30TH, 2022

Press release
Paris, August 3rd, 2022

EXCELLENT UNDERLYING PERFORMANCE IN Q2 22 AND H1 22

Q2 2022
Strong revenue growth for all the businesses, up +12.8% vs. Q2 21 (+13.4%*), driven by record levels in several businesses
Good cost control and improvement in the cost to income ratio (**61.8%**[1] excluding contribution to the Single Resolution Fund)
Low cost of risk at 15 basis points, with a limited level of defaults
Effective exit from Russia[2]: EUR -3.3bn P&L impact before tax and very limited impact on capital
Underlying Group net income of EUR 1.5 billion (EUR -1.5 billion on a reported basis)
Underlying profitability (ROTE) of 10.5%[1]

H1 2022
Underlying Group net income of EUR 3.1 billion[1] (EUR -640 million on a reported basis), up +16.3% vs. H1 21
Underlying profitability (ROTE) of 10.8%[1]

CAPITAL POSITION

CET 1 ratio of 12.9%[3] at end-June 2022, around 360bp over MDA
Launch of the 2021 share buyback programme, for around EUR 915 million
2022 distribution provision of EUR 1.44 per share[4] at end-June 2022

STRENGHTENING OF OUR 2025 ESG TARGETS

Target of EUR 300 billion in sustainable finance for 2022 to 2025
Global Best Bank Transition Strategy (Euromoney Awards for Excellence 2022)

2025 FINANCIAL TARGETS

Revenue growth (above or equal to 3% 2021-2025 CAGR)
Improvement in the cost to income ratio (below or equal 62%)
Expected profitability of 10% (ROTE)
Target CET 1 ratio of 12% post Basel IV
Pay-out policy maintained: 50% of underlying Group net income (with a maximum of 40% of the distribution in the form of a share buy-backs[5])

Fréderic Oudéa, the Group's Chief Executive Officer, commented:
"Q2 2022 concluded two years of intense and disciplined execution of our various strategic projects. We have successfully simplified and strengthened the resilience of our business model, transformed our businesses to support the changing needs of our customers and the far-reaching transformations around digital technologies and ESG, and invested in a targeted manner in businesses with strong growth potential. We combined, in H1 2022, strong growth in revenues and underlying profitability above 10% (ROTE) and we were able to manage our exit from the Russian activities without significant capital impact and without handicapping the Group's strategic developments. These dynamics and performances make us confident regarding both the short term, in an undeniably more uncertain environment, and in the medium term. By 2025, having reaped all the benefits of the numerous strategic and operating efficiency initiatives under way, we confirm our ability to deliver profitability of 10% on the basis of a target core Tier 1 capital ratio of 12%, while maintaining an attractive distribution policy for our shareholders."

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(1) Underlying data (see methodology note No. 5 for the transition from accounting data to underlying data)
(2) Disposal of Rosbank and its Russian subsidiaries
(3) Phased-in ratio (fully-loaded ratio of 12.8%)
(4) On the basis of a distribution of 50% of underlying Group net income after deduction of interest on deeply subordinated notes and undated subordinated notes
(5) After deduction of interest on deeply subordinated notes and undated subordinated notes. Subject to General Meeting of Shareholders and regulatory approval
*The footnote * in this document corresponds to data adjusted for changes in Group Structure and at constant exchange rates*

1. GROUP CONSOLIDATED RESULTS

In EURm	Q2 22	Q2 21	Change		H1 22	H1 21	Change	
Net banking income	7,065	6,261	+12.8%	+13.4%*	14,346	12,506	+14.7%	+14.8%*
Operating expenses	(4,458)	(4,107)	+8.5%	+9.6%*	(9,787)	(8,855)	+10.5%	+11.2%*
Underlying operating expenses(1)	*(4,590)*	*(4,225)*	*+8.6%*	*+9.6%**	*(8,915)*	*(8,322)*	*+7.1%*	*+7.9%**
Gross operating income	2,607	2,154	+21.0%	+20.7%*	4,559	3,651	+24.9%	+23.3%*
Underlying gross operating income(1)	*2,475*	*2,036*	*+21.6%*	*+21.3%**	*5,431*	*4,184*	*+29.8%*	*+28.4%**
Net cost of risk	(217)	(142)	+52.8%	+52.4%*	(778)	(418)	+86.1%	+23.4%*
Operating income	2,390	2,012	+18.8%	+18.5%*	3,781	3,233	+17.0%	+23.2%*
Underlying operating income(1)	*2,258*	*1,894*	*+19.2%*	*+18.9%**	*4,653*	*3,766*	*+23.6%*	*+29.2%**
Net profits or losses from other assets	(3,292)	5	n/s	n/s	(3,290)	11	n/s	n/s
Net income from companies accounted for by the equity method	*4*	2	+100.0%	+100.0%*	*4*	5	-20.0%	-20.0%*
Income tax	(327)	(404)	-19.0%	-19.0%*	(680)	(687)	-1.0%	+48.7%*
Net income	(1,225)	1,615	n/s	n/s	(185)	2,562	n/s	n/s
O.w. non-controlling interests	257	176	+46.0%	+43.6%*	455	309	+47.2%	+45.7%*
Reported Group net income	(1,482)	1,439	n/s	n/s	(640)	2,253	n/s	n/s
Underlying Group net income(1)	*1,505*	*1,349*	*+11.5%*	*+11.0%**	*3,079*	*2,647*	*+16.3%*	*+11.1%**
ROE	-12.0%	9.8%			-3.4%	7.5%		
ROTE	-13.5%	11.2%			-3.8%	8.6%		
Underlying ROTE(1)	*10.5%*	*10.4%*			*10.8%*	*10.2%*		

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

Societe Generale's Board of Directors, which met on August 2nd, 2022 under the chairmanship of Lorenzo Bini Smaghi, examined the Societe Generale Group's results for Q2 and H1 2022.

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

On May 18th, 2022, the Group withdrew in an orderly and effective manner from Russia with the finalisation of the disposal of Rosbank and its insurance subsidiaries in Russia. This disposal results in the accounting of a loss in income statement of EUR 3.3 billion before tax, largely absorbed this semester with Group net income share at EUR -640 million. Despite a residual capital impact of -7 basis points over the quarter, the phased in CET 1 ratio remained stable at 12.9% at the end-June 2022.

Net banking income

Net banking income was substantially higher in Q2 22, up +12.8% (+13.4%*) vs. Q2 21, driven by an excellent performance by all the businesses.

The healthy momentum continued in French Retail Banking, with an increase in net banking income of +8.5% vs. Q2 21 reflecting notably a good commercial momentum, a high level of service fees and a record performance in Private Banking.

International Retail Banking & Financial Services enjoyed strong revenue growth (+21.4%* vs. Q2 21), driven by a record quarter for ALD and International Retail Banking. As a result, International Retail Banking saw its activities grow +12.7%* vs. Q2 21. Financial Services' net banking income was substantially higher (+45.1%* vs. Q2 21) while Insurance net banking income rose +7.9%* vs. Q2 21.

Global Banking & Investor Solutions once again delivered an excellent performance, with revenues up +18.3% (+16.1%*) vs. Q2 21. Global Markets & Investor Services was substantially higher (+25.3%, +19.8%*) than in Q2 21 while Financing & Advisory activities were at a record level, up +14.0% (+9.1%*) vs. Q2 21.

In H1 22, the Group posted strong revenue growth of +14.7% (+14.8%*) vs. H1 21, with growth in all the businesses.

Operating expenses

In Q2 22, operating expenses totalled EUR 4,458 million on a reported basis and EUR 4,590 million on an underlying basis (restated for transformation costs and the linearisation of IFRIC 21), an increase of +8.6% vs. Q2 21.

In H1 22, underlying operating expenses were up +7.1% vs. H1 21 at EUR 8,915 million on an underlying basis (EUR 9,787 million on a reported basis). This rise can be explained primarily by the higher contribution to the Single Resolution Fund (EUR +138 million), the increase in variable remuneration linked to the growth in revenues and the Global Employee Share Ownership Plan (EUR +152 million). The increase in other expenses therefore amounts to EUR +303 million, representing a rise of +3.5% vs. H1 21.

Driven by a very positive jaws effect, underlying gross operating income grew substantially in Q2 2022 (+21.6%) to EUR 2,475 million and the underlying cost to income ratio, excluding the Single Resolution Fund, improved by more than 3 points (61.8% vs. 65.1% in Q2 21).

In H1 2022, underlying gross operating income enjoyed a strong growth momentum, up +29.8% vs. H1 21 at EUR 5,431 million.

The Group now expects an underlying cost to income ratio excluding the Single Resolution Fund of between 64% and 66% in 2022.

Cost of risk

The cost of risk stood at a low level of 15 basis points in Q2 22, or EUR 217 million, lower than in Q1 22 which included the cost of risk of the Russian activities sold (39 basis points). It breaks down into a limited provision on non-performing loans of EUR 156 million and an additional provision on performing loans of EUR 61 million.

In H1 2022, the cost of risk amounted to 27 basis points.

Offshore exposure to Russia was reduced to EUR 2.6 billion of EAD (*Exposure At Default)* at June 30th, 2022. Exposure at risk on this portfolio is estimated at less than EUR 1 billion. The total associated provisions were EUR 377 million at end-June 2022.

Moreover, at end-June 2022, the Group's residual exposure in relation to Rosbank amounted to less than EUR 0.5 billion of EAD, corresponding mainly to guarantees and letters of credit that were recognised under intra-group exposure before the disposal of Rosbank.

The Group's provisions on performing loans amounted to EUR 3,409 million at end-June, an increase of EUR 54 million vs. end-December 2021.

The non-performing loans ratio amounted to 2.8%[(1)] at June 30th, 2022, lower than at end-March 2022 (2.9%). The Group's gross coverage ratio for doubtful outstandings was higher at 50%[(2)] at June 30th, 2022.

The cost of risk is still expected to be between 30 and 35 basis points in 2022.

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

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

Group net income

In EURm	Q2 22	Q2 21	H1 22	H1 21
Reported Group net income	(1,482)	1,439	(640)	2,253
Underlying Group net income(1)	1,505	1,349	3,079	2,647

In %	Q2 22	Q2 21	H1 22	H1 21
ROTE	-13.5%	11.2%	-3.8%	8.6%
Underlying ROTE(1)	10.5%	10.4%	10.8%	10.2%

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

Earnings per share amounts to EUR -1.10 in H1 22 (EUR 2.29 in H1 21). Underlying earnings per share amounts to EUR 2.87 over the same period (EUR 2.40 in H1 21).

2. THE GROUP'S FINANCIAL STRUCTURE

Group **shareholders' equity** totalled EUR 64.6 billion at June 30th, 2022 (EUR 65.1 billion at December 31st, 2021). Net asset value per share was EUR 67.0 and tangible net asset value per share was EUR 59.4.

The consolidated balance sheet totalled EUR 1,539 billion at June 30th, 2022 (EUR 1,464 billion at December 31st, 2021). The net amount of customer loan outstandings at June 30th, 2022, including lease financing, was EUR 498 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 512 billion, vs. EUR 502 billion at December 31st, 2021 (excluding assets and securities sold under repurchase agreements).

At July 18th, 2022, the parent company had issued EUR 33.7 billion of medium/long-term debt, having an average maturity of 5.2 years and an average spread of 54 basis points (vs. the 6-month midswap, excluding subordinated debt). The subsidiaries had issued EUR 1.2 billion. In total, the Group had issued EUR 34.9 billion of medium/long-term debt.

The LCR (Liquidity Coverage Ratio) was well above regulatory requirements at 140% at end-June 2022 (141% on average in Q2), vs. 129% at end-December 2021. At the same time, the NSFR (Net Stable Funding Ratio) was at a level of 112% at end-June 2022.

The Group's **risk-weighted assets** (RWA) amounted to EUR 367.6 billion at June 30th, 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% of the total, at EUR 309 billion, up 1.3% vs. December 31st, 2021.

At June 30th, 2022, the Group's **Common Equity Tier** 1 ratio stood at 12.9%, or around 360 basis points over MDA. The CET1 ratio at June 30th, 2022 includes an effect of +9 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 15.2% at end-June 2022 (15.9% at end-December 2021) and the total capital ratio amounted to 18.5% (18.8% at end-December 2021).

The **leverage ratio** stood at 4.1% at June 30th, 2022 (4.9% at end-December 2021) due primarily to the end of the European Central Bank's transitional measures.

With a level of 31.7 % of RWA and 8.4% of leverage exposure at end-June 2022, the Group's TLAC ratio is above the Financial Stability Board's requirements for 2022. At June 30th, 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	Q2 22	Q2 21	Change	H1 22	H1 21	Change
Net banking income	2,256	2,080	+8.5%	4,444	4,103	+8.3%
Net banking income excl. PEL/CEL	*2,185*	*2,063*	*+5.9%*	*4,350*	*4,098*	*+6.1%*
Operating expenses	(1,513)	(1,447)	+4.6%	(3,233)	(3,058)	+5.7%
Underlying operating expenses(1)	*(1,571)*	*(1,489)*	*+5.5%*	*(3,120)*	*(2,972)*	*+5.0%*
Gross operating income	743	633	+17.4%	1,211	1,045	+15.9%
Underlying gross operating income(1)	*614*	*574*	*+7.0%*	*1,230*	*1,126*	*+9.2%*
Net cost of risk	(21)	(8)	x 2,6	(68)	(137)	-50.4%
Operating income	722	625	+15.5%	1,143	908	+25.9%
Net profits or losses from other assets	3	1	x 3,0	3	4	-25.0%
Reported Group net income	539	454	+18.7%	852	666	+27.9%
Underlying Group net income(1)	*444*	*412*	*+7.6%*	*866*	*724*	*+19.5%*
RONE	17.5%	15.0%		14.1%	11.0%	
Underlying RONE(1)	*14.4%*	*13.6%*		*14.4%*	*11.9%*	

(1) Adjusted for the linearisation of IFRIC 21 and PEL/CEL provision
NB: including Private Banking activities as per Q1 22 restatement (France and international), includes other businesses transferred following the disposal of Lyxor

Societe Generale and Crédit du Nord networks

Average loan outstandings were 3% higher than in Q2 21 at EUR 214 billion. Home loan outstandings rose +4% vs. Q2 21. Medium/long-term loan production for corporate and professional customers was 42% higher than in Q2 21, with the progressive amortisation of State Guaranteed Loans.

Average outstanding balance sheet deposits including BMTN (negotiable medium-term notes) continued to rise (+4% vs. Q2 21) to EUR 243 billion.

As a result, the average loan/deposit ratio stood at 88% in Q2 22 vs. 89% in Q2 21.

Life insurance assets under management[2] totalled EUR 110 billion at end-June 2022, up +1% year-on-year. Gross life insurance inflow amounted to EUR 2.2 billion in Q2 22, with the unit-linked share accounting for 34%.

Property/casualty insurance premiums and personal protection insurance premiums were up +4% vs. Q2 21.

Boursorama

The bank consolidated its position as the leading online bank in France, with nearly 4 million clients at end-June 2022 (+35% vs. Q2 21), thanks to the onboarding of 357,000 new clients in Q2 22 (x2.1 vs. Q2 21). The transfer of ING's client base led to the acquisition of around 134,000 new clients during the quarter.

Average outstanding loans rose +28% vs. Q2 21 to EUR 15 billion. Home loan outstandings were up +27% vs. Q2 21, while consumer loan outstandings climbed +32% vs. Q2 21.

Average outstanding savings including deposits and financial savings were 19% higher than in Q2 21 at EUR 39 billion, while outstanding deposits were up +31% vs. Q2 21. Brokerage recorded more than 1.5 million transactions in Q2 22.

(2) Total life insurance outstandings after the integration of Private Banking in Q1 22

The ING customer referral process is progressing as expected. At July 22nd, the customer acquisition rate was 50% or around 250,000 ING customers out of the 500,000 eligible customers. The outstandings collected totalled around EUR 7 billion, including primarily life insurance outstandings. The exclusive offering reserved for ING customers is set to end in September.

Private Banking

Private Banking activities, which were transferred to French Retail Banking at the beginning of 2022, cover the activities in France and internationally as well as the other activities transferred at the time of the disposal of Lyxor. The business enjoyed strong commercial activity. Assets under management totalled EUR 147 billion, up +0.4% vs. Q2 21. Net inflow was buoyant at EUR 2.6 billion in Q2 22, despite the volatility of the financial markets. Net banking income was therefore at a record level of EUR 334 million in Q2 22, up +23.7% vs. Q2 21.

Net banking income excluding PEL/CEL

Q2 22: revenues totalled EUR 2,256 million, up +5.9% vs. Q2 21, when restated for the PEL/CEL provision. Net interest income, excluding PEL/CEL, and other revenues was up +5.0% vs. Q2 21, underpinned by good commercial activity and revaluations of assets held in the portfolio in a buoyant environment, and despite the impact of the rate on the Livret A passbook savings account and still negative rates. Fees increased by +7.1% vs. Q2 21, driven by the good performance of service fees.

H1 22: revenues totalled EUR 4,444 million, up +6.1% vs. H1 21, when restated for the PEL/CEL provision. Net interest income, excluding PEL/CEL and other revenues, was up +5.4% vs. H1 21. Fees were 7.0% higher than in H1 21.

Operating expenses

Q2 22: operating expenses totalled EUR 1,513 million (+4.6% vs. Q2 21) and EUR 1,571 million on an underlying basis (+5.5% vs. Q2 21). The cost to income ratio stood at 67%, an improvement of 2.5 points vs. Q2 21. The business posted a positive jaws effect.

H1 22: operating expenses totalled EUR 3,233 million (+5.7% vs. H1 21). The cost to income ratio stood at 73%, an improvement of 1.8 points vs. H1 21.

Cost of risk

Q2 22: the commercial cost of risk amounted to EUR 21 million or 3 basis points, higher than in Q2 21 (1 basis point). The cost of risk was lower than in Q1 22, when it stood at 8 basis points.

H1 22: the commercial cost of risk amounted to EUR 68 million or 6 basis points, lower than in H1 21 (12 basis points).

Contribution to Group net income

Q2 22: the contribution to Group net income was EUR 539 million in Q2 22, up +18.7% vs. Q2 21 (EUR 454 million in Q2 21). RONE (after linearisation of the IFRIC 21 charge and restated for the PEL/CEL provision) stood at 14.4% in Q2 22 (18.3% excluding Boursorama).

H1 22: the contribution to Group net income was EUR 852 million, up +27.9% vs. H1 21. RONE (after linearisation of the IFRIC 21 charge and restated for the PEL/CEL provision) stood at 14.4% in H1 22 (11.9% in H1 21).

4. INTERNATIONAL RETAIL BANKING & FINANCIAL SERVICES

In EURm	Q2 22	Q2 21	Change		H1 22	H1 21	Change	
Net banking income	2,304	1,989	*+15.8%*	*+21.4%**	4,527	3,851	*+17.6%*	*+20.4%**
Operating expenses	(1,045)	(1,011)	*+3.4%*	*+9.5%**	(2,228)	(2,100)	*+6.1%*	*+9.0%**
Underlying operating expenses(1)	*(1,075)*	*(1,035)*	*+3.9%*	*+9.9%**	*(2,167)*	*(2,052)*	*+5.6%*	*+8.5%**
Gross operating income	1,259	978	*+28.7%*	*+33.5%**	2,299	1,751	*+31.3%*	*+33.9%**
Underlying gross operating income(1)	*1,229*	*954*	*+28.8%*	*+33.7%**	*2,360*	*1,799*	*+31.2%*	*+33.8%**
Net cost of risk	(97)	(121)	*-19.8%*	*-19.6%**	(422)	(263)	*+60.5%*	*-11.2%**
Operating income	1,162	857	*+35.6%*	*+41.2%**	1,877	1,488	*+26.1%*	*+51.2%**
Net profits or losses from other assets	8	4	*+100.0%*	*+98.2%**	10	6	*+66.7%*	*+65.3%**
Reported Group net income	694	522	*+33.0%*	*+40.1%**	1,094	914	*+19.7%*	*+39.9%**
Underlying Group net income(1)	*676*	*508*	*+33.2%*	*+40.6%**	*1,130*	*942*	*+20.0%*	*+39.5%**
RONE	26.3%	20.6%			20.3%	18.2%		
Underlying RONE(1)	*25.6%*	*20.0%*			*20.9%*	*18.7%*		

(1) Adjusted for the linearisation of IFRIC 21

International Retail Banking's outstanding loans totalled EUR 85.0 billion, up +5.1%* vs. Q2 21. Outstanding deposits increased by +3.2%* vs. Q2 21, to EUR 80.1 billion.

For the Europe scope, outstanding loans were up +6.2%* vs. end-June 2021 at EUR 61.5 billion, driven by a positive momentum in all the regions: +9.1%* in the Czech Republic, +8.9%* in Romania, and +1.8%* in Western Europe. Outstanding deposits rose +2.6%* to EUR 54.2 billion.

In Africa, Mediterranean Basin and French Overseas Territories, outstanding loans increased by +2.3%* when adjusted for changes in Group structure and at constant exchange rates. Outstanding deposits continued to enjoy a healthy momentum, up +4.4%*.

In the Insurance business, the life insurance savings business remained at a high level, with outstandings of EUR 131 billion at end-June 2022 and a unit-linked share of 35%, stable vs. June 2021. Gross life insurance savings inflow increased by +0.3%* in Q2 22 vs. Q2 21, with a substantial share of unit-linked products (44%). Protection insurance saw an increase of +7%* vs. Q2 21, with a healthy momentum in all geographical regions for property/casualty insurance premiums, which were up +7%*.

Financial Services also enjoyed a very good momentum. Operational Vehicle Leasing and Fleet Management posted record net banking income, up +54%*, due to the business' good performance and continued very strong demand for used cars. The number of contracts totalled 1.8 million, including 1.4 million financed vehicles, an increase of +5.4% vs. end-June 2021. Equipment Finance outstanding loans were 1.1% higher than at end-June 2021, at EUR 14.5 billion (excluding factoring).

Net banking income

Net banking income amounted to EUR 2,304 million in Q2 22, up +21.4%* vs. Q2 21.

International Retail Banking's net banking income totalled EUR 1,270 million in Q2 22, an increase of +12.7%*.

Revenues in Europe climbed +17.2%* vs. Q2 21, due primarily to substantial growth in net interest income (+21%* vs. Q2 21), particularly in the Czech Republic (+48%* vs. Q2 21), as a result of the rise in rates.

The Africa, Mediterranean Basin and French Overseas Territories scope posted revenues up +6.4%* vs. Q2 21 at EUR 481 million, driven by all the businesses.

Insurance posted net banking income up +7.9%* vs. Q2 21, at EUR 252 million.

Financial Services' net banking income was substantially higher (+45.1%*) than in Q2 21, at EUR 782 million. This performance is due primarily at ALD level to good commercial dynamics, the increase in the used car sale result (EUR 3,212 per vehicle in H1 22), a depreciation adjustment and, to a lesser extent, the transfer to hyperinflation accounting for activities in Turkey.

Operating expenses

Operating expenses rose +9.5%* on a reported basis vs. Q2 21 to EUR 1,045 million, resulting in a substantial positive jaws effect. The cost to income ratio (after linearisation of the IFRIC 21 charge) stood at 46.7% in Q2 22, lower than in Q2 21 (52.0%).

In International Retail Banking, operating expenses were 5.1%* higher than in Q2 21.

In the **Insurance** business, operating expenses rose +6.3%* vs. Q2 21, with a cost to income ratio (after linearisation of the IFRIC 21 charge) of 39.5%.

In **Financial Services**, operating expenses increased by +22.4%* vs. Q2 21, generating a very positive jaws effect.

Cost of risk

In Q2 22, the cost of risk was substantially lower at 28 basis points (or EUR 97 million), vs. 92 basis points in Q1 22. It was lower than in Q2 21 (37 basis points). This significant improvement, both sequential and year-on-year, is due to the low level of defaults but also the disposal by the Group of its banking and insurance activities in Russia.

Contribution to Group net income

The contribution to Group net income totalled EUR 694 million in Q2 22, substantially higher (+40.1%*) than in Q2 21.

Underlying RONE stood at 25.6% in Q2 22 (vs. 20.0% in Q2 21) and around 26.4% pro forma for the Russian activities sold. In International Retail Banking, underlying RONE was 19.1% (around 20.2% pro forma for the Russian activities sold) and 32.7% in Financial Services and Insurance.

5. GLOBAL BANKING & INVESTOR SOLUTIONS

In EURm	Q2 22	Q2 21	Variation		H1 22	H1 21	Variation	
Net banking income	2,563	2,166	+18.3%	+16.1%*	5,318	4,499	+18.2%	+16.5%*
Operating expenses	(1,565)	(1,498)	+4.5%	+3.4%*	(3,737)	(3,391)	+10.2%	+10.3%*
Underlying operating expenses(1)	*(1,755)*	*(1,623)*	*+8.1%*	*+7.1%**	*(3,366)*	*(3,149)*	*+6.9%*	*+7.0%**
Gross operating income	998	668	+49.4%	+43.8%*	1,581	1,108	+42.7%	+34.3%*
Underlying gross operating income(1)	*808*	*543*	*+48.9%*	*+42.1%**	*1,952*	*1,350*	*+44.6%*	*+37.5%**
Net cost of risk	(69)	(15)	x 4.6	x 4.2*	(263)	(18)	x 14.6	x 14.2*
Operating income	929	653	+42.3%	+37.1%*	1,318	1,090	+20.9%	+13.7%*
Reported Group net income	742	506	+46.6%	+41.2%*	1,044	853	+22.4%	+15.2%*
Underlying Group net income(1)	*596*	*410*	*+45.3%*	*+38.6%**	*1,329*	*1,039*	*+27.9%*	*+21.7%**
RONE	20.3%	14.9%			14.5%	12.6%		
Underlying RONE(1)	*16.3%*	*12.1%*			*18.5%*	*15.4%*		

(1) Adjusted for the linearisation of IFRIC 21
NB: excluding Private Banking activities as per Q1 22 restatement (France and International). Excludes businesses transferred following the disposal of Lyxor

Net banking income

Global Banking & Investor Solutions delivered a very solid performance in Q2, with revenues of EUR 2,563 million, significantly higher (+18.3%) than in Q2 21.

In H1 22, revenues rose +18.2% vs. H1 21 (EUR 5,318 million vs. EUR 4,499 million, +16.5%*).

In Global Markets & Investor Services, net banking income totalled EUR 1,742 million in Q2 22 (+25.3% vs. Q2 21). It amounted to EUR 3,707 million in H1 22, up +21.9% vs. H1 21 (+17.3%*).

Global Markets turned in a strong performance in Q2 22 (EUR 1,516 million), up +23.3% vs. Q2 21, benefiting from dynamic commercial activity in all the businesses and regions in a volatile environment. Revenues were higher in H1 22 (+21.7%) than in H1 21 at EUR 3,293 million.

The Equity activity enjoyed an excellent quarter (EUR 833 million, +7.5% vs. Q2 21), driven by strong client demand, particularly in equity derivatives and prime services. Revenues were up +13.8% in H1 22 vs. H1 21 at EUR 1,843 million.

Fixed Income & Currency activities posted substantially higher revenues (+50% vs. Q2 21) at EUR 683 million in an environment of rising rates. Revenues increased to EUR 1,450 million in H1 22 (+33.6% vs. H1 21).

Securities Services posted a significant increase in revenues in Q2 (+41.0% vs. Q2 21), to EUR 226 million. Revenues were up +23.6% in H1 22 vs. H1 21 at EUR 414 million. Securities Services' assets under custody and assets under administration amounted to EUR 4,277 billion and EUR 627 billion respectively.

Financing & Advisory posted revenues of EUR 821 million, up +14.0% vs. Q2 21. They amounted to EUR 1,611 million in H1 22, significantly higher (+18.9%) than in H1 21.

The Global Banking & Advisory business, up +11.1% vs. Q2 21, capitalised on the good market momentum, particularly in activities related to Natural Resources and Infrastructure. These performances were also driven by the strategy focused on Environmental, Social and global Governance criteria. The Asset-Backed Products platform enjoyed strong growth in Q2. Investment Banking was resilient in Q2, despite a decline in capital markets given the uncertainty related to the war in Ukraine and inflationary pressures.

Global Transaction and Payment Services continued to experience very high growth, up +29.1% vs. Q2 21, primarily on the back of the increase in rates and volumes.

Operating expenses

Operating expenses totalled EUR 1,565 million in Q2 22, an increase of +4.5% vs. Q2 21 on a reported basis, and +8.1% on an underlying basis. The increase on an underlying basis can be explained primarily by the rise of EUR 65 million in linearised IFRIC 21 charges in Q2.

With a substantial positive jaws effect, the underlying cost to income ratio excluding the contribution to the Single Resolution Fund improved significantly to 62.2%.

Operating expenses were up +10.2% on a reported basis and +6.9% on an underlying basis in H1 22.

Cost of risk

The cost of risk amounted to 16 basis points (or EUR 69 million) in Q2 22, with cost of risk amounting to EUR 108 million on the Russian offshore portfolio.

It stood at 30 basis points (or EUR 263 million) in H1 22 given the provisioning on the Russian offshore portfolio (EUR 260 million).

Contribution to Group net income

The contribution to Group net income was EUR 742 million on a reported basis and EUR 596 million on an underlying basis in Q2 22 (+45.3% vs. Q2 21). It was EUR 1,044 million on a reported basis and EUR 1,329 million on an underlying basis in H1 22.

Global Banking & Investor Solutions posted a substantial underlying RONE of 16.3% in Q2 22, a significant improvement compared with the RONE of 12.1% in Q2 21. RONE stood at 20.6% excluding the contribution to the Single Resolution Fund. The underlying RONE was 18.5% in H1 22 vs. 15.4% in H1 21.

6. CORPORATE CENTRE

In EURm	Q2 22	Q2 21	H1 22	H1 21
Net banking income	(58)	26	57	53
Operating expenses	(335)	(151)	(589)	(306)
Underlying operating expenses(1)	*(189)*	*(78)*	*(262)*	*(149)*
Gross operating income	(393)	(125)	(532)	(253)
Underlying gross operating income(1)	*(247)*	*(52)*	*(205)*	*(96)*
Net cost of risk	(30)	2	(25)	-
Net profits or losses from other assets	(3,303)	-	(3,303)	1
Income tax	321	124	333	160
Reported Group net income	(3,457)	(43)	(3,630)	(180)
Underlying Group net income(1)	*(264)*	*7*	*(315)*	*(62)*

(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 -58 million in Q2 22 vs. EUR +26 million in Q2 21, and EUR +57 million in H1 22 vs. EUR +53 million in H1 21.

Operating expenses totalled EUR 335 million in Q2 22 vs. EUR 151 million in Q2 21. They include the Group's transformation costs for a total amount of EUR 159 million relating to the activities of French Retail Banking (EUR 97 million), Global Banking & Investor Solutions (EUR 25 million) and the Corporate Centre (EUR 37 million). Underlying costs came to EUR 189 million in Q2 22 compared to EUR 78 million in Q2 21. They were impacted in particular by the costs related to the Global Employee Share Ownership Plan for EUR 44 million.

In H1 22, operating expenses totalled EUR 589 million vs. EUR 306 million in H1 21. Transformation costs totalled EUR 302 million (EUR 201 million for the activities of French Retail Banking, EUR 39 million for Global Banking & Investor Solutions and EUR 62 million for the Corporate Centre). Underlying costs came to EUR 262 million in H1 22 compared to EUR 149 million in H1 21.

Gross operating income totalled EUR -393 million in Q2 22 vs. EUR -125 million in Q2 21. Underlying gross operating income came to EUR -247 million in Q2 22 vs. EUR -52 million in Q2 21. In H1 22, gross operating income was EUR -532 million on a reported basis (vs. EUR -253 million in H1 21) and EUR -205 million on an underlying basis (vs. EUR -96 million in H1 21).

The book loss related to the disposal of Rosbank and the insurance activities in Russia is recognised under net losses from other assets for an amount of around **EUR -3.3 billion** before tax in Q2 22.

The Corporate Centre's contribution to Group net income was EUR -3,457 million in Q2 22 vs. EUR -43 million in Q2 21. The Corporate Centre's contribution to Group net income on an underlying basis was EUR -264 million. In H1 22, the contribution to Group net income was EUR -3,630 million on a reported basis and EUR -315 million on an underlying basis.

7. OUTLOOK FOR 2025

After two years of profitable growth during which the Group simplified its business model, undertook far-reaching transformations in accordance with societal changes and invested in its businesses experiencing profitable growth, the Group intends to pursue the execution of its roadmap in a disciplined manner, and is aiming for profitability (ROTE) of 10% and a CET 1 ratio of 12% in 2025. While supporting the growth of its businesses, the Group plans an attractive shareholder distribution of 50% of Group net income(1) of which up to 40% of the distribution in share buy-backs(2).

Based on our diversified, balanced and integrated business model, and on our corporate purpose, Societe Generale aims to be the preferred bank of its customers, a leader in sustainable finance, and a resolutely digital company focused on the efficient and responsible use of data.

ESG issues at the heart of the business model of the Group and its businesses

Societe Generale's ESG ambition is centred on four priorities: supporting customers in their ecological transition, initiating positive transformations locally, being a responsible employer and maintaining a culture of responsibility.

In addition to the acceleration of our sustainable financing targets, increased to EUR 300 billion by 2025, the Group's ESG ambition is also based on a vast training plan for all the Group's employees and proactive support for all customers, large corporates as well as SME, professional and individual customers. Furthermore, the Group is aiming to reduce its CO2 emissions by around 50% between 2019 and 2030.

Acceleration of digital and technological transformation

The Group wants to accelerate on the digital and technological aspect throughout the value chain. It already has a secure, resilient, and modern IT infrastructure. Our IT strategy aims to better serve our customers in terms of digital offering and customer experience and to continue to increase our efficiency and reactivity. In this respect, the Group is aiming for an IT intensity ratio of between 14% and 15% in 2025.

The Group also wants to build the bank of the future by innovating, through partnerships with start-ups and the development of new, differentiating and value-creating business models. It has already demonstrated its ability to develop and create new business models such as Boursorama.

Execution of strategic initiatives

The Group's roadmap is essentially based on the strategic initiatives presented to the market over the last few quarters by different businesses and is structured around three pillars: Retail Banking and Insurance, Global Banking & Investor Solutions and Mobility.

In French Retail Banking & Private Banking, the merger of the Societe Generale and Crédit du Nord networks aims to create a new reference bank, rooted in the regions, and fully adapted to the new economic and societal paradigms. This new bank, larger and more coherent, will benefit from an upgrade to increase the customer value proposition, accelerate digitalisation, and improve efficiency. Based on the quality and know-how of the franchises, French Retail Banking intends to accelerate the bancassurance model, extend Private Banking's expertise to high-net-worth clients and develop the mobility and ESG offering. This strategy aims to position the bank among the top 3 banks in terms of customer satisfaction, with a cost to income ratio of between 67% and 69% and profitability (RONE) of 10%.

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(1) After deduction of interest on deeply subordinated notes and undated subordinated notes
(2) Subject to General Meeting of Shareholders and regulatory approval

In recent years, **Boursorama** has demonstrated the quality of its business model, capable of generating strong growth by benefiting from substantial economies of scale. The number of products per customer has also grown signficantly over the period. The Group wants to take Boursorama to maturity and establish it as the definitive leader in online banking in France. Boursorama is aiming for net income of around EUR 200 million and profitability (RONE) above 25% under the IRBA in 2025.

The Group is pursuing its ambition of profitable growth in **International Retail Banking** by strengthening its leadership positions in its core geographical regions and capitalising on its strong franchises particularly in the corporate market. The Group is aiming for a cost to income ratio of between 50% and 52% in 2025 and profitability (RONE) above 16% in 2025.

In Insurance, the Group wants to strengthen its bancassurance model by capitalising on its leadership positions in life insurance and enhancing its offering in protection insurance with a strong ESG focus. The strengthening of retirement savings and partnerships are also strategic and differentiating areas of development between now and 2025. Insurance intends to achieve a cost to income ratio of around 40% and profitability (RONE) above 25% under IFRS4.

Mobility becomes the Group's third pillar with the creation of a major global player resulting from ALD's acquisition of LeasePlan. It represents a key development area for the Group, with estimated annual growth in the fleet of more than 6% following the integration of LeasePlan, a cost to income ratio of around 45%[(1)] and a RONE above 20% in 2025.

In line with the strategic plan presented in May 2021, **Global Banking & Investor Solutions** maintains its ambition to be a major European player with the support of a diversified and resilient business model. It is aiming for a cost to income ratio of between 65% and 68% and profitability (RONE) of between 12% and 14% in 2025.

Global Markets & Investor Services is pursuing the strategy initiated in 2021 regarding diversifying, rebalancing activities, and innovation, particularly in ESG and digital technology, in order to consolidate its positions and seize market opportunities. Risk appetite is set to remain stable over the period in accordance with the objective of ensuring greater resilience and predictability of performance. Global Markets' revenues are expected to be within a range of between EUR 4.7 and 5.3 billion.

Financing & Advisory is a key development area for the Group, with a target of average annual revenue growth of around 3% over the period 2021-2025. The strengthening of the franchises and the diversification of capital allocation towards the most dynamic sectors, customer segments or geographical regions remains a priority (Technology, Media and Telecoms, healthcare, and renewable energies) in the same way as accelerating the dissemination of ESG throughout the business. The Group is also continuing with its investment towards a more integrated, modular, and open platform in the Global Transaction and Payment businesses.

2025 financial targets

Through the execution of strategic initiatives, the selective allocation of capital to the most profitable and fast-growing businesses, and a focus on advisory and fee-generating activities, the Group is aiming for average annual revenue growth above or equal to 3% over the 2021-2025 period based on the lower end of the expected revenue range in Global Markets.

Thanks to the completion of the cost-cutting plans undertaken, the end of the Single Resolution Fund constitution phase and continued strict discipline, the increase in costs is expected to be lower than expected average inflation over the period. On these bases and on the back of revenue growth, the Group is aiming for a cost to income ratio below or equal to 62% in 2025.

(1) Calculated at ALD level: Total of operating expenses/gross margin (excluding the used car sale (UCS) result)

Moreover, the cost of risk is expected to be at a normalised level of around 30 basis points in 2025.

In the case of the CET1 ratio, the Group is aiming for a level of 12% in 2025, after taking into account in particular a capital impact from the finalisation of Basel III estimated at around 120 basis points on a fully loaded basis, excluding output floor (or 100 basis points in 2025, taking into account the phase-in), and an attractive shareholder distribution policy.

As a result, the Group's profitability (ROTE) is expected to be 10% in 2025.

8. 2022 FINANCIAL CALENDAR

2022 and 2023 Financial communication calendar	
November 4th, 2022	Third quarter and nine-month 2022 results
February 8th, 2023	Fourth quarter and FY 2022 results
May 12th, 2023	First quarter 2023 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, in particular in the Covid-19 crisis and Ukraine war context, 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.

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

9. APPENDIX 1: FINANCIAL DATA

GROUP NET INCOME BY CORE BUSINESS

In EURm	Q2 22	Q2 21	Variation	H1 22	H1 21	Variation
French Retail Banking	539	454	+18.7%	852	666	+27.9%
International Retail Banking and Financial Services	694	522	+33.0%	1,094	914	+19.7%
Global Banking and Investor Solutions	742	506	+46.6%	1,044	853	+22.4%
Core Businesses	**1,975**	**1,482**	**+33.3%**	**2,990**	**2,433**	**+22.9%**
Corporate Centre	(3,457)	(43)	n/s	(3,630)	(180)	n/s
Group	**(1,482)**	**1,439**	**n/s**	**(640)**	**2,253**	**n/s**

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 other activities transferred after the disposal of Lyxor

CONSOLIDATED BALANCE SHEET

In EUR m	30.06.2022	31.12.2021
Cash, due from central banks	183,203	179,969
Financial assets at fair value through profit or loss	380,165	342,714
Hedging derivatives	21,851	13,239
Financial assets at fair value through other comprehensive income	42,561	43,450
Securities at amortised cost	19,376	19,371
Due from banks at amortised cost	82,594	55,972
Customer loans at amortised cost	503,718	497,164
Revaluation differences on portfolios hedged against interest rate risk	(565)	131
Investments of insurance companies	162,621	178,898
Tax assets	4,343	4,812
Other assets	101,824	92,898
Non-current assets held for sale	6	27
Deferred profit-sharing	407	-
Investments accounted for using the equity method	111	95
Tangible and intangible fixed assets	32,615	31,968
Goodwill	3,794	3,741
Total	**1,538,624**	**1,464,449**

In EUR m	30.06.2022	31.12.2021
Due to central banks	9,868	5,152
Financial liabilities at fair value through profit or loss	344,131	307,563
Hedging derivatives	32,133	10,425
Debt securities issued	133,679	135,324
Due to banks	147,871	139,177
Customer deposits	519,431	509,133
Revaluation differences on portfolios hedged against interest rate risk	(6,148)	2,832
Tax liabilities	1,609	1,577
Other liabilities	120,517	106,305
Non-current liabilities held for sale	-	1
Insurance contracts related liabilities	143,435	155,288
Provisions	4,914	4,850
Subordinated debts	17,074	15,959
Total liabilities	**1,468,514**	**1,393,586**
Shareholder's equity	**-**	**-**
Shareholders' equity, Group share	**-**	**-**
Issued common stocks and capital reserves	21,735	21,913
Other equity instruments	7,534	7,534
Retained earnings	34,676	30,631
Net income	(640)	5,641
Sub-total	**63,305**	**65,719**
Unrealised or deferred capital gains and losses	1,277	(652)
Sub-total equity, Group share	**64,582**	**65,067**
Non-controlling interests	5,528	5,796
Total equity	**70,110**	**70,863**
Total	**1,538,624**	**1,464,449**

10. APPENDIX 2: METHODOLOGY

1 – The financial information presented for the financial year ending June 30th, 2022 was approved by the Board of Directors on August 2nd, 2022. It has been prepared in accordance with IFRS as adopted in the European Union and applicable at this date. The limited review procedures on the condensed interim financial statements at June 30th, 2022 carried by the Statutory Auditors are currently underway.

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 are defined on page 41 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:

in EUR m	H1 22	H1 21	Q2 22	Q2 21
Exceptional operating expenses (-)	872	533	(132)	(118)
IFRIC linearisation	570	398	(291)	(203)
Transformation costs[1]	302	135	159	85
Of which related to French Retail Banking	*201*	*60*	*97*	*38*
Of which related to Global Banking & Investor Solutions	*39*	*43*	*25*	*26*
Of which related to Corporate Centre	*62*	*32*	*37*	*21*
Exceptional Net profit or losses from other assets (+/-)	(3,303)	0	(3,303)	0
Net losses from the disposal of Russian activities[1]	(3,300)		(3,300)	
Net losses from the disposal of Lyxor[1]	(3)		(3)	
Total exceptional items (pre-tax)	4,175	533	3,171	(118)
Reported Net income - Group Share	(640)	2,253	(1,482)	1,439
Total exceptional items - Group share (post-tax)	3,719	394	2,987	(90)
Underlying Net income - Group Share	3,079	2,647	1,505	1,349

(1) Allocated to Corporate Centre

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		Q2 22	Q2 21	H1 22	H1 21
French Retail Banking	Net Cost Of Risk	21	8	68	137
	Gross loan Outstandings	245,710	234,643	244,177	234,298
	Cost of Risk in bp	3	1	6	12
International Retail Banking and Financial Services	Net Cost Of Risk	97	121	422	263
	Gross loan Outstandings	141,075	131,344	140,811	130,770
	Cost of Risk in bp	28	37	60	40
Global Banking and Investor Solutions	Net Cost Of Risk	69	15	263	18
	Gross loan Outstandings	176,934	145,302	173,842	141,803
	Cost of Risk in bp	16	4	30	3
Corporate Centre	Net Cost Of Risk	30	(2)	25	0
	Gross loan Outstandings	14,943	13,561	14,678	13,262
	Cost of Risk in bp	79	(4)	34	0
Societe Generale Group	Net Cost Of Risk	217	142	778	418
	Gross loan Outstandings	578,662	524,849	573,508	520,133
	Cost of Risk in bp	15	11	27	16

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 other activities transferred after the disposal of Lyxor

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 notion of ROE (Return On Equity) and ROTE (Return On Tangible Equity), as well as the methodology for calculating it, are specified on pages 43 and 44 of Societe Generale's 2022 Universal Registration Document. This measure makes it possible to assess return on equity and Societe Generale's 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.

The net result by the group retained for the numerator of the ratio is the net profit attributable to the accounting group adjusted by the interest to be paid on TSS & TSDI, interest paid to the holders of TSS & TSDI amortization of premiums issues and the impairment of goodwill.

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)	Q2 22	Q2 21	H1 22	H1 21
Shareholders' equity Group share	64,583	63,136	64,583	63,136
Deeply subordinated notes	(8,683)	(8,905)	(8,683)	(8,905)
Undated subordinated notes	-	(62)	-	(62)
Interest of deeply & undated subordinated notes, issue premium amortisations(1)	(8)	(1)	(8)	(1)
OCI excluding conversion reserves	854	(699)	854	(699)
Distribution provision(2)	(1,193)	(1,021)	(1,193)	(1,021)
Distribution for N-1	(914)	-	(914)	-
ROE equity end-of-period	54,638	52,448	54,638	52,448
Average ROE equity*	54,833	52,161	54,751	51,856
Average Goodwill	(3,646)	(3,927)	(3,636)	(3,928)
Average Intangible Assets	(2,723)	(2,542)	(2,738)	(2,524)
Average ROTE equity*	48,464	45,692	48,377	45,404
Group net Income	(1,482)	1,439	(640)	2,253
Interest on deeply subordinated notes and undated subordinated notes	(159)	(165)	(278)	(309)
Cancellation of goodwill impairment	-	-	2	-
Adjusted Group net Income	(1,641)	1,274	(916)	1,944
Average ROTE equity*	48,464	45,692	48,377	45,404
ROTE	-13.5%	11.2%	-3.8%	8.6%
Underlying Group net income	1,505	1,349	3,079	2,647
Interest on deeply subordinated notes and undated subordinated notes	(159)	(165)	(278)	(309)
Cancellation of goodwill impairment	-	-	2	-
Adjusted Underlying Group net Income	1,346	1,184	2,803	2,338
Average ROTE equity (underlying)*	51,451	45,602	52,096	45,797
Underlying ROTE	10.5%	10.4%	10.8%	10.2%

(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
(*) Amounts restated compared with the financial statements published in 2020 (See Note1.7 of the financial statements)

RONE calculation: Average capital allocated to Core Businesses (in EURm)

In EURm	Q2 22	Q2 21	Change	H1 22	H1 21	Change
French Retail Banking	12,295	12,116	+1.5%	12,058	12,162	-0.9%
International Retail Banking and Financial Services	10,570	10,158	+4.1%	10,794	10,058	+7.3%
Global Banking and Investor Solutions	14,642	13,581	+7.8%	14,386	13,492	+6.6%
Core Businesses	37,507	35,857	+4.6%	37,238	35,713	+4.3%
Corporate Center	17,326	16,306	+6.3%	17,513	16,144	+8.5%
Group	54,833	52,161	+5.1%	54,751	51,856	+5.6%

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 other 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)	H1 22	Q1 22	2021
Shareholders' equity Group share	64,583	65,852	65,067
Deeply subordinated notes	(8,683)	(8,178)	(8,003)
Undated subordinated notes			
Interest of deeply & undated subordinated notes, issue premium amortisations(1)	(8)	(65)	20
Book value of own shares in trading portfolio	(222)	(78)	37
Net Asset Value	55,669	57,531	57,121
Goodwill	(3,667)	(3,624)	(3,624)
Intangible Assets	(2,672)	(2,773)	(2,733)
Net Tangible Asset Value	49,330	51,134	50,764
Number of shares used to calculate NAPS*	831,045	831,044	831,162
Net Asset Value per Share	67.0	69.2	68.7
Net Tangible Asset Value per Share	59.4	61.5	61.1

(1) Interest net of tax, payable or paid to holders of deeply subordinated notes & undated subordinated notes, issue premium amortisations

(*) The number of shares considered is the number of ordinary shares outstanding as at end of period, excluding treasury shares and buybacks, but including the trading shares held by the Group.

In accordance with IAS 33, historical data per share prior to the date of detachment of a preferential subscription right are restated by the adjustment coefficient for the transaction.

9 - Calculation of Earnings Per Share (EPS)

The EPS published by Societe Generale is calculated according to the rules defined by the IAS 33 standard (see page 45 of Societe Generale's 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)	H1 22	Q1 22	2021
Existing shares	842,540	845,248	853,371
Deductions			
Shares allocated to cover stock option plans and free shares awarded to staff	6,041	6,021	3,861
Other own shares and treasury shares	5,416	8,124	3,249
Number of shares used to calculate EPS*	831,084	831,103	846,261
Group net Income	(640)	842	5,641
Interest on deeply subordinated notes and undated subordinated notes	(278)	(119)	(590)
Capital gain net of tax on partial buybacks			
Adjusted Group net income	(918)	723	5,051
EPS (in EUR)	(1.10)	0.87	5.97
Underlying EPS** (in EUR)	2.87	1.00	5.52

(*) Calculated on the basis of underlying Group net income (excluding linearisation of IFRIC 21).
(**) The number of shares considered is the average number of ordinary shares outstanding during the period, excluding treasury shares and buybacks, but including the trading shares held by the Group.

10 - The Societe Generale Group's Common Equity Tier 1 capital is calculated in accordance with applicable CRR2/CRD5 rules. The fully loaded solvency ratios are presented pro forma for current earnings, net of dividends, for the current financial year, unless specified otherwise. When there is reference to phased-in ratios, these do not include the earnings for the current financial year, unless specified otherwise. The leverage ratio is also calculated according to applicable CRR2/CRD5 rules including the phased-in following the same rationale as solvency ratios.

NB (1) The sum of values contained in the tables and analyses may differ slightly from the total reported due to rounding rules.

(2) All the information on the results for the period (notably: press release, downloadable data, presentation slides and supplement) is available on Societe Generale's website www.societegenerale.com in the "Investor" section.

Societe Generale

Societe Generale is one of the leading European financial services groups. Based on a diversified and integrated banking model, the Group combines financial strength and proven expertise in innovation with a strategy of sustainable growth. Committed to the positive transformations of the world's societies and economies, Societe Generale and its teams seek to build, day after day, together with its clients, a better and sustainable future through responsible and innovative financial solutions.

Active in the real economy for over 150 years, with a solid position in Europe and connected to the rest of the world, Societe Generale has over 117,000 members of staff in 66 countries and supports on a daily basis 25 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, 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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Key figures as of 30 June 2022.

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