

## 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 assumes no responsibility for the correctness of any statements made or opinions or reports expressed in 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).

**11,700,000 European Style Cash Settled Short Certificates relating to  
the Class B ordinary shares of Xiaomi Corporation  
with a Daily Leverage of -5x  
issued by  
SG Issuer  
(Incorporated in Luxembourg with limited liability)  
unconditionally and irrevocably guaranteed by  
Société Générale**

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**Issue Price: S\$0.60 per Certificate**

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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 16 June 2023 including such further base listing documents as may be issued from time to time, as supplemented by an addendum dated 28 July 2023 and an addendum dated 8 March 2024 (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<sup>1</sup> and Specified Investment Products (SIPs)<sup>2</sup>, 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 16 June 2023 (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 17 May 2024.

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.

16 May 2024

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

<sup>2</sup> 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 has not been and will not be registered as an investment company under the United States Investment Company Act of 1940, as amended, and the rules and regulations thereunder. None of the Securities and Exchange Commission, any state securities commission or regulatory authority or any other United States, French or other regulatory authority has approved or disapproved of the Certificates or the Guarantee or passed upon the accuracy or adequacy of this document. Accordingly, Certificates, or interests therein, may not at any time be offered, sold, resold, traded, pledged, exercised, redeemed, transferred or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, nor may any U.S. person at any time trade, own, hold or maintain a position in the Certificates or any interests therein. In addition, in the absence of relief from the CFTC, offers, sales, re-sales, trades, pledges, exercises, redemptions, transfers or deliveries of Certificates, or interests therein, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, may constitute a violation of United States law governing commodities trading and commodity pools. Consequently, any offer, sale, resale, trade, pledge, exercise, redemption, transfer or delivery made, directly or indirectly, within the United States or to, or for the account or benefit of, a U.S. person will not be recognised. A further description of certain restrictions on offering and sale of the Certificates and distribution of this document is given in the section headed “Placing and Sale” contained herein.

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

The Issuer, the Guarantor and/or any of their affiliates may repurchase Certificates at any time on or after the date of issue and any Certificates so repurchased may be offered from time to time in

one or more transactions in the over-the-counter market or otherwise at prevailing market prices or in negotiated transactions, at the discretion of the Issuer, the Guarantor and/or any of their affiliates. Investors should not therefore make any assumption as to the number of Certificates in issue at any time.

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

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## RISK FACTORS

The following are risk factors relating to the Certificates:

- (a) investment in Certificates involves substantial risks including market risk, liquidity risk, and the risk that the Issuer and/or the Guarantor will be unable to satisfy its/their obligations under the Certificates. Investors should ensure that they understand the nature of all these risks before making a decision to invest in the Certificates. You should consider carefully whether Certificates are suitable for you in light of your experience, objectives, financial position and other relevant circumstances. Certificates are not suitable for inexperienced investors;
- (b) the Certificates constitute general unsecured obligations of the Issuer (in the case of any substitution of the Issuer in accordance with the Conditions of the Certificates, the Substituted Obligor as defined in the Conditions of the Certificates) and of no other person, and the Guarantee constitutes direct unconditional unsecured senior preferred obligations of the Guarantor and of no other person. In particular, it should be noted that the Issuer issues a large number of financial instruments, including Certificates, on a global basis and, at any given time, the financial instruments outstanding may be substantial. If you purchase the Certificates, you are relying upon the creditworthiness of the Issuer and the Guarantor and have no rights under the Certificates against any other person;
- (c) since the Certificates relate to the price of the Underlying Stock, certain events relating to the Underlying Stock may cause adverse movements in the value and the price of the Underlying Stock, as a result of which, the Certificate Holders (as defined in the Conditions of the Certificates) may, in extreme circumstances, sustain a significant loss of their investment if the price of the Underlying Stock has risen sharply;
- (d) the Company is controlled through weighted voting rights. Certain individuals who own shares of a class which is being given more votes per share may have the ability to determine the outcome of most matters. Depending on the action taken by the Company, the market price of the Certificates could be adversely affected;
- (e) due to their nature, the Certificates can be volatile instruments and may be subject to considerable fluctuations in value. The price of the Certificates may fall in value as rapidly as it may rise due to, including but not limited to, variations in the frequency and magnitude of the changes in the price of the Underlying Stock, the time remaining to expiry, the currency exchange rates and the creditworthiness of the Issuer and the Guarantor;
- (f) if, whilst any of the Certificates remain unexercised, trading in the Underlying Stock is suspended or halted on the relevant stock exchange, trading in the Certificates may be suspended for a similar period;
- (g) as indicated in the Conditions of the Certificates and herein, a Certificate Holder must tender a specified number of Certificates at any one time in order to exercise. Thus, Certificate Holders with fewer than the specified minimum number of Certificates in a particular series will either have to sell their Certificates or purchase additional Certificates, incurring transactions costs in each case, in order to realise their investment;
- (h) investors should note that in the event of there being a Market Disruption Event (as defined in the Conditions) determination or payment of the Cash Settlement Amount (as defined in the Conditions) may be delayed, all as more fully described in the Conditions;

- (i) certain events relating to the Underlying Stock require or, as the case may be, permit the Issuer to make certain adjustments or amendments to the Conditions. Investors may refer to the Conditions 4 and 6 on pages 31 to 36 and the examples and illustrations of adjustments set out in the “Information relating to the European Style Cash Settled Short Certificates on Single Equities” section of this document for more information;
- (j) the Certificates are only exercisable on the Expiry Date and may not be exercised by Certificate Holders prior to such Expiry Date. Accordingly, if on the Expiry Date the Cash Settlement Amount is zero, a Certificate Holder will lose the value of his investment;
- (k) the total return on an investment in any Certificate may be affected by the Hedging Fee Factor (as defined below), Management Fee (as defined below) and Gap Premium (as defined below);
- (l) investors holding their position overnight should note that they would be required to bear the annualised cost which consists of the Management Fee and Gap Premium, which are calculated daily and applied to the value of the Certificates, as well as certain costs embedded within the Leverage Inverse Strategy (as described below) including the Stock Borrowing Cost (as defined below) and Rebalancing Cost (as defined below);
- (m) investors should note that there may be an exchange rate risk relating to the Certificates where the Cash Settlement Amount is converted from a foreign currency into Singapore dollars.

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

- (n) investors should note that there are leveraged risks because the Certificates integrate an inverse leverage mechanism and the Certificates will amplify the movements in the increase, and in the decrease, of the value of the Underlying Stock and if the investment results in a loss, any such loss will be increased by the leverage factor of the Certificates. As such, investors could lose more than they would if they had invested directly in the Underlying Stock;
- (o) when held for longer than a day, the performance of the Certificates could be more or less than the leverage factor that is embedded within the Certificates. The performance of the Certificates each day is locked in, and any subsequent returns are based on what was achieved the previous day. This process, referred to as compounding, may lead to a performance difference from 5 times the inverse performance of the Underlying Stock over a period longer than one day. This difference may be amplified in a volatile market with a sideways trend, where market movements are not clear in direction, whereby investors may sustain substantial losses;
- (p) the Air Bag Mechanism (as defined below) is triggered only when the Underlying Stock is calculated or traded, which may not be during the trading hours of the Relevant Stock Exchange for the Certificates (as defined below);
- (q) investors should note that the Air Bag Mechanism reduces the impact on the Leverage Inverse Strategy if the Underlying Stock rises further, but will also maintain a reduced exposure to the Underlying Stock in the event the Underlying Stock starts to fall after the Air Bag Mechanism is triggered, thereby reducing its ability to recoup losses;

- (r) there is no assurance that the Air Bag Mechanism will prevent investors from losing the entire value of their investment, in the event of (i) an overnight increase in the Underlying Stock, where there is a 20% or greater gap between the previous day closing price and the opening price of the Underlying Stock the following day, as the Air Bag Mechanism will only be triggered when market opens (including pre-opening session or opening auction, as the case may be) the following day or (ii) a sharp intraday increase in the price of the Underlying Stock of 20% or greater within the 15 minutes Observation Period compared to the reference price, being: (1) if air bag has not been previously triggered on the same day, the previous closing price of the Underlying Stock, or (2) if one or more air bag have been previously triggered on the same day, the latest New Observed Price. Investors may refer to pages 52 to 53 of this document for more information;
- (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 Certificates may be terminated prior to its Expiry Date for the following reasons which are not exhaustive: Illegality and force majeure, occurrence of a Holding Limit Event (as defined in the Conditions of the Certificates) or Hedging Disruption (as defined in the Conditions of the Certificates). For more detailed examples of when early termination may occur, please refer to the FAQ section under the "Education" tab on the website at [dlc.socgen.com](http://dlc.socgen.com).

The Issuer will give the investors reasonable notice of any early termination. If the Issuer terminates the Certificates early, 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 substantially less than the amount initially invested, and at the worst case, be zero. Investors may refer to the Condition 13 on pages 37 to 40 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, as amended, 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*).

In April 2023, the EU Commission released a proposal to amend, in particular, the BRRD according to which senior preferred debt instruments would no longer rank pari passu with any non covered non preferred deposits of the Issuer; instead, senior preferred debt instruments would rank junior in right of payment to the claims of all depositors.

This proposal will be discussed and amended by the European Parliament and the European Council before being final and applicable. If the Commission proposal was adopted as is, there may be an increased risk of an investor in senior preferred debt instruments losing all or some of their investment in the context of the exercise of the Bail-in Power. The proposal may also lead to a rating downgrade for senior preferred debt instruments.

Moreover, Regulation (EU) No. 806/2014 of the European Parliament and of the Council of 15

July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism (“**SRM**”) and a Single Resolution 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:                             | 11,700,000 European Style Cash Settled Short Certificates relating to the Class B ordinary shares of Xiaomi Corporation traded in HKD (the “ <b>Underlying Stock</b> ”) |
| ISIN:                                     | LU2517560749                                                                                                                                                            |
| Company:                                  | Xiaomi Corporation (RIC: 1810.HK)                                                                                                                                       |
| Underlying Price <sup>3</sup> and Source: | HK\$19.82 (Reuters)                                                                                                                                                     |
| Calculation Agent:                        | Société Générale                                                                                                                                                        |
| Strike Level:                             | Zero                                                                                                                                                                    |
| Daily Leverage:                           | -5x (within the Leverage Inverse Strategy as described below)                                                                                                           |
| Notional Amount per Certificate:          | SGD 0.60                                                                                                                                                                |
| Management Fee (p.a.) <sup>4</sup> :      | 0.40%                                                                                                                                                                   |
| Gap Premium (p.a.) <sup>5</sup> :         | 8.00%, is a hedging cost against extreme market movements overnight.                                                                                                    |
| Stock Borrowing Cost <sup>6</sup> :       | The annualised costs for borrowing stocks in order to take an inverse exposure on the Underlying Stock.                                                                 |
| Rebalancing Cost <sup>6</sup> :           | The transaction costs (if applicable), computed as a function of leverage and daily inverse performance of the Underlying Stock.                                        |
| Launch Date:                              | 9 May 2024                                                                                                                                                              |
| Closing Date:                             | 16 May 2024                                                                                                                                                             |

<sup>3</sup> These figures are calculated as at, and based on information available to the Issuer on or about 16 May 2024. 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 16 May 2024.

<sup>4</sup> 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.

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

<sup>6</sup> 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:  | 17 May 2024                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Last Trading Date:      | The date falling 5 Business Days immediately preceding the Expiry Date, currently being 7 May 2025                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Expiry Date:            | 15 May 2025 (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:         | 14 May 2025 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:<br><br>Closing Level multiplied by the Notional Amount per Certificate<br><br>Please refer to the “Information relating to the European Style Cash Settled Short Certificates on Single Equities” section on pages 44 to 58 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 $(1 - \text{Management Fee} \times (\text{ACT}(t-1;t) \div 360)) \times (1 - \text{Gap Premium}(t-1) \times (\text{ACT}(t-1;t) \div 360))$ , where:<br><br>“t” refers to “ <b>Observation Date</b> ” 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 44 to 58 of this document for examples and illustrations of the calculation of the Hedging Fee Factor.

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

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

Initial Reference Level: 1,000

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

The calculation of the closing level of the Leverage Inverse Strategy is set out in the “Specific Definitions relating to the Leverage Inverse Strategy” section on pages 20 to 25 below.

Initial Exchange Rate<sup>3</sup>: 0.1722

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 an 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 of continuous trading after the Air Bag is triggered. The resumption of trading is subject to the SGX-ST’s requirements of at least 15 minutes after the SGX-ST approves the request from the Issuer to resume trading on the Certificates, rounded to the next quarter of an hour.

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

Please refer to the “Extraordinary Strategy Adjustment for Performance Reasons (“Air Bag Mechanism”)” section on pages 23 to 25 below and the “Description of Air Bag Mechanism” section on pages 50 to 51 of this document for further information of the Air Bag Mechanism.

Adjustments and Extraordinary Events:

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

Underlying Stock Currency:

Hong Kong Dollar (“**HKD**”)

Settlement Currency:

Singapore Dollar (“**SGD**”)

Exercise Expenses:

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

Relevant Stock Exchange for the Certificates:

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

Relevant Stock Exchange for the Underlying Stock:

HKEX

Business Day, Settlement Business Day and Exchange Business Day: A “**Business Day**” or a “**Settlement 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](http://dlc.socgen.com) for more information on the theoretical closing price of the Certificates on the previous trading day, the closing price of the Underlying Stock on the previous trading day, the Air Bag Trigger Price for each trading day and the Management Fee and Gap Premium.

### **Specific Definitions relating to the Leverage Inverse Strategy**

#### **Description of the Leverage Inverse Strategy**

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

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

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

**Leverage Inverse Strategy Formula**

**LSL<sub>t</sub>** means, for any Observation Date(t), the Leverage Inverse Strategy Closing Level as of such day (t).

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

On Observation Date(1):

$$LSL_1 = 1000$$

On each subsequent Observation Date(t):

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

**LR<sub>t-1,t</sub>** means the Leveraged Return of the Underlying Stock between Observation Date(t-1) and Observation Date(t) closing prices, calculated as follows:

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

**FC<sub>t-1,t</sub>** means, the Funding Cost between Observation Date(t-1) (included) and Observation Date(t) (excluded) calculated as follows:

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

**SB<sub>t-1,t</sub>** means the Stock Borrowing Cost between Observation Date(t-1) (included) and Observation Date(t) (excluded) calculated as follows:

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

**CB** means the Cost of Borrowing applicable that is equal to 4.00%.

**RC<sub>t-1,t</sub>** means the Rebalancing Cost of the Leverage Inverse Strategy on Observation Date (t), calculated as follows:

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

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

0.10%

“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.

|                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|-----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Leverage</b>             | -5                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>S<sub>t</sub></b>        | 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.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Rate<sub>t</sub></b>     | means, in respect of each Observation Date(t), the Overnight HKD Hong Kong Interbank Offered Rate (HIBOR) Fixing, as published on Reuters RIC HIBKDON= 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. |
| <b>Rfactor<sub>t</sub></b>  | 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:<br><br>$Rfactor_t = 1 - \frac{Div_t}{S_{t-1}}$ <p>where</p> <p><i>Div<sub>t</sub></i> is the dividend to be paid out in respect of the Underlying Stock and the relevant ex-dividend date which shall be considered gross of any applicable withholding taxes.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>ACT(t-1,t)</b>           | 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).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>DayCountBasis</b>        | 365                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Rate</b>                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Benchmark Fallback</b>   | 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.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Reference Rate Event</b> | means, in respect of the Reference Rate any of the following has occurred or will occur:<br><br>(i) a Reference Rate Cessation;<br><br>(ii) an Administrator/Benchmark Event; or<br><br>(iii) a Reference Rate is, with respect to over-the-counter derivatives transactions which reference such Reference Rate, the subject of any market-wide development formally agreed upon by the International Swaps and Derivative Association (ISDA)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |

or the Asia Securities Industry & Financial Markets Association (ASIFMA), pursuant to which such Reference Rate is, on a specified date, replaced with a risk-free rate (or near risk-free rate) established in order to comply with the recommendations in the Financial Stability Board's paper titled "Reforming Major Interest Rate Benchmarks" dated 22 July 2014.

**Reference Rate Cessation**

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

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

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

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

**Administrator/ Benchmark Event**

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

**Reference Rate(s)**

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

**Extraordinary Strategy Adjustment for Performance Reasons ("Air Bag Mechanism")**

**Extraordinary Strategy Adjustment for Performance Reasons** If the Calculation Agent determines that an Intraday Restrike Event has occurred during an Observation Date(t) (the **Intraday Restrike Date**, noted hereafter **IRD**), an adjustment (an **Extraordinary Strategy Adjustment for Performance**

**Reasons**) shall take place during such Observation Date(t) in accordance with the following provisions.

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

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

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

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

**$ILSL_{IR(k)}$**

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

(1) for  $k = 1$ :

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

(2) for  $k > 1$ :

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

**$ILR_{IR(k-1),IR(k)}$**

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

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

**$IRC_{IR(k-1),IR(k)}$**

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

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

**$IS_{IR(k)}$**

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

(1) for  $k=0$

$$IS_{IR(0)} = S_{IRD-1} \times R_{\text{factor}_{IRD}}$$

(2) for  $k=1$  to  $n$

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

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

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

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

**$IR(k)$**

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

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



|                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|---------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>IR(C)</b>                                      | means the scheduled close for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto) on the relevant Intraday Restrike Date.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>n</b>                                          | means the number of Intraday Restrike Events that occurred on the relevant Intraday Restrike Date.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Intraday Restrike Event</b>                    | <p>means in respect of an Observation Date(t):</p> <p>(1) provided no Intraday Restrike Event has previously occurred on such Observation Date (t), the increase at any Calculation Time of the Underlying Stock price by 15% or more compared with the relevant Underlying Stock Price <math>IS_{IR(0)}</math> as of such Calculation Time.</p> <p>(2) if k Intraday Restrike Events have occurred on the relevant Intraday Restrike Date, the increase at any Calculation Time of the Underlying Stock price by 15% or more compared with the relevant Underlying Stock Price <math>IS_{IR(k)}</math> as of such Calculation Time.</p>                                                                                                                                                                                                                          |
| <b>Calculation Time</b>                           | 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.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>TimeReferenceOpening</b>                       | means the scheduled opening time (including pre-opening session or opening auction, as the case may be) for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>TimeReferenceClosing</b>                       | means the scheduled closing time (including closing auction session) for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Intraday Restrike Event Observation Period</b> | <p>means in respect of an Intraday Restrike Event, the period starting on and excluding the Intraday Restrike Event Time and finishing on and including the sooner between (1) the time falling 15 minutes of continuous trading after the Intraday Restrike Event Time and (2) the TimeReferenceClosing.</p> <p>Where, during such period, the Calculation Agent determines that (1) the trading in the Underlying Stock is disrupted or subject to suspension or limitation or (2) the Relevant Stock Exchange for the Underlying Stock is not open for continuous trading, the Intraday Restrike Event Observation Period will be extended to the extent necessary until (1) the trading in the Underlying Stock is no longer disrupted, suspended or limited and (2) the Relevant Stock Exchange for the Underlying Stock is open for continuous trading.</p> |
| <b>Intraday Restrike Event Time</b>               | 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 16 June 2023, 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 “**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 Code;
  - (2) *pari passu* with liabilities of the Guarantor as defined in Article L.613-30-3-I-3 of the Code; and
  - (3) senior to liabilities of the Guarantor as defined in Article L.613-30-3-I-4 of the Code; and
- (B) which are not *titres non structurés* as defined under Article R.613-28 of the 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 Settlement Business Days (as defined in the relevant Supplemental Listing Document and subject to extension upon the occurrence of a Settlement Disruption Event (as defined below)) 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.

If the Issuer determines, in its sole discretion, that on any Settlement Business Day during the period of five Settlement Business Days following the Expiry Date a Settlement Disruption Event has occurred, such Settlement Business Day shall be postponed to the next Settlement Business Day on which the Issuer determines that the Settlement Disruption Event is no longer subsisting and such period shall be extended accordingly, provided that the Issuer and/or the Guarantor shall make their best endeavours to implement remedies as soon as reasonably practicable to eliminate

the impact of the Settlement Disruption Event on its/their payment obligations under the Certificates and/or the Guarantee.

“**Settlement Disruption Event**” means the occurrence or existence of any malicious action or attempt initiated to steal, expose, alter, disable or destroy information through unauthorised access to, or maintenance or use of, the Computer Systems of the Issuer, the Guarantor, the Calculation Agent, their respective affiliates (the “SG Group”), their IT service providers, by (and without limitation) the use of malware, ransomware, phishing, denial or disruption of service or cryptojacking or any unauthorized entry, removal, reproduction, transmission, deletion, disclosure or modification preventing the Issuer, the Guarantor and/or the Calculation Agent to perform their obligations under the Certificates, and notwithstanding the implementation of processes, required, as the case may be, by the laws and regulations applicable to the Issuer, the Guarantor, the Calculation Agent and their affiliates, or their IT service providers to improve their resilience to these actions and attempts.

“**Computer System**” means all the computer resources including, in particular: hardware, software packages, software, databases and peripherals, equipment, networks, electronic installations for storing computer data, including Data. The Computer System shall be understood to be that which (i) belongs to the SG Group and/or (ii) is rented, operated or legally held by the SG Group under a contract with the holder of the rights to the said system and/or (iii) is operated on behalf of the SG Group by a third party within the scope of a contractual relationship and/or (iv) is made available to the SG Group under a contract within the framework of a shared system (in particular cloud computing).

“**Data**” means any digital information, stored or used by the Computer System, including confidential data.

- (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) Subdivision or Consolidation of the Certificates. The Issuer reserves the right to subdivide or consolidate the Certificates, provided that such adjustment 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) and subject to the approval of the SGX-ST.
- (f) *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).
- (g) *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(e).

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(e) 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 Hedging Disruption.* If the Issuer or any of its affiliates is, following commercially reasonable efforts, not in the position (i) to enter, re-enter, replace, maintain, liquidate, acquire or dispose of any Hedge Positions (as defined below) or (ii) to freely realize, recover, receive, repatriate, remit, regain or transfer the proceeds of any Hedge Position (where either (i) or (ii) shall constitute a **“Hedging Disruption”**), the Issuer may terminate the Certificates early in accordance with Condition 13(e) provided that the intrinsic value on the previous trading day of the relevant Certificate is at or above the Issue Price. The Issuer’s decision on whether a Hedging Disruption has occurred is final and conclusive. For the avoidance of doubt, Hedging Disruptions shall include the scenario where any Hedge Position cannot be maintained up to the amount necessary to cover all of the Issuer’s obligations under the Certificates.

For the purposes hereof, **“Hedge Positions”** means any one or more commercially reasonable (i) positions (including long or short positions) or contracts in, or relating to, securities, options, futures, other derivatives contracts or foreign exchange, (ii) stock loan or borrowing transactions or (iii) other instruments, contracts, transactions or arrangements (howsoever described) that the Issuer or any of its affiliates determines necessary to hedge, individually or on a portfolio basis, any risk (including, without limitation, market risk, price risk, foreign exchange risk and interest rate risk) in relation to the assumption and fulfilment of the Issuer’s obligations under the Certificates.

- (d) *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(e) 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.

- (e) *Termination.* If the Issuer terminates the Certificates early, 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. The determination of the fair market value may deviate from the determination of the Cash Settlement Amount under different scenarios, including but not limited to, where (i) the Daily Reset (as defined in the relevant Supplemental Listing Document) mechanism is suspended and/or (ii) the Final Reference Level is determined based on the closing price of the Underlying Stock on multiple Underlying Stock Business Days or Exchange Business Days, as the case may be. 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:                       | Xiaomi Corporation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| The Certificates:              | European Style Cash Settled Short Certificates relating to the Underlying Stock                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Number:                        | 11,700,000 Certificates                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Form:                          | The Certificates will be issued subject to, and with the benefit of, a master instrument by way of deed poll dated 16 June 2023 (the “ <b>Master Instrument</b> ”) and executed by the Issuer and the Guarantor and a master warrant agent agreement dated 29 May 2017 (the “ <b>Master Warrant Agent Agreement</b> ”) and made between the Issuer, the Guarantor and the Warrant Agent (as amended and/or supplemented from time to time).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Cash Settlement Amount:        | In respect of each Certificate, is the amount (if positive) equal to:<br>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 17 May 2024.
- Governing Law:** The laws of Singapore
- Warrant Agent:** The Central Depository (Pte) Limited  
4 Shenton Way  
#02-01 SGX Centre 2  
Singapore 068807
- 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 | = | <b>Daily Management Fee Adjustment</b>    |
|            |   | 1 – Management Fee x ACT (t-1;t) / 360    |
|            |   | x                                         |
|            |   | <b>Daily Gap Premium Adjustment</b>       |
|            |   | 1 – Gap Premium (t-1) x ACT (t-1;t) / 360 |

### Illustration of the Calculation of Cash Settlement Amount

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

|                       |   |                   |   |                                                          |   |                                             |       |                                             |
|-----------------------|---|-------------------|---|----------------------------------------------------------|---|---------------------------------------------|-------|---------------------------------------------|
| Value of Certificates | = | t <sup>7</sup> =0 | x | t=1                                                      | x | t=2                                         | x ... | t=i                                         |
|                       |   | Notional Amount   |   | Leverage Inverse Strategy daily performance <sup>8</sup> |   | Leverage Inverse Strategy daily performance |       | Leverage Inverse Strategy Daily performance |
|                       |   |                   |   | x                                                        |   | x                                           |       | x                                           |
|                       |   |                   |   | Daily Fees                                               |   | Daily Fees                                  |       | Daily Fees                                  |
|                       |   |                   |   |                                                          |   |                                             |       |                                             |

|                       |   |                 |   |                                                                   |   |                                                       |                         |
|-----------------------|---|-----------------|---|-------------------------------------------------------------------|---|-------------------------------------------------------|-------------------------|
| Value of Certificates | = | t=0             | x | <b>Product of the daily Leverage Inverse Strategy Performance</b> | x | <b>Product of the Daily Fees (Hedging Fee Factor)</b> |                         |
|                       |   | Notional Amount |   | Leverage Inverse Strategy daily performance                       |   | Leverage Inverse Strategy daily performance           | Daily Fees x Daily Fees |
|                       |   |                 |   | x                                                                 |   | x                                                     |                         |

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

### 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.

<sup>7</sup> "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.

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

## Example of Calculation of Hedging Fee Factor and Cash Settlement Amount

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

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

|                                  |                                                             |
|----------------------------------|-------------------------------------------------------------|
| Underlying Stock:                | Class B ordinary shares of Xiaomi Corporation traded in HKD |
| Expected Listing Date:           | <b>03/07/2018</b>                                           |
| Expiry Date:                     | <b>18/07/2018</b>                                           |
| Initial Reference Level:         | <b>1,000</b>                                                |
| Initial Exchange Rate:           | <b>1</b>                                                    |
| Final Reference Level:           | <b>1,200</b>                                                |
| Final Exchange Rate:             | <b>1</b>                                                    |
| Issue Price:                     | <b>0.60 SGD</b>                                             |
| Notional Amount per Certificate: | <b>0.60 SGD</b>                                             |
| Management Fee (p.a.):           | <b>0.40%</b>                                                |
| Gap Premium (p.a.):              | <b>8.00%</b>                                                |
| Strike Level:                    | Zero                                                        |

### Hedging Fee Factor

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

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

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

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

$$\text{HFF}(1) = 100\% \times \left(1 - 0.40\% \times \frac{1}{360}\right) \times \left(1 - 8.00\% \times \frac{1}{360}\right)$$

$$\text{HFF}(1) = 100\% \times 99.9989\% \times 99.9778\% \approx 99.9767\%$$

Assuming 2<sup>nd</sup> Underlying Stock Business Day falls 3 Calendar Days after 1<sup>st</sup> Underlying Stock Business Day:

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

$$\text{HFF (2)} = 99.9767\% \times \left(1 - 0.40\% \times \frac{3}{360}\right) \times \left(1 - 8.00\% \times \frac{3}{360}\right)$$

$$\text{HFF (2)} = 99.9767\% \times 99.9967\% \times 99.9333\% \approx 99.9067\%$$

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

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

In this example, the Hedging Fee Factor as of the Valuation Date would be equal to 99.6505% as illustrated below:

| Date      | HFF       |
|-----------|-----------|
| 3/7/2018  | 100.0000% |
| 4/7/2018  | 99.9767%  |
| 5/7/2018  | 99.9533%  |
| 6/7/2018  | 99.9300%  |
| 9/7/2018  | 99.8601%  |
| 10/7/2018 | 99.8368%  |
| 11/7/2018 | 99.8135%  |
| 12/7/2018 | 99.7902%  |
| 13/7/2018 | 99.7669%  |
| 16/7/2018 | 99.6971%  |
| 17/7/2018 | 99.6738%  |
| 18/7/2018 | 99.6505%  |

### Cash Settlement Amount

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

$$\begin{aligned} \text{Closing Level} &= [(\text{Final Reference Level} \times \text{Final Exchange Rate}) / (\text{Initial Reference Level} \times \text{Initial Exchange Rate}) - \text{Strike Level}] \times \text{Hedging Fee Factor} \\ &= [(1200 \times 1) / (1000 \times 1) - 0] \times 99.6505\% \\ &= 119.58\% \end{aligned}$$

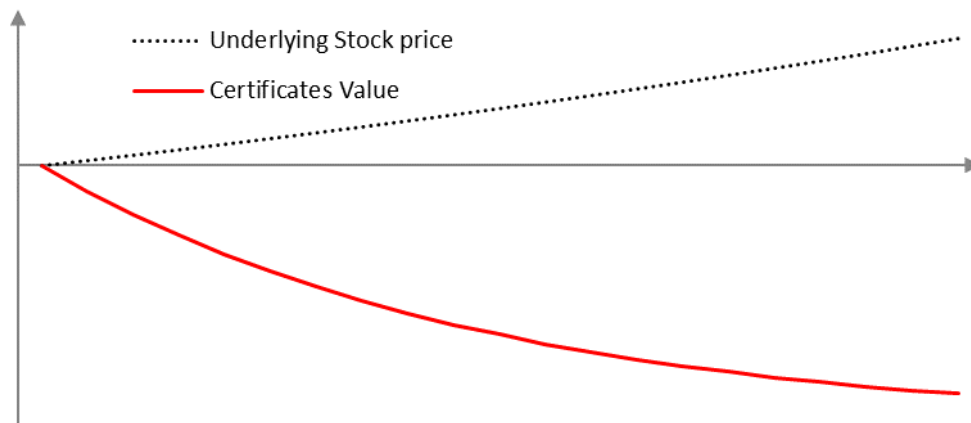
$$\begin{aligned} \text{Cash Settlement Amount} &= \text{Closing Level} \times \text{Notional Amount per Certificate} \\ &= 119.58\% \times 0.60 \text{ SGD} \\ &= \mathbf{0.717 \text{ SGD}} \end{aligned}$$

## Illustration on how returns and losses can occur under different scenarios

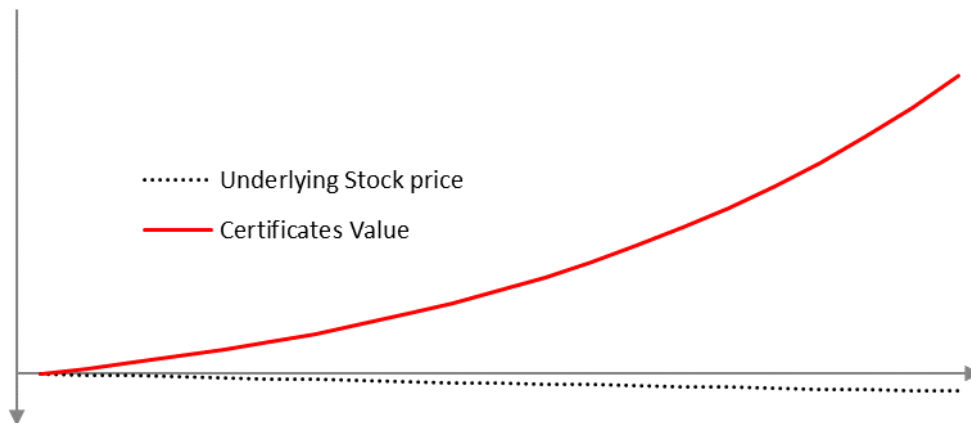
The examples are purely hypothetical and do not take fees and charges payable by investors into consideration. The examples highlight the effect of the Underlying Stock performance on the value of the Certificates and do not take into account the possible influence of fees, exchange rates, dividends,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

### 1. Illustrative examples

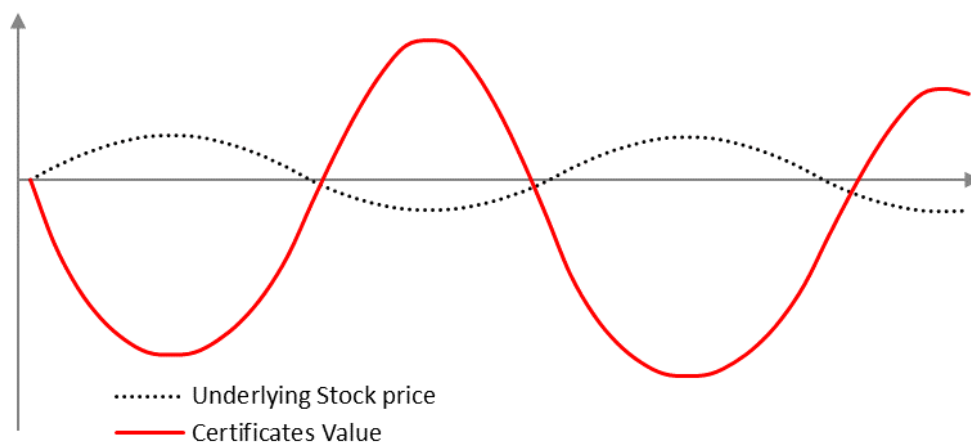
#### Scenario 1 – Upward Trend



#### Scenario 2 – Downward Trend



#### Scenario 3 – Volatile Market





## 2. Numerical Examples

### Scenario 1 – Upward Trend

| <b>Underlying Stock</b> |          |          |          |          |          |          |
|-------------------------|----------|----------|----------|----------|----------|----------|
|                         | 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%   |

| <b>Value of the Certificates</b> |       |         |         |         |         |         |
|----------------------------------|-------|---------|---------|---------|---------|---------|
|                                  | Day 0 | Day 1   | Day 2   | Day 3   | Day 4   | Day 5   |
| Daily return                     |       | -10.0%  | -10.0%  | -10.0%  | -10.0%  | -10.0%  |
| Price at end of day              | 0.60  | 0.54    | 0.49    | 0.44    | 0.39    | 0.35    |
| Accumulated Return               |       | -10.00% | -19.00% | -27.10% | -34.39% | -40.95% |

### Scenario 2 – Downward Trend

| <b>Underlying Stock</b> |          |         |         |         |         |         |
|-------------------------|----------|---------|---------|---------|---------|---------|
|                         | 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%  |

| <b>Value of the Certificates</b> |       |        |        |        |        |        |
|----------------------------------|-------|--------|--------|--------|--------|--------|
|                                  | Day 0 | Day 1  | Day 2  | Day 3  | Day 4  | Day 5  |
| Daily return                     |       | 10.0%  | 10.0%  | 10.0%  | 10.0%  | 10.0%  |
| Price at end of day              | 0.60  | 0.66   | 0.73   | 0.80   | 0.88   | 0.97   |
| Accumulated Return               |       | 10.00% | 21.00% | 33.10% | 46.41% | 61.05% |

### Scenario 3 – Volatile Market

| <b>Underlying Stock</b> |          |          |         |          |         |          |
|-------------------------|----------|----------|---------|----------|---------|----------|
|                         | 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%    |

| <b>Value of the Certificates</b> |       |         |        |         |        |         |
|----------------------------------|-------|---------|--------|---------|--------|---------|
|                                  | Day 0 | Day 1   | Day 2  | Day 3   | Day 4  | Day 5   |
| Daily return                     |       | -10.0%  | 10.0%  | -10.0%  | 10.0%  | -10.0%  |
| Price at end of day              | 0.60  | 0.54    | 0.59   | 0.53    | 0.59   | 0.53    |
| 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, this is followed by a period which is divided into two sub-periods:

- Observation Period: the price of the Underlying Stock is observed and its maximum price is recorded (i) during 15 minutes of continuous trading after the Air Bag is triggered, or (ii) until Market Close if there is less than 15 minutes of continuous trading until Market Close when the Air Bag Mechanism is triggered; and
- Reset Period: the Leverage Inverse Strategy is then 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.

During the Observation Period and Reset Period, trading of Certificates is suspended for a period of at least 30 minutes of continuous trading after the Air Bag is triggered, and such suspension will be based on instructions provided by the Issuer to the SGX-ST for suspension of trading. 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.

For the avoidance of doubt, if the Air Bag Mechanism was triggered more than 60 minutes of continuous trading before Market Close, trading of Certificates will resume the same trading day after the Reset Period has elapsed, subject to the SGX-ST's approval to resume trading. If the Air Bag Mechanism was triggered between 45 minutes and 60 minutes of continuous trading before Market Close, trading of Certificates may or may not resume the same trading day after the Reset Period has elapsed. If the Air Bag Mechanism was triggered with only 45 minutes or less of continuous trading before Market Close, trading of Certificates resumes on the next trading day.

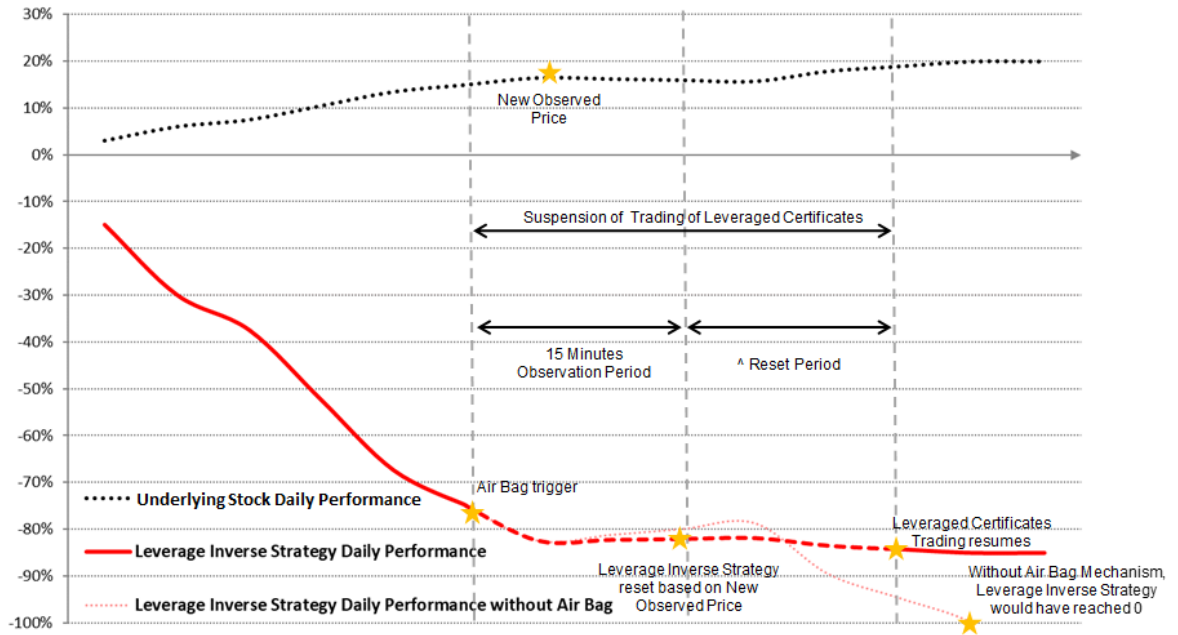
The resumption of trading is subject to the SGX-ST's requirements of at least 15 minutes after the SGX-ST approves the request from the Issuer to resume trading on the Certificates, rounded to the next quarter of an hour. The Issuer will provide at least 15 minutes' notice of the resumption of trading by making an SGXNET announcement.

With **Market Close** defined as:

- the Underlying Stock closing time, including the closing auction session, with respect to the Observation Period; and
- the sooner of (i) the Underlying Stock closing time for continuous trading and (ii) the SGX-ST closing time, with respect to the Resumption of Trading

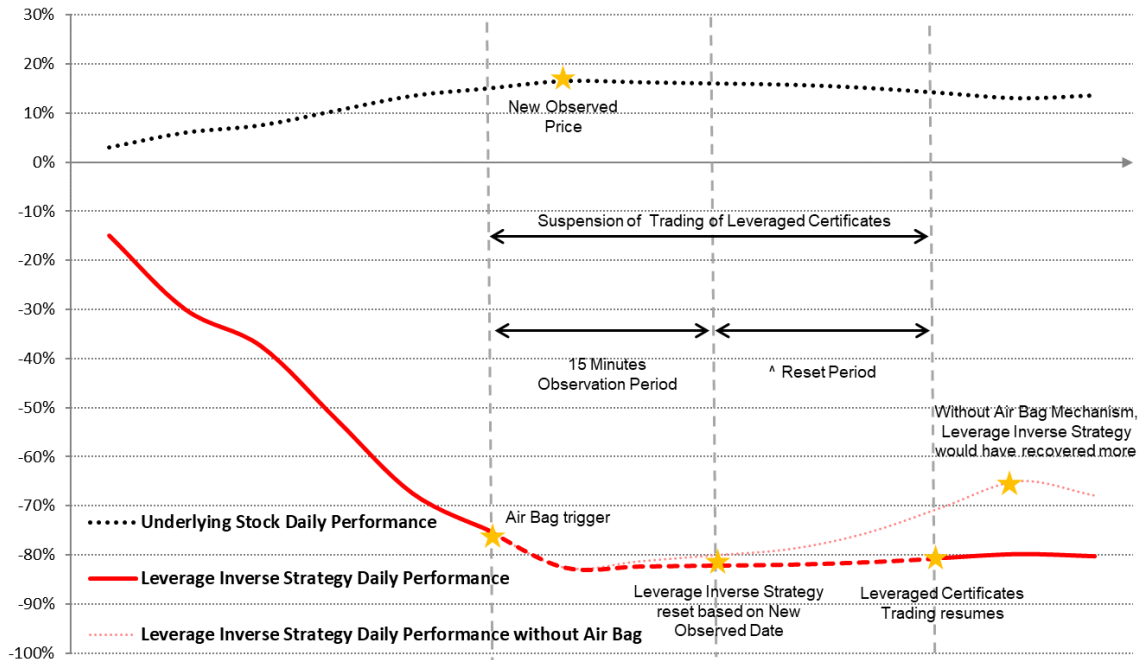
Illustrative examples of the Air Bag Mechanism<sup>9</sup>

Scenario 1 – Upward Trend after Air Bag trigger



^ The resumption of trading is subject to the SGX-ST's requirements of at least 15 minutes after the SGX-ST approves the request from the Issuer to resume trading on the Certificates, rounded to the next quarter of an hour.

Scenario 2 – Downward Trend after Air Bag trigger



^ The resumption of trading is subject to the SGX-ST's requirements of at least 15 minutes after the SGX-ST approves the request from the Issuer to resume trading on the Certificates, rounded to the next quarter of an hour.

<sup>9</sup> The illustrative examples are not exhaustive.

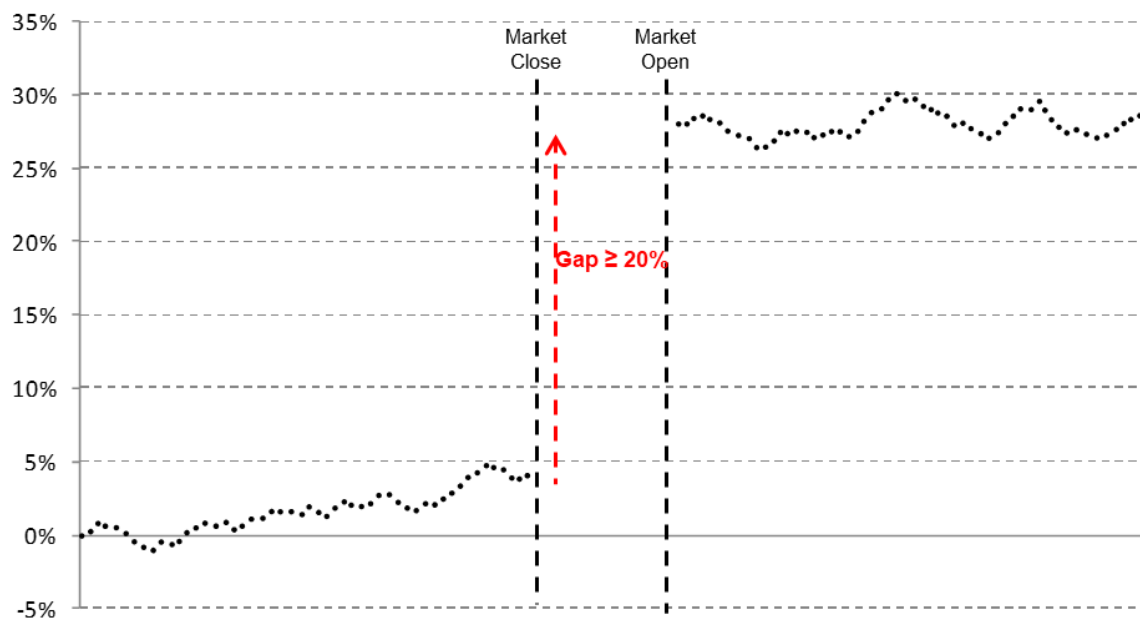
## Scenarios where the investor may lose the entire value of the investment

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

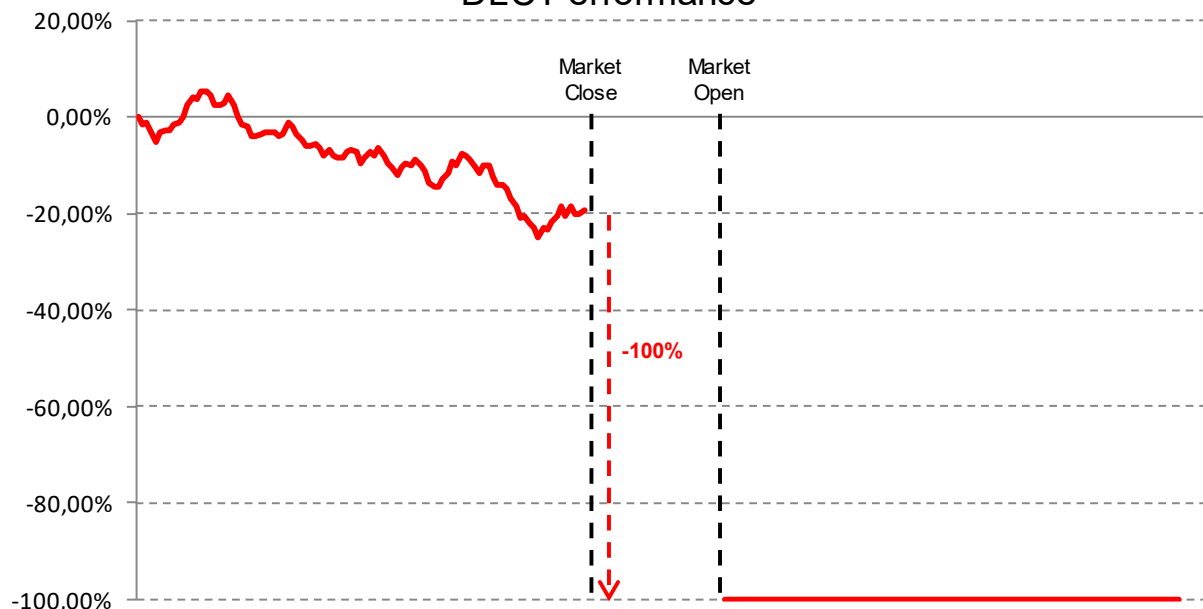
### Scenario 1 – Overnight rise of the Underlying Stock

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

#### Underlying Stock Performance

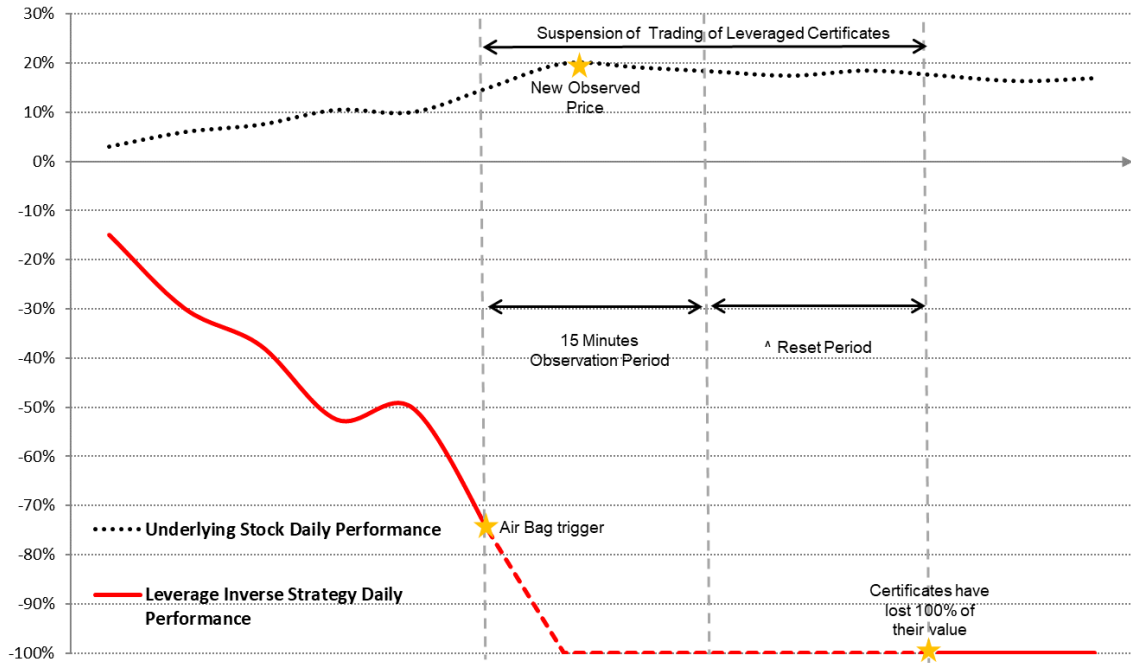


#### DLC Performance



Scenario 2 – Sharp intraday rise of the Underlying Stock

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



## Examples and illustrations of adjustments due to certain corporate actions

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

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

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

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

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

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

Where:

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

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

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

### 1. Stock split

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

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

$$S_t = \$51$$

$$Div_t = \$0$$

$$DivExc_t = \$0$$

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

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

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

As a consequence:

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

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

| Value of the Certificate (t-1) | Value of the Certificate (t) | Certificates' performance (excluding any cost and fees) |
|--------------------------------|------------------------------|---------------------------------------------------------|
| 0.60                           | 0.54                         | -10%                                                    |

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

## 2. Share Consolidation

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

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

$$S_t = \$202$$

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

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

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

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

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

As a consequence:

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

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

| Value of the Certificate (t-1) | Value of the Certificate (t) | Certificates' performance (excluding any cost and fees) |
|--------------------------------|------------------------------|---------------------------------------------------------|
| 0.60                           | 0.57                         | -5%                                                     |

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

### 3. Rights Issues

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

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

$$S_t = \$84$$

$$Div_t = \$0$$

$$DivExc_t = \$0$$

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

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

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

As a consequence:

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

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

| Value of the Certificate (t-1) | Value of the Certificate (t) | Certificates' performance (excluding any cost and fees) |
|--------------------------------|------------------------------|---------------------------------------------------------|
| 0.60                           | 0.45                         | -25%                                                    |

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



#### 4. Bonus Issues

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

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

$$S_t = \$85$$

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

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

$$R = \$0$$

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

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

As a consequence:

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

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

| Value of the Certificate (t-1) | Value of the Certificate (t) | Certificates' performance (excluding any cost and fees) |
|--------------------------------|------------------------------|---------------------------------------------------------|
| 0.60                           | 0.54                         | -10%                                                    |

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

#### 5. Extraordinary Dividend

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

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

$$S_t = \$84$$

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

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

$$R = \$0$$

$$M = 0$$

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

As a consequence:

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

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

| Value of the Certificate (t-1) | Value of the Certificate (t) | Certificates' performance (excluding any cost and fees) |
|--------------------------------|------------------------------|---------------------------------------------------------|
| 0.60                           | 0.45                         | -25%                                                    |

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

## INFORMATION RELATING TO THE COMPANY

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

Xiaomi Corporation (the “**Company**”) is a China-based investment holding company principally engaged in the research, development and sales of smartphones, Internet of things (IoT) and lifestyle products, the provision of Internet services, and investment business. The Company mainly conducts its businesses through four segments. The Smartphone segment is engaged in the sales of smartphones. The IoT and Lifestyle product segment is engaged in the sales of other in-house products, including smart televisions (TVs), laptops, artificial intelligence (AI) speakers and smart routers; ecosystem products, including IoT and other smart hardware products, as well as certain lifestyle products. The Internet service segment is engaged in the provision of advertising services and Internet value-added services. The Others segment is engaged in the provision of repair services for its hardware products. The Company distributes its products in domestic market and to overseas markets.

The information set out in Appendix I of this document relates to the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2023 and has been extracted and reproduced from an announcement by the Company released on 25 April 2024 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 the SGX-ST and/or the HKEX are not open for dealings; and
- (xii) during the suspension of trading of Certificates after an Air Bag Mechanism has been triggered.

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

## **SUPPLEMENTAL INFORMATION RELATING TO THE ISSUER**

The information set out in Appendix II of this document is a reproduction of the annual financial statements of the Issuer as at and for the year ended 31 December 2023 and its auditor's report.

## **SUPPLEMENTAL INFORMATION RELATING TO THE GUARANTOR**

The information set out in Appendix III of this document is a reproduction of the press release dated 3 May 2024 containing the Guarantor's consolidated financial results for the first quarter ended 31 March 2024.

## SUPPLEMENTAL GENERAL INFORMATION

The information set out herein is supplemental to, and should be read in conjunction with the information set out in 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 2023 or the Guarantor since 31 March 2024, 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 reports of the Auditors of the Issuer and the Guarantor were 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 Base Listing Document (which can also be viewed at: <https://www.sgx.com/securities/prospectus-circulars-offer-documents>);
  - (e) this document; and
  - (f) the Guarantee.

## PLACING AND SALE

### General

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

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

### Singapore

This document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Certificates may not be circulated or distributed, nor may Certificates be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than pursuant to, and in accordance with the conditions of, any applicable provision of the Securities and Futures Act 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 has not been and 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 YEAR ENDED 31 DECEMBER 2023 OF XIAOMI CORPORATION AND ITS SUBSIDIARIES**

The information set out below is a reproduction of the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2023 and has been extracted and reproduced from an announcement by the Company released on 25 April 2024 in relation to the same.

# INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

To the Shareholders of Xiaomi Corporation  
(incorporated in the Cayman Islands with limited liability)

## Opinion

### What we have audited

The consolidated financial statements of Xiaomi Corporation (the "Company") and its subsidiaries (the "Group"), which are set out on pages 199 to 337, comprise:

- The consolidated balance sheet as of December 31, 2023;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as of December 31, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### Basis for Opinion

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

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

## INDEPENDENT AUDITOR'S REPORT

### Independence

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

### Key Audit Matters

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

Key audit matter identified in our audit is related to the classification and fair value determination for unlisted securities classified as "long-term investments measured at fair value through profit or loss".

| Key Audit Matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | How our audit addressed the Key Audit Matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>The classification and fair value determination for unlisted securities classified as "long-term investments measured at fair value through profit or loss"</b></p> <p>Refer to Note 3.3 and Note 20 to the consolidated financial statements.</p> <p>The Group measures ordinary share investments and preferred share investments in unlisted companies other than those accounted for using equity method at fair value through profits or losses (collectively the "Unlisted Securities"). The total amount of Unlisted Securities as of December 31, 2023 was RMB38,347,349,000, accounting for 12% of the Group's total assets.</p> | <p>We understood the key controls over the capturing, measurement and recording of the Unlisted Securities and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors of related accounting estimate.</p> <p>For the classification and initial recognition of the Unlisted Securities, we have selected samples to perform the following procedures:</p> <ol style="list-style-type: none"> <li>(1) We checked relevant legal documents such as shareholder agreements, share purchase agreements and articles of association of the investees to understand the commercial rationale for these Unlisted Securities investments;</li> <li>(2) We evaluated management's analysis on contract terms and assessed the reasonableness of management's accounting treatments.</li> </ol> |



## INDEPENDENT AUDITOR'S REPORT

| Key Audit Matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | How our audit addressed the Key Audit Matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>The classification, initial recognition and subsequent measurement of the Unlisted Securities require management to analyze certain complex contract terms, make corresponding judgments on the Group's business models of managing them, as well as estimate their cashflows. The Group identified its various rights and evaluated the financial impacts based on key terms from relevant legal documents.</p> <p>Management engaged an external valuer to assist determining the fair value of these Unlisted Securities when necessary. The fair value determination of such Unlisted Securities required management to make judgments and estimates, including the appropriateness of using various unobservable inputs.</p> <p>We focused on this area due to the significance of the balances of these investments and their related fair value gain or loss for the year, as well as management judgments, assumptions and estimations involved in the initial recognition and subsequent fair value measurement of the Unlisted Securities which are subject to high degree of estimation uncertainty.</p> | <p>For the subsequent measurement of fair value of the Unlisted Securities, we have selected samples to perform the following procedures:</p> <ol style="list-style-type: none"> <li>(1) We assessed the objectivity, independence and competence of the external valuer engaged by the Group;</li> <li>(2) We assessed the appropriateness of the valuation model (which was "market approach"), interviewed management and understood the underlying assumptions and inputs used in fair value determination, and assessed the reasonableness of assumptions and inputs used, including but not limited to comparable companies and multipliers used, expected volatility and discounted for lack of marketability;</li> <li>(3) We tested the accuracy of the fair values calculation of Unlisted Securities.</li> </ol> <p>We found the judgments, assumptions and estimations made by management in relation to the initial recognition and fair value determination of the Unlisted Securities to be supportable based on the available evidence.</p> |

## INDEPENDENT AUDITOR'S REPORT

### Other Information

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

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

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

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

### Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

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

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

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

## INDEPENDENT AUDITOR'S REPORT

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

## INDEPENDENT AUDITOR'S REPORT

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Choi Ming Yan Brian.

**PricewaterhouseCoopers**

Certified Public Accountants

Hong Kong, March 19, 2024

# CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2023

(Expressed in Renminbi ("RMB"))

|                                                                                           | Note  | Year ended December 31, |               |
|-------------------------------------------------------------------------------------------|-------|-------------------------|---------------|
|                                                                                           |       | 2023                    | 2022          |
|                                                                                           |       | RMB'000                 | RMB'000       |
| <b>Revenue</b>                                                                            | 6     | <b>270,970,141</b>      | 280,044,016   |
| Cost of sales                                                                             | 9     | <b>(213,493,902)</b>    | (232,466,826) |
| <b>Gross profit</b>                                                                       |       | <b>57,476,239</b>       | 47,577,190    |
| Research and development expenses                                                         | 9     | <b>(19,097,699)</b>     | (16,028,132)  |
| Selling and marketing expenses                                                            | 9     | <b>(19,226,542)</b>     | (21,323,323)  |
| Administrative expenses                                                                   | 9     | <b>(5,126,798)</b>      | (5,113,877)   |
| Fair value changes on financial instruments measured at fair value through profit or loss |       | <b>3,501,053</b>        | (1,662,010)   |
| Share of net profits/(losses) of investments accounted for using the equity method        | 12(b) | <b>45,615</b>           | (400,100)     |
| Other income                                                                              | 7     | <b>740,091</b>          | 1,135,560     |
| Other gains/(losses), net                                                                 | 8     | <b>1,696,711</b>        | (1,368,810)   |
| <b>Operating profit</b>                                                                   |       | <b>20,008,670</b>       | 2,816,498     |
| Finance income                                                                            | 11    | <b>3,558,347</b>        | 1,663,941     |
| Finance costs                                                                             | 11    | <b>(1,555,970)</b>      | (546,483)     |
| <b>Profit before income tax</b>                                                           |       | <b>22,011,047</b>       | 3,933,956     |
| Income tax expenses                                                                       | 13    | <b>(4,536,851)</b>      | (1,431,388)   |
| <b>Profit for the year</b>                                                                |       | <b>17,474,196</b>       | 2,502,568     |
| <b>Attributable to:</b>                                                                   |       |                         |               |
| — Owners of the Company                                                                   |       | <b>17,475,173</b>       | 2,474,030     |
| — Non-controlling interests                                                               |       | <b>(977)</b>            | 28,538        |
|                                                                                           |       | <b>17,474,196</b>       | 2,502,568     |
| <b>Earnings per share (expressed in RMB per share):</b>                                   | 14    |                         |               |
| Basic                                                                                     |       | <b>0.70</b>             | 0.10          |
| Diluted                                                                                   |       | <b>0.69</b>             | 0.10          |

The notes on pages 208 to 337 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2023

(Expressed in RMB)

|                                                                                                                                                             | Note  | Year ended December 31, |           |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------------------------|-----------|
|                                                                                                                                                             |       | 2023                    | 2022      |
|                                                                                                                                                             |       | RMB'000                 | RMB'000   |
| <b>Profit for the year</b>                                                                                                                                  |       | <b>17,474,196</b>       | 2,502,568 |
| <b>Other comprehensive income:</b>                                                                                                                          |       |                         |           |
| <i>Items that may be reclassified subsequently to profit or loss</i>                                                                                        |       |                         |           |
| Share of other comprehensive income of investments accounted for using the equity method                                                                    | 12(b) | 9,326                   | 57,211    |
| Transfer of share of other comprehensive (income)/loss to profit or loss upon disposal and deemed disposal of investments accounted for using equity method |       | (2,167)                 | 93,311    |
| Net losses from changes in fair value of financial assets at fair value through other comprehensive income                                                  |       | (26,711)                | (22,754)  |
| Currency translation differences                                                                                                                            |       | 321,098                 | (103,529) |
| <i>Item that will not be reclassified subsequently to profit or loss</i>                                                                                    |       |                         |           |
| Currency translation differences                                                                                                                            |       | 734,319                 | 3,721,116 |
| <b>Other comprehensive income for the year, net of tax</b>                                                                                                  |       | <b>1,035,865</b>        | 3,745,355 |
| <b>Total comprehensive income for the year</b>                                                                                                              |       | <b>18,510,061</b>       | 6,247,923 |
| <b>Attributable to:</b>                                                                                                                                     |       |                         |           |
| — Owners of the Company                                                                                                                                     |       | 18,507,548              | 6,201,669 |
| — Non-controlling interests                                                                                                                                 |       | 2,513                   | 46,254    |
|                                                                                                                                                             |       | <b>18,510,061</b>       | 6,247,923 |

The notes on pages 208 to 337 are an integral part of these consolidated financial statements.

# CONSOLIDATED BALANCE SHEET

As of December 31, 2023

(Expressed in RMB)

|                                                                                  | Note  | As of December 31, |                    |
|----------------------------------------------------------------------------------|-------|--------------------|--------------------|
|                                                                                  |       | 2023               | 2022               |
|                                                                                  |       | RMB'000            | RMB'000            |
| <b>Assets</b>                                                                    |       |                    |                    |
| <b>Non-current assets</b>                                                        |       |                    |                    |
| Property, plant and equipment                                                    | 15    | 13,720,825         | 9,138,221          |
| Intangible assets                                                                | 16    | 8,628,739          | 4,629,676          |
| Investments accounted for using the equity method                                | 12(b) | 6,922,241          | 7,932,192          |
| Long-term investments measured at fair value through profit or loss              | 20    | 60,199,798         | 55,979,974         |
| Deferred income tax assets                                                       | 35    | 2,160,750          | 2,278,175          |
| Long-term bank deposits                                                          | 25(c) | 18,293,650         | 16,788,346         |
| Long-term investments measured at amortized cost                                 | 20    | 364,476            | 405,371            |
| Other non-current assets                                                         | 18    | 14,904,260         | 15,940,461         |
|                                                                                  |       | 125,194,739        | 113,092,416        |
| <b>Current assets</b>                                                            |       |                    |                    |
| Inventories                                                                      | 24    | 44,422,837         | 50,437,891         |
| Trade and notes receivables                                                      | 22    | 12,150,928         | 11,795,074         |
| Loan receivables                                                                 | 21    | 9,772,589          | 7,829,563          |
| Prepayments and other receivables                                                | 23    | 20,078,875         | 18,578,491         |
| Bills receivables measured at fair value through other comprehensive income      |       | 125,661            | 40,003             |
| Short-term investments measured at fair value through other comprehensive income | 20    | 582,131            | 449,109            |
| Short-term investments measured at amortized cost                                | 20    | 502,816            | —                  |
| Short-term investments measured at fair value through profit or loss             | 20    | 20,193,662         | 9,845,910          |
| Short-term bank deposits                                                         | 25(c) | 52,797,857         | 29,874,707         |
| Restricted cash                                                                  | 25(b) | 4,794,031          | 3,956,786          |
| Cash and cash equivalents                                                        | 25(a) | 33,631,313         | 27,607,261         |
|                                                                                  |       | 199,052,700        | 160,414,795        |
| <b>Total assets</b>                                                              |       | <b>324,247,439</b> | <b>273,507,211</b> |
| <b>Equity and liabilities</b>                                                    |       |                    |                    |
| <b>Equity attributable to owners of the Company</b>                              |       |                    |                    |
| Share capital                                                                    | 26    | 407                | 406                |
| Reserves                                                                         |       | 163,995,082        | 143,658,052        |
|                                                                                  |       | 163,995,489        | 143,658,458        |
| <b>Non-controlling interests</b>                                                 |       | <b>266,279</b>     | <b>264,602</b>     |
| <b>Total equity</b>                                                              |       | <b>164,261,768</b> | <b>143,923,060</b> |

## CONSOLIDATED BALANCE SHEET

As of December 31, 2023

(Expressed in RMB)

|                                     | Note | As of December 31, |                    |
|-------------------------------------|------|--------------------|--------------------|
|                                     |      | 2023               | 2022               |
|                                     |      | RMB'000            | RMB'000            |
| <b>Liabilities</b>                  |      |                    |                    |
| <b>Non-current liabilities</b>      |      |                    |                    |
| Borrowings                          | 34   | 21,673,969         | 21,493,261         |
| Deferred income tax liabilities     | 35   | 1,494,287          | 983,256            |
| Warranty provision                  |      | 1,215,546          | 945,270            |
| Other non-current liabilities       | 30   | 20,014,273         | 16,534,831         |
|                                     |      | <b>44,398,075</b>  | <b>39,956,618</b>  |
| <b>Current liabilities</b>          |      |                    |                    |
| Trade payables                      | 31   | 62,098,500         | 53,093,543         |
| Other payables and accruals         | 32   | 25,614,650         | 18,440,716         |
| Advance from customers              | 33   | 13,614,756         | 9,587,959          |
| Borrowings                          | 34   | 6,183,376          | 2,150,741          |
| Income tax liabilities              |      | 1,838,222          | 1,384,133          |
| Warranty provision                  |      | 6,238,092          | 4,970,441          |
|                                     |      | <b>115,587,596</b> | <b>89,627,533</b>  |
| <b>Total liabilities</b>            |      | <b>159,985,671</b> | <b>129,584,151</b> |
| <b>Total equity and liabilities</b> |      | <b>324,247,439</b> | <b>273,507,211</b> |

The notes on pages 208 to 337 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 199 to 337 were approved by the Board of Directors on March 19, 2024 and were signed on its behalf:

Lei Jun

Lin Bin



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2023

(Expressed in RMB)

|                                                                                                                                                      | Note  | Attributable to owners of the Company |                 |               |                          |                   |             | Non-controlling interests | Total equity |
|------------------------------------------------------------------------------------------------------------------------------------------------------|-------|---------------------------------------|-----------------|---------------|--------------------------|-------------------|-------------|---------------------------|--------------|
|                                                                                                                                                      |       | Share capital                         | Treasury shares | Share premium | Other reserves (Note 27) | Retained earnings | Sub-total   |                           |              |
|                                                                                                                                                      |       | RMB'000                               | RMB'000         | RMB'000       | RMB'000                  | RMB'000           | RMB'000     | RMB'000                   | RMB'000      |
| <b>Balance at January 1, 2023</b>                                                                                                                    |       | 406                                   | (190,795)       | 59,483,288    | 12,951,008               | 71,414,551        | 143,658,458 | 264,602                   | 143,923,060  |
| <b>Comprehensive income</b>                                                                                                                          |       |                                       |                 |               |                          |                   |             |                           |              |
| Profit for the year                                                                                                                                  |       | —                                     | —               | —             | —                        | 17,475,173        | 17,475,173  | (977)                     | 17,474,196   |
| <b>Other comprehensive income</b>                                                                                                                    |       |                                       |                 |               |                          |                   |             |                           |              |
| <i>Items that may be reclassified subsequently to profit or loss</i>                                                                                 |       |                                       |                 |               |                          |                   |             |                           |              |
| Share of other comprehensive income of investments accounted for using the equity method                                                             | 12(b) | —                                     | —               | —             | 9,326                    | —                 | 9,326       | —                         | 9,326        |
| Transfer of share of other comprehensive income to profit or loss upon disposal and deemed disposal of investments accounted for using equity method |       | —                                     | —               | —             | (2,167)                  | —                 | (2,167)     | —                         | (2,167)      |
| Net losses from changes in fair value of financial assets at fair value through other comprehensive income                                           |       | —                                     | —               | —             | (26,711)                 | —                 | (26,711)    | —                         | (26,711)     |
| Currency translation differences                                                                                                                     | 27    | —                                     | —               | —             | 317,608                  | —                 | 317,608     | 3,490                     | 321,098      |
| <i>Item that will not be reclassified subsequently to profit or loss</i>                                                                             |       |                                       |                 |               |                          |                   |             |                           |              |
| Currency translation differences                                                                                                                     | 27    | —                                     | —               | —             | 734,319                  | —                 | 734,319     | —                         | 734,319      |
| <b>Total comprehensive income</b>                                                                                                                    |       | —                                     | —               | —             | 1,032,375                | 17,475,173        | 18,507,548  | 2,513                     | 18,510,061   |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2023

(Expressed in RMB)

|                                                                                                                                              | Note  | Attributable to owners of the Company |                               |                             |                                           |                                 | Sub-total<br>RMB'000 | Non-<br>controlling<br>interests<br>RMB'000 | Total<br>equity<br>RMB'000 |
|----------------------------------------------------------------------------------------------------------------------------------------------|-------|---------------------------------------|-------------------------------|-----------------------------|-------------------------------------------|---------------------------------|----------------------|---------------------------------------------|----------------------------|
|                                                                                                                                              |       | Share<br>capital<br>RMB'000           | Treasury<br>shares<br>RMB'000 | Share<br>premium<br>RMB'000 | Other<br>reserves<br>(Note 27)<br>RMB'000 | Retained<br>earnings<br>RMB'000 |                      |                                             |                            |
| <b>Transactions with owners in their capacity as owners</b>                                                                                  |       |                                       |                               |                             |                                           |                                 |                      |                                             |                            |
| Purchase of own shares                                                                                                                       | 26    | —                                     | (1,485,385)                   | —                           | —                                         | —                               | (1,485,385)          | —                                           | (1,485,385)                |
| Cancellation of shares                                                                                                                       | 26    | (2)                                   | 1,216,644                     | (1,216,642)                 | —                                         | —                               | —                    | —                                           | —                          |
| Release of ordinary shares from Share Scheme Trusts                                                                                          | 26    | 1                                     | 21,245                        | 1,788,344                   | (1,805,864)                               | —                               | 3,726                | —                                           | 3,726                      |
| Share of other reserves of investments accounted for using the equity method                                                                 | 12(b) | —                                     | —                             | —                           | 38,532                                    | —                               | 38,532               | —                                           | 38,532                     |
| Employees share-based compensation scheme:                                                                                                   |       |                                       |                               |                             |                                           |                                 |                      |                                             |                            |
| — value of employee services                                                                                                                 | 29    | —                                     | —                             | —                           | 3,280,371                                 | —                               | 3,280,371            | (836)                                       | 3,279,535                  |
| — exercise of share options and restricted shares units ("RSUs")                                                                             | 26,29 | 2                                     | —                             | 658,545                     | (580,578)                                 | —                               | 77,969               | —                                           | 77,969                     |
| Share consideration for acquisition of Zimi International Incorporation ("Zimi") completed in 2021                                           | 26    | —                                     | —                             | 64,752                      | (64,752)                                  | —                               | —                    | —                                           | —                          |
| Transfer of share of other reserves to profit or loss upon disposal and deemed disposal of investments accounted for using the equity method |       | —                                     | —                             | —                           | (85,730)                                  | —                               | (85,730)             | —                                           | (85,730)                   |
| Appropriation to statutory reserves                                                                                                          | 27    | —                                     | —                             | —                           | 704,678                                   | (704,678)                       | —                    | —                                           | —                          |
| Appropriation to general reserves                                                                                                            | 27    | —                                     | —                             | —                           | 15,661                                    | (15,661)                        | —                    | —                                           | —                          |
| Others                                                                                                                                       |       | —                                     | —                             | —                           | (2,083)                                   | 2,083                           | —                    | —                                           | —                          |
| <b>Total transactions with owners in their capacity as owners</b>                                                                            |       | <b>1</b>                              | <b>(247,496)</b>              | <b>1,294,999</b>            | <b>1,500,235</b>                          | <b>(718,256)</b>                | <b>1,829,483</b>     | <b>(836)</b>                                | <b>1,828,647</b>           |
| <b>Balance at December 31, 2023</b>                                                                                                          |       | <b>407</b>                            | <b>(438,291)</b>              | <b>60,778,287</b>           | <b>15,483,618</b>                         | <b>88,171,468</b>               | <b>163,995,489</b>   | <b>266,279</b>                              | <b>164,261,768</b>         |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2023

(Expressed in RMB)

|                                                                                                                                                                | Note  | Attributable to owners of the Company |                               |                             |                                           |                                 | Sub-total<br>RMB'000 | Non-<br>controlling<br>interests<br>RMB'000 | Total<br>equity<br>RMB'000 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|---------------------------------------|-------------------------------|-----------------------------|-------------------------------------------|---------------------------------|----------------------|---------------------------------------------|----------------------------|
|                                                                                                                                                                |       | Share<br>capital<br>RMB'000           | Treasury<br>shares<br>RMB'000 | Share<br>premium<br>RMB'000 | Other<br>reserves<br>(Note 27)<br>RMB'000 | Retained<br>earnings<br>RMB'000 |                      |                                             |                            |
| <b>Balance at January 1, 2022</b>                                                                                                                              |       | 407                                   | (343,730)                     | 59,717,626                  | 8,536,648                                 | 69,301,955                      | 137,212,906          | 219,590                                     | 137,432,496                |
| <b>Comprehensive income</b>                                                                                                                                    |       |                                       |                               |                             |                                           |                                 |                      |                                             |                            |
| Profit for the year                                                                                                                                            |       | —                                     | —                             | —                           | —                                         | 2,474,030                       | 2,474,030            | 28,538                                      | 2,502,568                  |
| <b>Other comprehensive income</b>                                                                                                                              |       |                                       |                               |                             |                                           |                                 |                      |                                             |                            |
| <i>Items that may be reclassified<br/>subsequently to profit or loss</i>                                                                                       |       |                                       |                               |                             |                                           |                                 |                      |                                             |                            |
| Share of other comprehensive<br>income of investments accounted<br>for using the equity method                                                                 | 12(b) | —                                     | —                             | —                           | 57,211                                    | —                               | 57,211               | —                                           | 57,211                     |
| Transfer of share of other<br>comprehensive loss to profit<br>or loss upon disposal and deemed<br>disposal of investments accounted<br>for using equity method |       | —                                     | —                             | —                           | 93,311                                    | —                               | 93,311               | —                                           | 93,311                     |
| Net losses from changes in fair<br>value of financial assets at fair<br>value through other<br>comprehensive income                                            |       | —                                     | —                             | —                           | (22,754)                                  | —                               | (22,754)             | —                                           | (22,754)                   |
| Currency translation differences                                                                                                                               | 27    | —                                     | —                             | —                           | (121,245)                                 | —                               | (121,245)            | 17,716                                      | (103,529)                  |
| <i>Item that will not be reclassified<br/>subsequently to profit or loss</i>                                                                                   |       |                                       |                               |                             |                                           |                                 |                      |                                             |                            |
| Currency translation differences                                                                                                                               | 27    | —                                     | —                             | —                           | 3,721,116                                 | —                               | 3,721,116            | —                                           | 3,721,116                  |
| <b>Total comprehensive income</b>                                                                                                                              |       | —                                     | —                             | —                           | 3,727,639                                 | 2,474,030                       | 6,201,669            | 46,254                                      | 6,247,923                  |
| <b>Transactions with owners in their<br/>capacity as owners</b>                                                                                                |       |                                       |                               |                             |                                           |                                 |                      |                                             |                            |
| Purchase of own shares                                                                                                                                         | 26    | —                                     | (2,386,143)                   | —                           | —                                         | —                               | (2,386,143)          | —                                           | (2,386,143)                |
| Cancellation of shares                                                                                                                                         | 26    | (4)                                   | 2,539,078                     | (2,539,074)                 | —                                         | —                               | —                    | —                                           | —                          |
| Release of ordinary shares from<br>Share Scheme Trusts                                                                                                         | 26    | —                                     | —                             | 1,315,868                   | (1,307,612)                               | —                               | 8,256                | —                                           | 8,256                      |
| Share of other reserves of<br>investments accounted for<br>using the equity method                                                                             | 12(b) | —                                     | —                             | —                           | 122,326                                   | —                               | 122,326              | —                                           | 122,326                    |
| Employees share-based<br>compensation scheme:                                                                                                                  |       |                                       |                               |                             |                                           |                                 |                      |                                             |                            |
| — value of employee services                                                                                                                                   | 29    | —                                     | —                             | —                           | 2,821,775                                 | —                               | 2,821,775            | 125                                         | 2,821,900                  |
| — exercise of share options<br>and RSUs                                                                                                                        | 26,29 | 3                                     | —                             | 890,469                     | (793,005)                                 | —                               | 97,467               | —                                           | 97,467                     |
| Share consideration for acquisition<br>of Zimi completed in 2021                                                                                               | 26    | —                                     | —                             | 98,399                      | (98,399)                                  | —                               | —                    | —                                           | —                          |
| Transfer of share of other reserves<br>to profit or loss upon disposal and<br>deemed disposal of investments<br>accounted for using equity method              |       | —                                     | —                             | —                           | (419,795)                                 | —                               | (419,795)            | —                                           | (419,795)                  |
| Appropriation to statutory reserves                                                                                                                            | 27    | —                                     | —                             | —                           | 384,506                                   | (384,506)                       | —                    | —                                           | —                          |
| Appropriation to general reserves                                                                                                                              | 27    | —                                     | —                             | —                           | (1,898)                                   | 1,898                           | —                    | —                                           | —                          |
| Others                                                                                                                                                         |       | —                                     | —                             | —                           | (21,177)                                  | 21,174                          | (3)                  | (1,367)                                     | (1,370)                    |
| <b>Total transactions with owners in<br/>their capacity as owners</b>                                                                                          |       | (1)                                   | 152,935                       | (234,338)                   | 686,721                                   | (361,434)                       | 243,883              | (1,242)                                     | 242,641                    |
| <b>Balance at December 31, 2022</b>                                                                                                                            |       | 406                                   | (190,795)                     | 59,483,288                  | 12,951,008                                | 71,414,551                      | 143,658,458          | 264,602                                     | 143,923,060                |

The notes on pages 208 to 337 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2023

(Expressed in RMB)

|                                                                                                            | Note  | Year ended December 31, |              |
|------------------------------------------------------------------------------------------------------------|-------|-------------------------|--------------|
|                                                                                                            |       | 2023                    | 2022         |
|                                                                                                            |       | RMB'000                 | RMB'000      |
| <b>Cash flows from operating activities</b>                                                                |       |                         |              |
| Cash generated from/(used in) operations                                                                   | 36(a) | 44,312,243              | (969,453)    |
| Income tax paid                                                                                            |       | (3,011,748)             | (3,420,277)  |
| Net cash generated from/(used in) operating activities                                                     |       | 41,300,495              | (4,389,730)  |
| <b>Cash flows from investing activities</b>                                                                |       |                         |              |
| Capital expenditures                                                                                       |       | (6,268,900)             | (5,799,570)  |
| Proceeds from disposal of property, plant and equipment                                                    |       | 72,833                  | 17,334       |
| Placement of short-term bank deposits                                                                      |       | (96,224,706)            | (58,365,222) |
| Maturity of short-term bank deposits                                                                       |       | 83,697,015              | 68,591,095   |
| Placement of long-term bank deposits                                                                       |       | (13,148,838)            | (9,874,904)  |
| Proceeds from disposal of long-term bank deposits                                                          |       | 2,115,150               | 1,921,513    |
| Purchase of short-term investments measured at fair value through profit or loss                           |       | (53,357,701)            | (72,822,699) |
| Proceeds from maturity of short-term investments measured at fair value through profit or loss             |       | 42,999,761              | 92,620,278   |
| Purchase of short-term investments measured at fair value through other comprehensive income               |       | (1,217,115)             | (776,338)    |
| Proceeds from maturity of short-term investments measured at fair value through other comprehensive income |       | 1,092,656               | 1,073,150    |
| Purchase of long-term investments measured at amortized cost                                               |       | (9,376)                 | (40,920)     |
| Purchase of short-term investments measured at amortized cost                                              |       | (3,300,000)             | (630,996)    |
| Proceeds from maturity of investments measured at amortized cost                                           |       | 2,800,000               | 2,265,269    |
| Interest income received                                                                                   |       | 3,258,117               | 1,301,900    |
| Investment income received                                                                                 |       | 272,546                 | 425,676      |
| Purchase of long-term investments measured at fair value through profit or loss                            |       | (4,199,240)             | (7,687,992)  |
| Proceeds from disposal of long-term investments measured at fair value through profit or loss              |       | 5,246,748               | 2,821,615    |
| Purchase of investments accounted for using the equity method                                              |       | (103,807)               | (28,030)     |
| Proceeds from disposal of investments accounted for using the equity method                                |       | 825,070                 | 361,159      |
| Acquisition of subsidiaries, net of cash acquired                                                          |       | (18,144)                | (25,106)     |
| Disposal of a subsidiary                                                                                   |       | 101,294                 | —            |
| Dividends received                                                                                         |       | 197,583                 | 201,561      |
| Net cash (used in)/ generated from investing activities                                                    |       | (35,169,054)            | 15,548,773   |

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2023

(Expressed in RMB)

|                                                                           | Note  | Year ended December 31, |                   |
|---------------------------------------------------------------------------|-------|-------------------------|-------------------|
|                                                                           |       | 2023                    | 2022              |
|                                                                           |       | RMB'000                 | RMB'000           |
| <b>Cash flows from financing activities</b>                               |       |                         |                   |
| Proceeds from borrowings                                                  |       | 8,866,088               | 19,857,851        |
| Repayment of borrowings                                                   |       | (4,022,423)             | (22,649,189)      |
| Finance expenses paid                                                     |       | (758,137)               | (1,020,229)       |
| Contribution from fund investors                                          |       | 1,417,086               | 806,000           |
| Distribution to fund investors                                            |       | (2,884,215)             | (255,576)         |
| Net proceeds from exercise of share options                               |       | 69,919                  | 83,925            |
| Payments for shares repurchase                                            |       | (1,356,825)             | (2,386,143)       |
| Payments for buyback of employee fund                                     |       | (31,431)                | (3,256)           |
| Repayment of payables under letter of credit                              |       | —                       | (1,006,397)       |
| Proceeds from financial assets sold under repurchase agreements           |       | 959,650                 | —                 |
| Payments for buyback of financial assets sold under repurchase agreements |       | (173,804)               | —                 |
| Payment of lease liabilities                                              |       | (1,197,692)             | (1,281,785)       |
| Payment of deferred consideration for acquisition of intangible assets    |       | (1,393,188)             | —                 |
| Net cash used in financing activities                                     |       | (504,972)               | (7,854,799)       |
| <b>Net increase in cash and cash equivalents</b>                          |       |                         |                   |
| Cash and cash equivalents at the beginning of the year                    | 25(a) | 27,607,261              | 23,511,579        |
| Effects of exchange rate changes on cash and cash equivalents             |       | 397,583                 | 791,438           |
| <b>Cash and cash equivalents at the end of the year</b>                   | 25(a) | <b>33,631,313</b>       | <b>27,607,261</b> |

The notes on pages 208 to 337 are an integral part of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 1 General information

Xiaomi Corporation (formerly known as Top Elite Limited) (the “**Company**”), was incorporated in the Cayman Islands on January 5, 2010 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is at the offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries, including controlled structured entities (together, the “**Group**”) are principally engaged in development and sales of smartphones, internet of things (“**IoT**”) and lifestyle products, provision of internet services and investments holding in the People’s Republic of China (“**the PRC**”) and other countries or regions.

Lei Jun is the ultimate controlling shareholder of the Company as of the date of approval of these consolidated financial statements.

The regulations in mainland China restrict foreign ownership of companies that provide internet services, e-commerce and value-added telecommunications services, etc., which include certain activities and services operated by the Group. In order to enable certain foreign companies to make investments into these businesses of the Group, the Company controls certain controlled structured entities through contractual arrangements. On August 25, 2010, a wholly owned subsidiary of the Company, Xiaomi Communications Co., Ltd. (“**Xiaomi Communications**”, a wholly foreign-owned enterprise) had entered into a series of contractual arrangements (the “**Contractual Arrangements**”) with Xiaomi Inc. and its equity holders, which enable Xiaomi Communications and the Group to:

- govern the financial and operating policies of Xiaomi Inc.;
- exercise equity holders’ voting rights of Xiaomi Inc.;
- receive substantially all of the economic interest returns generated by Xiaomi Inc. in consideration for the business support, technical and consulting services provided by Xiaomi Communications;
- obtain an irrevocable and exclusive right to purchase all or part of the equity interests in Xiaomi Inc. from its respective equity holders at a minimum purchase price when it is permitted under laws and regulations in mainland China. Xiaomi Communications may exercise such options at any time until it has acquired all equity interests of Xiaomi Inc.; and

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 1 General information (continued)

- obtain a pledge over the entire equity interests of Xiaomi Inc. from its respective equity holders as collateral security for all of Xiaomi Inc.'s payments due to Xiaomi Communications and to secure performance of Xiaomi Inc.'s obligation under the Contractual Arrangements.

As a result of the Contractual Arrangements, the Group has rights to exercise power over Xiaomi Inc. and its subsidiaries, receives variable returns from its involvement in Xiaomi Inc. and its subsidiaries, has the ability to affect those returns through its power over Xiaomi Inc. and its subsidiaries and is considered to control Xiaomi Inc. and its subsidiaries. Consequently, the Company regards Xiaomi Inc. and its subsidiaries as controlled structured entities and consolidated the assets, liabilities and results of operations of Xiaomi Inc. and its subsidiaries in the consolidated financial information of the Group.

Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over Xiaomi Inc. and its subsidiaries. Uncertainties presented by the legal system in mainland China could impede the Group's beneficiary rights of the results, assets and liabilities of Xiaomi Inc. and its subsidiaries. The directors of the Company, based on the advice of its legal counsel, consider that the Contractual Arrangements among Xiaomi Communications, Xiaomi Inc. and its equity holders are in compliance with the relevant laws and regulations in mainland China and are legally binding and enforceable.

Other Contractual Arrangements were also executed for other operating companies in mainland China established by the Group similar to Xiaomi Inc. subsequently. All of these operating companies are treated as controlled structured entities of the Company and their financial statements have also been consolidated by the Company. See details in Note 12(a).

## 2 Summary of accounting policies

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

### 2 Summary of accounting policies (continued)

#### 2.1 Summary of material accounting policies

##### (a) Basis of preparation

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

The consolidated financial statements of the Group have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities which are carried at fair value.

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

##### (i) *New and amended standards adopted by the Group*

The following new and amended standards are mandatory for the first time for the Group’s financial year beginning on January 1, 2023 and are applicable for the Group:

- IFRS 17 Insurance contracts
- Disclosure of accounting policies — Amendments to IAS 1 and IFRS practice statement 2
- Definition of accounting estimates — Amendments to IAS 8
- Deferred tax related to assets and liabilities arising from a single transaction — Amendments to IAS 12
- International tax reform — Pillar Two Model Rules — Amendments to IAS 12

Other than the adoption of Amendments to IAS 12 as below disclosed, the adoption of the other new and amended standards has had no significant impact on the results and the financial position of the Group.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

### 2 Summary of accounting policies (continued)

#### 2.1 Summary of material accounting policies (continued)

##### (a) Basis of preparation (continued)

##### (i) *New and amended standards adopted by the Group (continued)*

*Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12*

The Group applied the Amendment to IAS 12 – *Deferred tax related to assets and liabilities arising from a single transaction* from its effective date on January 1, 2023. In accordance with the retrospectively application transitional provisions, the Group recognized deferred income tax for all temporary differences related to leases that gave rise to equal amounts of taxable and deductible temporary differences on initial recognition date at the beginning of the earliest comparative period presented. As a result, with the beginning of the earliest period presented being January 1, 2022, an adjustment of RMB555,070,000 was recognized to the gross amounts of deferred tax assets and deferred tax liabilities simultaneously, and the resultant deferred tax assets and deferred tax liabilities met the set-off provisions and presented on a net basis on the consolidated balance sheet.

Since the Group had considered the lease as a single transaction in which the assets and liabilities are integrally linked and recognized deferred income tax on a net basis before the adoption of this amendments, there were no impact on opening retained earnings upon the adoption of the this amendments.

*Amendments to IAS 12 International Tax Reform – Pillar Two Model Rules*

Amendments to IAS 12 “International Tax Reform – Pillar Two Model Rules” have been issued on May 23, 2023 and are effective for annual reporting periods beginning on or after January 1, 2023. The Group has adopted the amendments and applied the temporary exception to recognising and disclosing information about deferred income tax assets and liabilities arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organisation for Economic Co-operation and Development.

The Group would continually evaluate the impact of the Pillar Two income tax exposure on the consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 2 Summary of accounting policies (continued)

### 2.1 Summary of material accounting policies (continued)

#### (a) Basis of preparation (continued)

##### *(ii) New standards and interpretations not yet adopted*

Certain new accounting standards and interpretations have been published that are not mandatory for the year ended December 31, 2023 and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

#### (b) Subsidiaries

##### *(i) Consolidation*

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

##### *(i) Subsidiaries controlled through Contractual Arrangements*

There are entities controlled by the Group under Contractual Arrangements. The Group does not have legal ownership in equity of these structured entities or their subsidiaries. Nevertheless, under Contractual Arrangements entered into with the registered owners of these structured entities, the Company and its other legally owned subsidiaries control these companies by way of controlling the voting rights, governing their financial and operating policies, appointing or removing the majority of the members of their controlling authorities, and casting the majority of votes at meetings of such authorities. Accordingly, the Group has rights to exercise power over these structured entities, receives variable returns from its involvement in these structured entities, and has the ability to affect those returns through its power over these structured entities. As a result, they are presented as controlled structured entities of the Group, and their assets, liabilities and results are consolidated in the Group's consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

### 2 Summary of accounting policies (continued)

#### 2.1 Summary of material accounting policies (continued)

##### (b) Subsidiaries (continued)

###### (i) Consolidation (continued)

###### (ii) Business combination

The Group applies the acquisition method to account for business combinations except for business combination under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

Acquisition-related costs are expensed as incurred.

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

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IFRS 9 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net assets of the business acquired in the case of a bargain purchase, the difference is recognized directly in the profit or loss.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 2 Summary of accounting policies (continued)

### 2.1 Summary of material accounting policies (continued)

#### (b) Subsidiaries (continued)

##### (i) Consolidation (continued)

##### (ii) Business combination (continued)

An acquisition of a business which is a business combination under common control is accounted for in a manner similar to a uniting of interests whereby the assets and liabilities acquired are accounted for at carryover predecessor values to the other party to the business combination within all periods presented as if the operations of the Group and the business acquired have always been combined. The difference between the consideration paid by the Group and the net assets or liabilities of the business acquired is adjusted against equity.

##### (iii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

##### (iv) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognized in other comprehensive income ("OCI") are reclassified to profit or loss, or transferred to another category of equity as specified/permitted by applicable IFRS Accounting Standards.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

### 2 Summary of accounting policies (continued)

#### 2.1 Summary of material accounting policies (continued)

(c) **Associates**

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

(i) *Investments in associates in the form of ordinary shares*

Investments in associates in the form of ordinary shares are accounted for using the equity method of accounting in accordance with IAS 28 “Investments in Associates and Joint Ventures”. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor’s share of the profit or loss of the investee after the date of acquisition. The Group’s investments in these associates include goodwill identified on acquisition, net of any accumulated impairment loss. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group’s share of the net fair value of the associate’s identifiable assets and liabilities is treated as goodwill.

If the ownership interest in an associate in the form of ordinary shares is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to consolidated income statement where appropriate.

The Group’s share of the associates’ post-acquisition profit or loss is recognized in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investments in the associate are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and includes the amount in “other gains/(losses), net” in the consolidated income statement.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 2 Summary of accounting policies (continued)

### 2.1 Summary of material accounting policies (continued)

#### (c) Associates (continued)

##### *(i) Investments in associates in the form of ordinary shares (continued)*

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognized in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognized in the consolidated income statement.

##### *(ii) Investments in associates in the form of ordinary shares with preferential rights or convertible redeemable preferred shares*

Investments in associates in the form of ordinary shares with preferential rights or convertible redeemable preferred shares are accounted as financial assets measured at fair value through profit or loss (Note 2.1 (g)).

#### (d) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

### 2 Summary of accounting policies (continued)

#### 2.1 Summary of material accounting policies (continued)

##### (d) Property, plant and equipment (continued)

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

|                          |                                                                       |
|--------------------------|-----------------------------------------------------------------------|
| – Leasehold improvements | Estimated useful lives or remaining lease terms, whichever is shorter |
| – Electronic equipment   | 3–10 years                                                            |
| – Office equipment       | 2–5 years                                                             |
| – Buildings              | 40 years                                                              |

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

Construction in progress mainly represents office buildings under construction, which is stated at actual construction cost less accumulated impairment losses. Construction in progress is transferred to appropriate categories of property, plant and equipment upon the completion of their respective construction and depreciated over their respective estimated useful lives.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.1 (f)).

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

##### (e) Intangible assets

###### (i) Goodwill

Goodwill arises from the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 2 Summary of accounting policies (continued)

### 2.1 Summary of material accounting policies (continued)

#### (e) Intangible assets (continued)

##### (i) Goodwill (continued)

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

##### (ii) License

License includes third-party payment license and other licenses. Third-party payment license represents the license issued by the People's Republic of China government authorities that enable the Group to operate third-party payment business. Other licenses mainly include the licenses to use certain intellectual properties purchased from third parties. These acquired licenses are shown at historical cost. License that have an indefinite useful life are tested annually for impairment and carried at cost less accumulated impairment losses. Others are amortized over their estimated useful lives of 1 to 10 years using straight-line method.

##### (iii) Trademarks, patents and domain name

Separately acquired trademarks, patents and domain name are shown at historical cost. Trademarks, patents and domain name acquired in a business combination are recognized at fair value at the acquisition date. Trademarks, patents and domain name have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks, patents and domain name over their estimated useful lives of 1 to 20 years.

##### (iv) Other intangible assets

Other intangible assets mainly include computer software. They are initially recognized and measured at costs incurred to acquire and bring them to use. Other intangible assets are amortized on a straight-line basis over their estimated useful lives, and recorded within operating expenses in the consolidated income statement.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

### 2 Summary of accounting policies (continued)

#### 2.1 Summary of material accounting policies (continued)

##### (e) Intangible assets (continued)

###### (v) *Research and development expenditures*

Research expenditure is recognized as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are capitalized as intangible assets when recognition criteria are fulfilled. These criteria include:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred.

##### (f) Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use ("VIU"). For the purposes of assessing impairment, assets are grouped at the lowest levels of CGUs. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 2 Summary of accounting policies (continued)

### 2.1 Summary of material accounting policies (continued)

(g) **Financial assets**

*(i) Classification*

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

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

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

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

See Note 19 for details of each type of financial asset.

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

*(ii) Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are recorded in profit or loss.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

### 2 Summary of accounting policies (continued)

#### 2.1 Summary of material accounting policies (continued)

##### (g) Financial assets (continued)

##### (ii) Measurement (continued)

##### *Debt instruments*

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 2 Summary of accounting policies (continued)

### 2.1 Summary of material accounting policies (continued)

(g) **Financial assets (continued)**

*(ii) Measurement (continued)*

*Equity instruments*

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in the consolidated income statement. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

*(iii) Impairment*

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Impairment on other financial assets, mainly including loan receivables, notes receivables, other receivables, term bank deposits, long-term investments measured at amortized cost and short-term investments measured at amortized cost or fair value through other comprehensive income, is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

### 2 Summary of accounting policies (continued)

#### 2.1 Summary of material accounting policies (continued)

##### (g) Financial assets (continued)

##### (iv) *Derecognition*

##### *Financial assets*

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

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

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

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

##### (h) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, assembly cost and other direct costs. It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to completion, applicable variable selling expense and related tax.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

### 2 Summary of accounting policies (continued)

#### 2.1 Summary of material accounting policies (continued)

**(i) Loan receivables**

Loan receivables held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are recognized initially at fair value plus transaction costs that are attributable to the acquisition of the assets and subsequently measured at amortized cost using the effective interest method, less credit loss allowance. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in the profit or loss. The loss allowance is recognized in profit or loss. See Note 2.1 (g)(iii) for a description of the Group's impairment policy for loan receivables.

**(j) Cash and cash equivalents and restricted cash**

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

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

**(k) Borrowings**

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

### 2 Summary of accounting policies (continued)

#### 2.1 Summary of material accounting policies (continued)

##### (k) Borrowings (continued)

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortized cost basis until extinguished on conversion or maturity of the bond. The remainder of the proceeds is allocated to the conversion option. This is recognized and included in shareholders' equity, net of income tax effects.

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

A financial liability is derecognized when the obligation under the liability is discharged, canceled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in profit or loss.

##### (l) Current and deferred income tax

The income tax expense for the period comprises current and deferred tax. Income tax is recognized in the consolidated income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the income tax is also recognized in other comprehensive income or directly in equity, respectively.

##### (i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 2 Summary of accounting policies (continued)

### 2.1 Summary of material accounting policies (continued)

#### (I) Current and deferred income tax (continued)

##### (ii) *Deferred income tax*

###### *Inside basis differences*

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

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

###### *Outside basis differences*

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

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

### 2 Summary of accounting policies (continued)

#### 2.1 Summary of material accounting policies (continued)

##### (l) Current and deferred income tax (continued)

###### (iii) *Offsetting*

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

##### (m) Share-based payment

###### (i) *Equity-settled share-based payment transactions*

The Group operates share incentive plan, under which it receives services from employees as consideration for equity instruments (RSUs and options) of the Group. The fair value of the services received in exchange for the grant of the equity instruments (RSUs and options) is recognized as an expense on the consolidated income statement with a corresponding increase in equity.

In terms of the RSUs and options awarded to employees, the total amount to be expensed is determined by reference to the fair value of equity instruments (RSUs and options) granted:

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

Service and non-marketing performance conditions are included in calculation of the number of RSUs and options that are expected to vest. The total amount expensed is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of RSUs and options that are expected to vest based on the non-marketing performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 2 Summary of accounting policies (continued)

### 2.1 Summary of material accounting policies (continued)

#### (m) Share-based payment (continued)

##### (i) *Equity-settled share-based payment transactions (continued)*

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

When the options are exercised, the Company issues new ordinary shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium.

##### (ii) *Cash-settled share-based payment transactions*

The cost of cash-settled transactions is measured at fair value of the liability. The liability is re-measured at each reporting date up to and at the date of settlement, with any changes in fair value recognized in profit or loss for the year.

#### (n) Revenue recognition

The Group principally derives revenue from sales of products and provision of internet services.

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods sold or services performed, stated net of discounts, returns and value-added taxes. The Group recognizes revenue when the specific criteria have been met for each of the Group's activities, as described below.

##### (i) *Sales of products*

Revenue from the sales of products (mainly including smartphones, IoT and lifestyle products) directly to customers, is recognized when control of the goods has been transferred, being when the products are accepted by the customers. The customers have full discretion over the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products.

Customers in mainland China have an unconditional right to return the products purchased online within 7 days. The Group bases its estimates of sales return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

### 2 Summary of accounting policies (continued)

#### 2.1 Summary of material accounting policies (continued)

##### (n) Revenue recognition (continued)

##### (ii) Internet services

Internet services mainly comprise advertising services and internet value-added services.

##### (i) Advertising services

Advertising revenues comprise mainly display-based and performance-based advertisements.

Revenue from display-based advertisements to the users of smartphones and other devices is recognized on a straight-line basis over the contracted period with customers in which the advertisements are displayed.

Revenue from performance-based advertisements is recognized based on actual performance measurement. The Group recognizes the revenue from the delivery of (i) per-click when the users click on the content, (ii) per-impression when the advertising contents are displayed to users, or (iii) per-download when the customers' apps are downloaded by users.

##### (ii) Internet value-added services

The Group recognizes the internet value-added services revenue (including online game and fintech business) on a gross or net basis depending on whether the Group is acting as a principal or an agent in the transaction.

For online game, the Group usually amortised the related revenue over the estimated user relationship periods, given there is an explicit or implicit obligation of the Group to maintain the relevant applications and allow users to have access to them.

##### Fintech business

The Group's fintech revenues are primarily consist of financial interest income and intermediary services income.

The Group generates financial interest income from provision of loan services through its own online internet finance platform and factoring business. Revenue arising from factoring business is recognized in the consolidated statement of comprehensive income based on the duration and the effective interest rate. Revenue includes the amortization of any differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 2 Summary of accounting policies (continued)

### 2.1 Summary of material accounting policies (continued)

(n) Revenue recognition (continued)

(ii) *Internet services (continued)*

(iii) *Internet value-added services (continued)*

Fintech business (continued)

The Group also provides intermediary services to the borrowers and third party funding parties (as the lenders). The Group are determined as neither the legal lender nor the legal borrower in the loan origination and repayment process. Therefore, the Group does not record loans receivable and payable arising from the loans between lenders and borrowers. The Group only acts as an agent to facilitate such loans between the borrowers and the lenders. The Group considers the loan facilitation and post-lending management services as distinct performance obligations because both the borrowers and lenders can benefit from the loan facilitation services and post-lending management services on their own, and those services are clearly stated in the contract and are separately identifiable, they are not integrated or interrelated with each other, and do not significantly affect each other. For intermediary services with a financial guarantee obligation, the Group first allocates the total consideration to the financial guarantee liability, then the remaining consideration is allocated to loan facilitation and post-lending management services on the basis of the relative standalone selling prices, determined by using the cost plus margin approach; for intermediary services with no financial guarantee obligation, the Group allocates the total consideration to loan facilitation and post-lending management services on the basis of the relative standalone selling prices, determined by using the cost plus margin approach. Revenues from loan facilitation services are recognized at point-in-time upon the successful matching between the borrowers and the lenders. Revenues from post-lending management services are recognized ratably over the terms of the underlying loans as the performance obligation is satisfied over time.

Determining whether revenue of the Group should be reported gross or net is based on a continuing assessment of various factors. When determining whether the Group is acting as the principal or agent in offering goods or services to the customer, the Group needs to first identify who controls the specified goods or services before they are transferred to the customer. The Group is a principal if the Group obtains control through any of the following: (i) a good or another asset from the other party that the Group then transfers to the customer; (ii) a right to a service to be performed by the other party, which gives the Group the ability to direct that party to provide the service to

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

### 2 Summary of accounting policies (continued)

#### 2.1 Summary of material accounting policies (continued)

##### (n) Revenue recognition (continued)

##### *(ii) Internet services (continued)*

##### *(iii) Internet value-added services (continued)*

Fintech business (continued)

the customer on the Group's behalf; (iii) a good or service from the other party that the Group then combines with other goods or services in providing the specified good or service to the customer. If control is unclear, when the Group is primarily obligated in a transaction, is subject to inventory risk, has latitude in establishing prices and selecting suppliers, or has several but not all of these indicators, the Group records revenues on a gross basis. Otherwise, the Group records the net amount earned as commissions from products sold or services provided.

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

##### (o) Earnings per share

##### *(i) Basic earnings per share*

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares.
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

##### *(ii) Diluted earnings per share*

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

### 2 Summary of accounting policies (continued)

#### 2.2 Summary of other accounting policies

(a) **Separate financial statements**

Investments in subsidiaries (including controlled structured entities) are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

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

(b) **Segment reporting**

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

(c) **Foreign currency translation**

(i) **Functional and presentation currency**

Items included in the financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is United States dollar ("US\$"). The Company's primary subsidiaries were incorporated in mainland China and these subsidiaries considered RMB as their functional currency. As the major operations of the Group are within mainland China, the Group determined to present its consolidated financial statements in RMB (unless otherwise stated).

(ii) **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement. Foreign exchange gains and losses are presented in the consolidated income statement within "Other gains/(losses), net".

Translation differences on non-monetary financial assets and liabilities are recognized in profit or loss as part of the fair value changes.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

### 2 Summary of accounting policies (continued)

#### 2.2 Summary of other accounting policies (continued)

##### (c) Foreign currency translation (continued)

###### (iii) Group companies

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

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognized in other comprehensive income.

###### (iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

### 2 Summary of accounting policies (continued)

#### 2.2 Summary of other accounting policies (continued)

**(d) Investment properties**

Investment properties, principally freehold office buildings, are held for long-term rental yields and are not occupied by the Group. Investment properties are initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequently, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses (if any). Depreciation is recognized so as to write off the cost of investment properties to their residual values over their estimated useful lives of 38 to 40 years by using the straight-line method.

**(e) Financial guarantee contracts**

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under IFRS 9; and
- the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the principles of IFRS 15.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognized as part of the cost of the investment.

**(f) Receivables**

Trade and notes receivables are amounts due from customers for goods sold or services performed in the ordinary course of business.

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

### 2 Summary of accounting policies (continued)

#### 2.2 Summary of other accounting policies (continued)

**(f) Receivables (continued)**

Majority of other receivables are amounts due from outsourcing partners for raw material delivered in the ordinary course of business. They are generally due for settlement within one year and therefore all classified as current assets.

The Group holds the trade and other receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See Note 2.1 (g)(iii) for a description of the Group's impairment policies for trade and other receivables.

**(g) Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

**(h) Borrowing costs**

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

**(i) Employee benefits**

*(i) Pension obligations*

The Group operates a mandatory provident fund scheme ("MPF Scheme") for the eligible employees in Hong Kong. The MPF Scheme is a defined contribution scheme, the assets of which are held in separate trustee-administered funds. The Group's contributions to MPF Scheme are expensed as incurred.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 2 Summary of accounting policies (continued)

### 2.2 Summary of other accounting policies (continued)

(i) **Employee benefits (continued)**

*(i) Pension obligations (continued)*

The Group's subsidiaries operating in mainland China have to make contribution to staff retirement scheme managed by local government authorities in accordance with the relevant rules and regulations. The contributions borne by the Group under the government mandated multi-employer defined contribution scheme are principally determined based on certain percentages of the salaries of employees, subject to certain ceilings. Contributions to these schemes are charged to the consolidated income statement as and when incurred and not reduced by contributions forfeited by those who leave the plans prior to vesting fully in the contributions. The Group has no legal or constructive obligations to pay further contributions.

*(ii) Employee leave entitlements*

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

*(iii) Bonus plans*

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

(j) **Provisions**

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

### 2 Summary of accounting policies (continued)

#### 2.2 Summary of other accounting policies (continued)

**(j) Provisions (continued)**

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

**(i) Warranty provision**

The Group records warranty liabilities at the time of sale for the estimated costs that will be incurred under its basic limited warranty. The specific warranty terms and conditions vary depending upon the product and the country in which it was sold, but generally includes technical support, repair parts and labor associated with warranty repair and service actions. The period ranges from one to six years. The Group reevaluates its estimates on an annual basis to assess the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary.

**(k) Interest income**

Interest income on financial assets at amortized cost and financial assets at fair value through other comprehensive income calculated using the effective interest method is recognized in the consolidated income statement as part of other income.

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

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

**(l) Government grants**

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

Government grants relating to costs are deferred and recognized in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the property, plant and equipment, and other non-current assets are included in the liabilities and are credited to consolidated income statement on a straight-line basis over the expected lives of the related assets.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

### 2 Summary of accounting policies (continued)

#### 2.2 Summary of other accounting policies (continued)

##### (m) Leases

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as of the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

### 2 Summary of accounting policies (continued)

#### 2.2 Summary of other accounting policies (continued)

##### (m) Leases (continued)

To determine the incremental borrowing rate, the Group:

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

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

### 2 Summary of accounting policies (continued)

#### 2.2 Summary of other accounting policies (continued)

**(m) Leases (continued)**

Payments associated with short-term leases of cloud servers are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

Lease income from operating leases where the Group is a lessor is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature.

**(n) Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

**(o) Dividend distribution**

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

**(p) Dividend income**

Dividends are received from financial assets measured at fair value through profit or loss and at fair value through other comprehensive income. Dividends are recognized as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognized in other comprehensive income if it relates to an investment measured at fair value through other comprehensive income. However, the investment may need to be tested for impairment as a consequence.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

### 3 Financial risk management

#### 3.1 Financial risk factors

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

##### (a) Market risk

###### (i) Foreign exchange risk

The transactions of the Company are denominated and settled in its functional currency, US\$. The Group's subsidiaries operate in mainland China and overseas, and they are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US\$ and RMB. Therefore, foreign exchange risk primarily arose from recognized assets and liabilities in the Group's subsidiaries in mainland China when receiving or to receive foreign currencies from, or paying or to pay foreign currencies to overseas business partners, and recognized assets and liabilities in the Group's overseas subsidiaries when receiving or to receive foreign currencies from, or paying or to pay foreign currencies to business partners in mainland China.

For the Group's subsidiaries whose functional currency is RMB, if RMB had strengthened/weakened by 5% against US\$ with all other variables held constant, the profit before income tax for the year ended December 31, 2023 would have been approximately RMB148,572,000 (2022: RMB74,470,000) higher/lower, as a result of net foreign exchange gains on translation of net monetary liabilities denominated in US\$.

For the Company and the Group's subsidiaries whose functional currency is US\$, if RMB had strengthened/weakened by 5% against US\$ with all other variables held constant, the profit before income tax for the year ended December 31, 2023 would have been approximately RMB63,629,000 higher/lower (2022: RMB83,657,000 higher/lower), as a result of net foreign exchange gains (2022: net foreign exchange gains) on translation of net monetary assets (2022: net monetary assets) denominated in RMB.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

### 3 Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

##### (a) Market risk (continued)

###### *(ii) Interest rate risk*

The Group's interest rate risk primarily arose from borrowings with floating and fixed rates (details of which has been disclosed in Note 34), long-term investments measured at amortized cost, long-term bank deposits, short-term investments measured at fair value through other comprehensive income, short-term investments measured at amortized cost, loan receivables, short-term bank deposits and cash and cash equivalents. Those carried at floating rates expose the Group to cash flow interest rate risk whereas those carried at fixed rates expose the Group to fair value interest rate risk.

If the interest rate of cash and cash equivalents had been 50 basis points higher/lower, the profit before income tax for the year ended December 31, 2023 would have been RMB168,157,000 (2022: RMB138,036,000) higher/lower.

If the interest rate of borrowings with floating rate had been 50 basis points higher/lower, the profit before income tax for the year ended December 31, 2023 would have been approximately RMB23,652,000 (2022: RMB13,178,000) lower/higher. This analysis does not include the effect of interest capitalized.

The fair value interest rate risk arises from financial assets and liabilities carried at fixed rates is not significant for the Group.

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

###### *(iii) Price risk*

The Group is exposed to price risk primarily in respect of its investments in equity instruments that classified in the balance sheet as of fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from the investments, the Group diversifies its portfolio. Each investment is managed by senior management on a case by case basis. The sensitivity analysis is performed by management, see Note 3.3 for detail.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

### 3 Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

##### (b) Credit risk

The Group is exposed to credit risk in relation to its long-term investments measured at amortized cost, long-term bank deposits, loan receivables, trade and notes receivables, other receivables, short-term investments measured at amortized cost, short-term investments measured at fair value through other comprehensive income, short-term investments measured at fair value through profit or loss, bills receivables measured at fair value through other comprehensive income, short-term bank deposits, restricted cash, cash and cash equivalents, and financial guarantee contracts. The carrying amounts of each class of the above financial assets represent the Group's maximum exposure to credit risk in relation to financial assets.

To manage risk arising from cash and cash equivalents, long-term bank deposits, short-term bank deposits, restricted cash, short-term investments measured at fair value through profit or loss and bills receivables measured at fair value through other comprehensive income, the Group only transacts with state-owned or reputable financial institutions in mainland China and reputable international financial institutions outside of mainland China. There has been no recent history of default in relation to those financial institutions.

For short-term investments measured at fair value through other comprehensive income, long-term investments measured at amortized cost and short-term investments measured at amortized cost, mainly including debt securities whose contractual cash flows are solely principal and interest, management makes periodic collective assessments as well as individual assessment on the recoverability based on historical settlement records and past experiences. In view of the sound rating of bond issuers, management believes that the credit risk inherent in those investments due from them is not significant.

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

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experiences. In view of the history of cooperation with debtors and the sound collection history of receivables due from them, management believes that the credit risk inherent in the Group's outstanding other receivable balances due from them is not significant.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

### 3 Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

##### (b) Credit risk (continued)

For the financial guarantee contracts, the Group has taken measures to manage credit risk, including credit examination, fraud examination and risk monitoring alert. The maximum credit risk exposure from financial guarantee contracts is RMB28,391,000 as of December 31, 2023 (2022: RMB435,846,000), the majority of which are not credit-impaired on initial recognition and no significant increase in credit risk subsequently. The Group has recognized loss allowance for such losses at each of the reporting date.

To manage risk arising from loan receivables, the Group performs standardized credit management procedures:

- For pre-approval investigation, the Group uses its platform and systems using big data technology to optimize the review process, including credit analysis, assessment of collectability of borrowers, possibility of misconduct and fraudulent activities.
- In terms of credit examining management, the Group has established specific policies and procedures to assess loans offering.
- For subsequent monitoring, the Group has implemented credit examination on each borrower every three months. For unqualified borrowers, credit facilities granted previously could be terminated immediately. Once the loan was issued, all borrowers would be assessed by fraud examination model to prevent fraudulent behaviors.
- In post-loan supervision, the Group has established risk monitoring alert system through periodical monitoring, system alert, and corresponding solutions to identify impaired loans.

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using Probability of Default (“PD”), Exposure at Default (“EAD”) and Loss Given Default (“LGD”).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

### 3 Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

##### (b) Credit risk (continued)

###### *(b1) Expected credit loss model for loan receivables, as summarized below:*

- The loan receivables that are not credit-impaired on initial recognition are classified in 'Stage 1' and have their credit risk continuously monitored by the Group. The expected credit loss is measured on a 12-month basis.
- If a significant increase in credit risk (as defined below) since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. The expected credit loss is measured on lifetime basis.
- If the financial instrument is credit-impaired (as defined below), the financial instrument is then moved to 'Stage 3'. The expected credit loss is measured on lifetime basis.
- In Stages 1 and 2, interest income is calculated on the gross carrying amount (without deducting the loss allowance). If a financial asset subsequently becomes credit-impaired (Stage 3), the Group is required to calculate the interest income by applying the effective interest method in subsequent reporting periods to the amortized cost of the financial asset (the gross carrying amount net of loss allowance) rather than the gross carrying amount.

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

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

###### *(1) Significant increase in credit risk (SICR)*

The Group considers loan receivables to have experienced a significant increase in credit risk when backstop criteria has been met. A backstop is applied and the loan receivables considered to have experienced a significant increase in credit risk if the borrower is more than 1 day past due on its contractual payments.

###### *(2) Definition of default and credit-impaired assets*

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

### 3 Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

##### (b) Credit risk (continued)

###### *(b1) Expected credit loss model for loan receivables, as summarized below (continued):*

###### *(3) Measuring ECL — Explanation of inputs, assumptions and estimation techniques*

The expected credit loss is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the PD, EAD and LGD.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each portfolio. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summarized. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

###### *(4) Forward-looking information incorporated in the ECL models*

The calculation of ECL incorporate forward-looking information. The Group has performed historical analysis and identified the business climate index as the key economic variables impacting credit risk and expected credit losses.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

### 3 Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

##### (b) Credit risk (continued)

###### *(b1) Expected credit loss model for loan receivables, as summarized below (continued):*

###### *(5) Grouping of instruments for losses measured on a collective basis*

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

###### *(b2) Credit loss allowance*

The credit loss allowance recognized in the year is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to loan receivables experiencing significant increases (or decreases) of credit risk in the year, and the subsequent “step up” (or “step down”) between 12-month and lifetime ECL;
- Additional allowances for new financial instruments recognized, as well as releases for loan receivables derecognized in the year;
- Loan receivables derecognized and write-offs of allowances related to assets that were written off during the year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 3 Financial risk management (continued)

## 3.1 Financial risk factors (continued)

## (b) Credit risk (continued)

*(b2) Credit loss allowance (continued)*

The following tables explains the gross carrying amount and credit loss allowance of loan receivables:

|                                | Stage 1<br>RMB'000 | Stage 2<br>RMB'000 | Stage 3<br>RMB'000 | Total<br>RMB'000 |
|--------------------------------|--------------------|--------------------|--------------------|------------------|
| <b>As of December 31, 2023</b> |                    |                    |                    |                  |
| Gross carrying amount          | 9,832,099          | 6,237              | 806,808            | 10,645,144       |
| Loss allowance                 | (62,755)           | (4,075)            | (805,725)          | (872,555)        |
|                                | <b>9,769,344</b>   | <b>2,162</b>       | <b>1,083</b>       | <b>9,772,589</b> |
| <b>As of December 31, 2022</b> |                    |                    |                    |                  |
| Gross carrying amount          | 7,863,286          | 21,544             | 740,850            | 8,625,680        |
| Loss allowance                 | (42,429)           | (16,950)           | (736,738)          | (796,117)        |
|                                | <b>7,820,857</b>   | <b>4,594</b>       | <b>4,112</b>       | <b>7,829,563</b> |

Note:

During the year ended 31 December 2023, majority of new loans receivables were originated from the factoring loan business; and the transfer between stages were immaterial during the year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 3 Financial risk management (continued)

## 3.1 Financial risk factors (continued)

## (b) Credit risk (continued)

*(b2) Credit loss allowance (continued)*

The following tables explain the changes in the credit loss allowance for loan receivables between the beginning and the end of the year due to these factors:

|                                     | Stage 1<br>RMB'000 | Stage 2<br>RMB'000 | Stage 3<br>RMB'000 | Total<br>RMB'000 |
|-------------------------------------|--------------------|--------------------|--------------------|------------------|
| <b>Loss allowance as of</b>         |                    |                    |                    |                  |
| <b>January 1, 2023</b>              | 42,429             | 16,950             | 736,738            | 796,117          |
| Transfer between stages             | (902)              | (21,006)           | 21,908             | —                |
| Provision of expected credit losses | 21,051             | 8,119              | 110,918            | 140,088          |
| Write-offs                          | —                  | —                  | (63,904)           | (63,904)         |
| Currency translation differences    | 177                | 12                 | 65                 | 254              |
| <b>Loss allowance as of</b>         |                    |                    |                    |                  |
| <b>December 31, 2023</b>            | 62,755             | 4,075              | 805,725            | 872,555          |
| <b>Loss allowance as of</b>         |                    |                    |                    |                  |
| <b>January 1, 2022</b>              | 124,182            | 89,550             | 778,692            | 992,424          |
| Transfer between stages             | (4,268)            | (40,890)           | 45,158             | —                |
| Provision of expected credit losses | (73,235)           | (31,425)           | 68,526             | (36,134)         |
| Write-offs                          | —                  | —                  | (154,071)          | (154,071)        |
| Currency translation differences    | (4,250)            | (285)              | (1,567)            | (6,102)          |
| <b>Loss allowance as of</b>         |                    |                    |                    |                  |
| <b>December 31, 2022</b>            | 42,429             | 16,950             | 736,738            | 796,117          |

*(b3) Write-off policy*

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

The Group may write off loan receivables that are still subject to enforcement activity. The Group still seeks to recover amounts it is legally owed in full, but which have been written off due to no reasonable expectation of full recovery.

*(b4) Modification*

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 3 Financial risk management (continued)

## 3.1 Financial risk factors (continued)

## (c) Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying business, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate cash and cash equivalents or adjust financing arrangements to meet the Group's liquidity requirements. There are loan covenants terms for certain borrowings. As of December 31, 2023, there is no non-compliance with such loan covenants (2022: Nil).

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

|                                         | Less than 1<br>year<br>RMB'000 | Between 1<br>year and 2<br>years<br>RMB'000 | Between 2<br>years and 5<br>years<br>RMB'000 | Over 5<br>years<br>RMB'000 | Total<br>RMB'000 |
|-----------------------------------------|--------------------------------|---------------------------------------------|----------------------------------------------|----------------------------|------------------|
| Group                                   |                                |                                             |                                              |                            |                  |
| At December 31, 2023                    |                                |                                             |                                              |                            |                  |
| Borrowings                              | 11,783,279                     | 3,316,353                                   | 2,454,025                                    | 15,826,470                 | 33,380,127       |
| Trade payables                          | 62,098,500                     | —                                           | —                                            | —                          | 62,098,500       |
| Other payables                          | 17,362,253                     | —                                           | —                                            | —                          | 17,362,253       |
| Lease liabilities                       | 804,641                        | 425,136                                     | 708,479                                      | 268,386                    | 2,206,642        |
| Liabilities to fund investors           | —                              | —                                           | 11,574,737                                   | 2,228,308                  | 13,803,045       |
| Off-balance sheet guarantee liabilities | 5,772                          | —                                           | —                                            | —                          | 5,772            |
| At December 31, 2022                    |                                |                                             |                                              |                            |                  |
| Borrowings                              | 2,707,100                      | 537,088                                     | 10,341,827                                   | 16,107,081                 | 29,693,096       |
| Trade payables                          | 53,093,543                     | —                                           | —                                            | —                          | 53,093,543       |
| Other payables                          | 12,901,886                     | —                                           | —                                            | —                          | 12,901,886       |
| Lease liabilities                       | 1,072,383                      | 508,876                                     | 608,323                                      | 414,582                    | 2,604,164        |
| Liabilities to fund investors           | —                              | —                                           | 14,053,228                                   | 806,000                    | 14,859,228       |
| Off-balance sheet guarantee liabilities | 322,786                        | —                                           | —                                            | —                          | 322,786          |



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

### 3 Financial risk management (continued)

#### 3.2 Capital management

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

The Group monitors capital (including share capital and share premium) by regularly reviewing the capital structure. As a part of this review, the Group considers the cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or repurchase the Company's shares. In the opinion of the directors of the Company, the Group has strong cash positions, continuously generating operating profits with a low level of indebtedness.

#### 3.3 Fair value estimation

The table below analyzes the Group's main financial instruments carried at fair value as of each balance sheet date, by level of the inputs to valuation techniques used to measure fair value.

The following table presents the Group's financial assets and liabilities that are measured at fair value at December 31, 2023:

|                                                                                            | Level 1<br>RMB'000 | Level 2<br>RMB'000 | Level 3<br>RMB'000 | Total<br>RMB'000 |
|--------------------------------------------------------------------------------------------|--------------------|--------------------|--------------------|------------------|
| <b>Assets</b>                                                                              |                    |                    |                    |                  |
| Long-term investments measured at fair value through profit or loss (Note 20)              | 5,992,430          | —                  | 54,207,368         | 60,199,798       |
| Short-term investments measured at fair value through profit or loss (Note 20)             | —                  | —                  | 20,193,662         | 20,193,662       |
| Short-term investments measured at fair value through other comprehensive income (Note 20) | 582,131            | —                  | —                  | 582,131          |
| Bills receivables measured at fair value through other comprehensive income                | —                  | —                  | 125,661            | 125,661          |
|                                                                                            | 6,574,561          | —                  | 74,526,691         | 81,101,252       |
| <b>Liabilities</b>                                                                         |                    |                    |                    |                  |
| Liabilities to fund investors (Note 30(a))                                                 | —                  | —                  | 2,228,308          | 2,228,308        |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 3 Financial risk management (continued)

## 3.3 Fair value estimation (continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value at December 31, 2022:

|                                                                                            | Level 1<br>RMB'000 | Level 2<br>RMB'000 | Level 3<br>RMB'000 | Total<br>RMB'000 |
|--------------------------------------------------------------------------------------------|--------------------|--------------------|--------------------|------------------|
| <b>Assets</b>                                                                              |                    |                    |                    |                  |
| Long-term investments measured at fair value through profit or loss (Note 20)              | 4,547,386          | —                  | 51,432,588         | 55,979,974       |
| Short-term investments measured at fair value through profit or loss (Note 20)             | —                  | —                  | 9,845,910          | 9,845,910        |
| Short-term investments measured at fair value through other comprehensive income (Note 20) | 449,109            | —                  | —                  | 449,109          |
| Bills receivables measured at fair value through other comprehensive income                | —                  | —                  | 40,003             | 40,003           |
|                                                                                            | 4,996,495          | —                  | 61,318,501         | 66,314,996       |
| <b>Liabilities</b>                                                                         |                    |                    |                    |                  |
| Liabilities to fund investors (Note 30(a))                                                 | —                  | —                  | 806,000            | 806,000          |

## (a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at each of the reporting dates. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. The amounts of net fair value gain for level 1 investments for the year ended December 31, 2023 is RMB794,785,000 (2022: net fair value losses RMB773,674,000).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

### 3 Financial risk management (continued)

#### 3.3 Fair value estimation (continued)

##### (b) Financial instruments in level 2

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

##### (c) Financial instruments in level 3

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

Specific valuation techniques used to value financial instruments include:

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

Level 3 instruments of the Group's assets mainly include long-term investments measured at fair value through profit or loss and short-term investments measured at fair value through profit or loss.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

**3 Financial risk management (continued)****3.3 Fair value estimation (continued)****(c) Financial instruments in level 3 (continued)**

The following table presents the changes in level 3 instruments of long-term investments measured at fair value through profit or loss for the years ended December 31, 2023 and 2022:

|                                            | Year ended December 31, |                 |
|--------------------------------------------|-------------------------|-----------------|
|                                            | 2023<br>RMB'000         | 2022<br>RMB'000 |
| At the beginning of the year               | 51,432,588              | 45,817,637      |
| Additions                                  | 5,306,388               | 7,636,143       |
| Disposals                                  | (2,458,853)             | (2,091,056)     |
| Changes in fair value                      | 2,427,596               | (1,277,618)     |
| Transfer to level 1 financial instruments  | (2,872,137)             | (547,574)       |
| Currency translation differences           | 371,786                 | 1,895,056       |
| At the end of the year                     | 54,207,368              | 51,432,588      |
| Net unrealized gains/(losses) for the year | 1,631,788               | (1,181,027)     |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

**3 Financial risk management (continued)****3.3 Fair value estimation (continued)****(c) Financial instruments in level 3 (continued)**

The following table presents the changes in level 3 instruments of short-term investments measured at fair value through profit or loss for the years ended December 31, 2023 and 2022:

|                                   | Year ended December 31, |                 |
|-----------------------------------|-------------------------|-----------------|
|                                   | 2023<br>RMB'000         | 2022<br>RMB'000 |
| At the beginning of the year      | 9,845,910               | 29,311,848      |
| Disposal of a subsidiary          | —                       | (60,000)        |
| Additions                         | 53,357,701              | 72,822,699      |
| Disposals                         | (43,272,307)            | (93,045,954)    |
| Changes in fair value             | 292,701                 | 389,282         |
| Currency translation differences  | (30,343)                | 428,035         |
| At the end of the year            | 20,193,662              | 9,845,910       |
| Net unrealized gains for the year | 71,186                  | 51,031          |

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

The valuation of the level 3 instruments mainly included long-term investments measured at fair value through profit or loss in unlisted companies and certain listed companies for which sale is restricted for a specified period (Note 20), and short-term investments measured at fair value through profit or loss (Note 20). As these instruments are not traded in an active market, their fair values have been determined by using various applicable valuation techniques, including discounted cash flows or market approach, etc.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 3 Financial risk management (continued)

## 3.3 Fair value estimation (continued)

## (c) Financial instruments in level 3 (continued)

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

| Description                                                                    | Fair values        |            | Significant unobservable inputs             | Range of inputs    |             | Relationship of unobservable inputs to fair values                |
|--------------------------------------------------------------------------------|--------------------|------------|---------------------------------------------|--------------------|-------------|-------------------------------------------------------------------|
|                                                                                | As of December 31, |            |                                             | As of December 31, |             |                                                                   |
|                                                                                | 2023               | 2022       |                                             | 2023               | 2022        |                                                                   |
|                                                                                | RMB'000            | RMB'000    |                                             |                    |             |                                                                   |
| Long-term investments measured at fair value through profit or loss (Note 20)  | 43,743,711         | 42,302,277 | Expected volatility                         | 15%–103%           | 26%–99%     | The higher the expected volatility, the lower the fair value      |
| — Ordinary shares investments and preferred shares investments                 |                    |            | Discount for lack of marketability ("DLOM") | 4%–30%             | 2%–30%      | The higher the DLOM, the lower the fair value                     |
|                                                                                |                    |            | Risk-free rate                              | 1.9%–7%            | 0.2%–5%     |                                                                   |
| Short-term investments measured at fair value through profit or loss (Note 20) | 20,193,662         | 9,845,910  | Expected rate of return                     | 0.25%–3.25%        | 1.25%–3.50% | The higher the expected rate of return, the higher the fair value |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

### 3 Financial risk management (continued)

#### 3.3 Fair value estimation (continued)

If the fair values of the ordinary shares and preferred shares held by the Group, which was included in long-term investments measured at fair value through profit or loss had been 5% higher/lower, the profit before income tax for the year ended December 31, 2023 would have been approximately RMB2,486,807,000 (2022: RMB2,342,483,000 ) higher/lower.

There were no material transfers between level 1, 2 and 3 of fair value hierarchy classifications during the year ended December 31, 2023, except that certain financial assets were transferred out of level 3 of fair value hierarchy to level 1 classifications due to the conversion to ordinary shares as the result of the initial public offering or lifting of sale restriction of the investee companies.

The carrying amounts of the Group's financial assets that are not measured at fair value, including cash and cash equivalents, restricted cash, short-term bank deposits, long-term bank deposits, short-term investments measured at amortized cost, long-term investments measured at amortized cost, trade receivables, loan receivables and other receivables, and the Group's financial liabilities that are not measured at fair value, including borrowings, trade payables and other payables, approximate their fair values due to short maturities or the interest rates are close to the market interest rates.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

### 4 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

#### (a) Fair value of financial assets

Fair value of financial assets, in the absence of an active market, is estimated by using appropriate valuation techniques. Such valuations were based on certain assumptions about credit risk, volatility and liquidity risks associated with the instruments, which are subject to uncertainty and might materially differ from the actual results. Further details are included in Note 3.3.

#### (b) Impairment of loan receivables

The Group follows the guidance of IFRS 9 to determine when a loan receivable is impaired. This determination requires significant judgment and estimation. In making this judgment and estimation, the Group evaluates, among other factors, the duration of receivables and the financial health, collection history of individual debtors and expected future change of credit risks, including the consideration of factors such as general economy measures, changes in macroeconomic indicators etc. Further details are included in Note 3.1 to the consolidated financial statements.

#### (c) Taxation

The Group is subject to income taxes in different jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be probable due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

For temporary differences which give rise to deferred tax assets, the Group assesses the likelihood that the deferred income tax assets could be recovered. Deferred tax assets are recognized based on the Group's estimates and assumptions that they will be recovered from taxable income arising from continuing operations in the foreseeable future or the reversal of temporarily taxable difference.

The Group is also subject to other taxation in different jurisdictions. Significant judgment is required in determining the worldwide provision of other taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

### 4 Critical accounting estimates and judgments (continued)

#### (d) Inventory provision

Inventories are stated at the lower of cost and net realizable value. Management makes provision for inventories based on historical experience and estimation of future market condition and sales. The actual net realizable value maybe higher or lower than previously estimated. This requires significant judgment and estimation.

#### (e) Recoverability of non-financial assets and investments accounted for using the equity method

The Group tests annually whether goodwill has suffered any impairment. Other non-financial assets, mainly including property, plant and equipment, intangible assets, investment properties, right-of-use assets as well as investments accounted for using the equity method are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The recoverable amount of non-financial assets is the greater of its fair value less costs of disposal and value in use. In determining fair values, various applicable valuation techniques (e.g. discounted cash flows or market approach) are used, with significant unobservable inputs including expected volatility, discount for lack of marketability and risk free rates, etc. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, which requires significant judgment relating to level of revenue, operating costs and discount rates.

Judgment is required select key assumptions applied in the adopted valuation models, including discounted cash flows and market approach. Changing the assumptions selected by management in assessing impairment could materially affect the result of the impairment test and in turn affect the Group's financial condition and results of operations. If there is a significant adverse change in the key assumptions applied, it may be necessary to take additional impairment charge to the consolidated income statements.

#### (f) Warranty provision

Warranty provision is based on the estimated cost of product warranties when revenue is recognized. Factors that affect the Group's warranty liability include the number of products sold under warranty, historical and anticipated rates of warranty claims on those products, and estimated cost per claim to satisfy the warranty obligation. The estimation basis is reviewed on an on-going basis and revised where appropriate.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

### 4 Critical accounting estimates and judgments (continued)

#### (g) Revenue

Application of various accounting principles related to the measurement and recognition of revenue requires the Group to make judgments and estimates. Specifically, significant judgments include determining whether the Group is acting as the principal in a transaction. The Group is a principal in a transaction if the Group obtains control of the products sold or services provided before they are transferred to customers. If control is unclear, when the Group is primarily obligated in a transaction, is subject to inventory risk, has latitude in establishing prices and selecting suppliers, or has several but not all of these indicators, the Group records revenues on a gross basis. Otherwise, the Group records the net amount earned as commissions from products sold or services provided.

### 5 Segment information

The Group's business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer of the Company.

Currently, substantially all of the Group's revenue were generated from sales of smartphone and the ecosystem products or services, these revenue are regularly reviewed and evaluated by the CODM, thus the Group determined that it has operating segments as follows:

- Smartphones
- IoT and lifestyle products
- Internet services
- Others

The CODM assesses the performance of the operating segments mainly based on segment revenue and gross profit of each operating segment. The selling and marketing expenses, administrative expenses and research and development expenses are not included in the measure of the segments' performance that reviewed by CODM as a basis for the purpose of resource allocation and assessment of segment performance. Fair value changes on financial instruments measured at fair value through profit or loss, share of net profits/(losses) of investments accounted for using the equity method, other income, other gains/(losses), net, finance income, finance costs and income tax expenses are not allocated to individual operating segments as they were centrally monitored by the Group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

### 5 Segment information (continued)

The revenues from external customers reported to CODM are measured as segment revenue, which is the revenue derived from the customers in each segment:

- Revenues from smartphones segment are derived from the sale of smartphones.
- Revenues from the IoT and lifestyle products segment primarily comprise revenues from sales of (i) the Group's other products, including smart TVs, laptops, AI speakers and smart routers, and (ii) the Group's ecosystem products, including certain IoT and other smart hardware products, as well as certain lifestyle products.
- Revenues from internet services segment are derived from advertising services and internet value-added services including online game and fintech business.
- Others segment primarily comprises revenue from the Group's hardware repair services for products, installation services for certain IoT products, sale of materials and others.

The Group's cost of sales for smartphones segment and IoT and lifestyle products segment primarily consist of (i) procurement cost of raw materials and components, (ii) assembly cost charged by the Group's outsourcing partners, (iii) royalty fees for certain technologies embedded in the products, (iv) costs, in the forms of production costs and profit-sharing, paid to the Group's partners for procuring ecosystem products, (v) warranty expenses, and (vi) provision for impairment of inventories. The Group's cost of sales for internet services segment primarily consist of (i) bandwidth, server custody and cloud service related costs, and (ii) content fees to game developers. Cost of sales for others segment primarily consists of hardware repair costs, installation costs, costs from sale of materials and development costs of buildings.

Other information, together with the segment information, provided to the CODM, is measured in a manner consistent with that applied in the consolidated financial statements. There were no separate segment assets and segment liabilities information provided to the CODM, as CODM does not use this information to allocate resources or to evaluate the performance of the operating segments.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

**5 Segment information (continued)**

There were no material inter-segment sales during the years ended December 31, 2023 and 2022. The revenues from external customers reported to the CODM are measured in a manner consistent with that applied in the consolidated income statement.

The segment results for the years ended December 31, 2023 and 2022 are as follows:

|                     | Year ended December 31, 2023 |                            |                   |             |               |
|---------------------|------------------------------|----------------------------|-------------------|-------------|---------------|
|                     | Smartphones                  | IoT and lifestyle products | Internet services | Others      | Total         |
|                     | RMB'000                      | RMB'000                    | RMB'000           | RMB'000     | RMB'000       |
| Segment revenues    | 157,461,309                  | 80,107,740                 | 30,107,494        | 3,293,598   | 270,970,141   |
| Cost of sales       | (134,480,722)                | (67,029,144)               | (7,773,544)       | (4,210,492) | (213,493,902) |
| Gross profit/(loss) | 22,980,587                   | 13,078,596                 | 22,333,950        | (916,894)   | 57,476,239    |

|                  | Year ended December 31, 2022 |                            |                   |             |               |
|------------------|------------------------------|----------------------------|-------------------|-------------|---------------|
|                  | Smartphones                  | IoT and lifestyle products | Internet services | Others      | Total         |
|                  | RMB'000                      | RMB'000                    | RMB'000           | RMB'000     | RMB'000       |
| Segment revenues | 167,217,177                  | 79,794,877                 | 28,321,444        | 4,710,518   | 280,044,016   |
| Cost of sales    | (152,248,415)                | (68,296,397)               | (7,974,356)       | (3,947,658) | (232,466,826) |
| Gross profit     | 14,968,762                   | 11,498,480                 | 20,347,088        | 762,860     | 47,577,190    |

The reconciliation of gross profit to profit before income tax is the same as that shown in the consolidated income statement, thus no reconciliation provided here.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

**5 Segment information (continued)**

For the years ended December 31, 2023 and 2022, the geographical information on the total revenues is as follows:

|                              | Year ended December 31, |      |             |      |
|------------------------------|-------------------------|------|-------------|------|
|                              | 2023                    |      | 2022        |      |
|                              | RMB'000                 | %    | RMB'000     | %    |
| Mainland China               | 149,189,720             | 55.1 | 142,258,417 | 50.8 |
| Rest of the world (Note (a)) | 121,780,421             | 44.9 | 137,785,599 | 49.2 |
|                              | 270,970,141             |      | 280,044,016 |      |

Note:

(a) Revenues outside mainland China are mainly from Europe and India.

The major customers which contributed more than 10% of the total revenue of the Group for the years ended December 31, 2023 and 2022 are listed as below:

|            | Year ended December 31, |      |
|------------|-------------------------|------|
|            | 2023                    | 2022 |
|            | %                       | %    |
| Customer A | 12.2                    | 13.4 |

All the revenues derived from other single external customer were less than 10% of the Group's total revenues for the years ended December 31, 2023 and 2022.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 6 Revenue

|                            | Year ended December 31, |             |
|----------------------------|-------------------------|-------------|
|                            | 2023                    | 2022        |
|                            | RMB'000                 | RMB'000     |
| Smartphones                | 157,461,309             | 167,217,177 |
| IoT and lifestyle products | 80,107,740              | 79,794,877  |
| Internet services          | 30,107,494              | 28,321,444  |
| Others                     | 3,293,598               | 4,710,518   |
|                            | 270,970,141             | 280,044,016 |

## 7 Other income

|                                               | Year ended December 31, |           |
|-----------------------------------------------|-------------------------|-----------|
|                                               | 2023                    | 2022      |
|                                               | RMB'000                 | RMB'000   |
| Government grants                             | 333,578                 | 604,051   |
| Dividend income                               | 157,569                 | 125,299   |
| Value-added tax and other tax refunds         | 105,660                 | 108,081   |
| Additional deduction of input value-added tax | 143,284                 | 298,129   |
|                                               | 740,091                 | 1,135,560 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 8 Other gains/(losses), net

|                                                                                                         | Year ended December 31, |                    |
|---------------------------------------------------------------------------------------------------------|-------------------------|--------------------|
|                                                                                                         | 2023                    | 2022               |
|                                                                                                         | RMB'000                 | RMB'000            |
| Gains on disposal and deemed disposal of investments accounted for using the equity method (Note 12(b)) | 1,580,123               | 127,310            |
| Foreign exchanges gains/(losses), net                                                                   | 124,405                 | (998,602)          |
| Impairment on investments accounted for using the equity method (Note 12(b))                            | (7,138)                 | (450,948)          |
| Others                                                                                                  | (680)                   | (46,570)           |
|                                                                                                         | <b>1,696,710</b>        | <b>(1,368,810)</b> |

## 9 Expenses by nature

|                                                                                                                | Year ended December 31, |             |
|----------------------------------------------------------------------------------------------------------------|-------------------------|-------------|
|                                                                                                                | 2023                    | 2022        |
|                                                                                                                | RMB'000                 | RMB'000     |
| Cost of inventories sold and royalty fees                                                                      | 192,822,082             | 208,148,924 |
| Provision for impairment of inventories (Note 24)                                                              | 3,861,753               | 7,794,470   |
| Employee benefit expenses (Note 10)                                                                            | 18,935,182              | 16,607,997  |
| Depreciation of property, plant and equipment, right-of-use assets and investment properties (Note 15, 17, 18) | 2,401,979               | 2,310,951   |
| Amortization of intangible assets (Note 16)                                                                    | 2,434,308               | 1,396,442   |
| Promotion and advertising expenses                                                                             | 6,996,492               | 7,233,932   |
| Content fees to game developers and video providers                                                            | 3,245,179               | 3,137,676   |
| Credit loss allowance                                                                                          | 321,528                 | 217,971     |
| Consultancy and professional service fees                                                                      | 1,491,329               | 1,495,318   |
| Cloud service, bandwidth and server custody fees                                                               | 2,208,314               | 2,259,250   |
| Warranty expenses                                                                                              | 4,801,995               | 5,419,526   |
| Auditor's remuneration                                                                                         | 65,283                  | 83,618      |
| — Audit services                                                                                               | 52,744                  | 54,618      |
| — Non-audit services                                                                                           | 12,539                  | 29,000      |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

**9 Expenses by nature (continued)**

During the year ended December 31, 2023, the Group incurred research and development expenses of approximately RMB19,097,699,000 (2022: RMB16,028,132,000), which mainly comprised employee benefits expenses of RMB11,845,739,000 (2022: RMB9,639,067,000). No significant development expenses had been capitalized during the year (2022: Nil).

**10 Employee benefit expenses**

|                                                                           | Year ended December 31, |            |
|---------------------------------------------------------------------------|-------------------------|------------|
|                                                                           | 2023                    | 2022       |
|                                                                           | RMB'000                 | RMB'000    |
| Wages and salaries                                                        | 11,981,862              | 10,548,009 |
| Share-based compensation expenses (Note 29)                               | 3,378,670               | 2,497,358  |
| Contributions to pension plans                                            | 1,410,904               | 1,315,876  |
| Other social security costs, housing benefits and other employee benefits | 2,163,746               | 2,246,754  |
|                                                                           | <b>18,935,182</b>       | 16,607,997 |

**(i) Pensions — defined contribution plans**

During the year ended December 31, 2023, no forfeited contributions were utilized by the Group to reduce its contributions for the current year (2022: Nil).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 10 Employee benefit expenses (continued)

## (ii) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group do not include any director of the Company for the years ended December 31, 2023 and 2022. All of these individuals have not received any emolument from the Group as an inducement to join the Group or compensation for loss of office during the years ended December 31, 2023 and 2022. The emoluments payable to the five highest paid individuals during the years ended December 31, 2023 and 2022 are as follows:

|                                                                           | Year ended December 31, |         |
|---------------------------------------------------------------------------|-------------------------|---------|
|                                                                           | 2023                    | 2022    |
|                                                                           | RMB'000                 | RMB'000 |
| Wages and salaries                                                        | 10,654                  | 17,268  |
| Share-based compensation expenses                                         | 402,227                 | 326,448 |
| Contributions to pension plans                                            | 312                     | 192     |
| Discretionary bonuses                                                     | 3,300                   | 363     |
| Other social security costs, housing benefits and other employee benefits | 444                     | 275     |
|                                                                           | 416,937                 | 344,546 |

The emoluments fell within the following bands:

|                                                       | Number of individuals        |      |
|-------------------------------------------------------|------------------------------|------|
|                                                       | Year ended December 31, 2023 | 2022 |
| Hong Kong dollar ("HK\$")25,500,001 to HK\$26,000,000 | 1                            | —    |
| HK\$31,000,001 to HK\$31,500,000                      | —                            | 1    |
| HK\$40,000,001 to HK\$40,500,000                      | 1                            | —    |
| HK\$46,000,001 to HK\$46,500,000                      | 1                            | —    |
| HK\$46,500,001 to HK\$47,000,000                      | —                            | 1    |
| HK\$52,500,001 to HK\$53,000,000                      | 1                            | 1    |
| HK\$72,500,001 to HK\$73,000,000                      | —                            | 1    |
| HK\$197,500,001 to HK\$198,000,000                    | —                            | 1    |
| HK\$298,000,001 to HK\$298,500,000                    | 1                            | —    |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 10 Employee benefit expenses (continued)

## (iii) Benefits and interests of directors

The remuneration of every director is set out below:

During the year ended December 31, 2023:

| Name of Director                               | Fees<br>RMB'000 | Salary<br>RMB'000 | Discretionary<br>bonuses<br>RMB'000 | Allowances<br>and benefits<br>in kind<br>RMB'000 | Employer's<br>contribution<br>to a retirement<br>benefit scheme<br>RMB'000 | Total<br>RMB'000 |
|------------------------------------------------|-----------------|-------------------|-------------------------------------|--------------------------------------------------|----------------------------------------------------------------------------|------------------|
| <b>Executive Directors</b>                     |                 |                   |                                     |                                                  |                                                                            |                  |
| LEI, Jun                                       | —               | —                 | —                                   | —                                                | —                                                                          | —                |
| LIN, Bin                                       | —               | —                 | —                                   | —                                                | —                                                                          | —                |
| LIU, De                                        | —               | —                 | —                                   | —                                                | —                                                                          | —                |
| <b>Non-executive Directors</b>                 |                 |                   |                                     |                                                  |                                                                            |                  |
| LIU, Qin                                       | —               | —                 | —                                   | —                                                | —                                                                          | —                |
| <b>Independent non-executive<br/>Directors</b> |                 |                   |                                     |                                                  |                                                                            |                  |
| CHEN, Dongsheng                                | 540             | —                 | —                                   | —                                                | —                                                                          | 540              |
| WONG, Shun Tak (a)                             | 991             | —                 | —                                   | —                                                | —                                                                          | 991              |
| TONG Wai Cheung<br>Timothy (b)(c)              | 991             | —                 | —                                   | —                                                | —                                                                          | 991              |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 10 Employee benefit expenses (continued)

## (iii) Benefits and interests of directors (continued)

During the year ended December 31, 2022:

| Name of Director                               | Fees<br>RMB'000 | Salary<br>RMB'000 | Discretionary<br>bonuses<br>RMB'000 | Allowances<br>and benefits<br>in kind<br>RMB'000 | Employer's<br>contribution<br>to a retirement<br>benefit scheme<br>RMB'000 | Total<br>RMB'000 |
|------------------------------------------------|-----------------|-------------------|-------------------------------------|--------------------------------------------------|----------------------------------------------------------------------------|------------------|
| <b>Executive Directors</b>                     |                 |                   |                                     |                                                  |                                                                            |                  |
| LEI, Jun                                       | —               | —                 | —                                   | —                                                | —                                                                          | —                |
| LIN, Bin                                       | —               | —                 | —                                   | —                                                | —                                                                          | —                |
| LIU, De                                        | —               | —                 | —                                   | —                                                | —                                                                          | —                |
| <b>Non-executive Directors</b>                 |                 |                   |                                     |                                                  |                                                                            |                  |
| LIU, Qin                                       | —               | —                 | —                                   | —                                                | —                                                                          | —                |
| <b>Independent non-executive<br/>Directors</b> |                 |                   |                                     |                                                  |                                                                            |                  |
| CHEN, Dongsheng                                | 516             | —                 | —                                   | —                                                | —                                                                          | 516              |
| WONG, Shun Tak (a)                             | 946             | —                 | —                                   | —                                                | —                                                                          | 946              |
| TONG Wai Cheung<br>Timothy (b)(c)              | 946             | —                 | —                                   | —                                                | —                                                                          | 946              |

Notes:

- (a) HK\$500,000 was paid to Mr. Wong Shun Tak during the years ended December 31, 2023 and 2022 in connection with his service as director or other service in respect of management of the affairs of the Company's subsidiary undertakings.
- (b) HK\$500,000 was paid to Prof. Tong Wai Cheung Timothy during the years ended December 31, 2023 and 2022 in connection with his service as director or other service in respect of management of the affairs of the Company's subsidiary undertakings.
- (c) Prof. Tong Wai Cheung Timothy has resigned as independent non-executive director of the Company with effect from January 8, 2024. Meanwhile, Ms. Cai Jinqing was appointed as an independent non-executive director of the Company with effect from January 8, 2024.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

**10 Employee benefit expenses (continued)****(iv) Directors' termination benefits**

No director's termination benefit subsisted as of December 31, 2023 and 2022 or at any time during all the years presented.

**(v) Consideration provided to third parties for making available directors' services**

No consideration provided to third parties for making available directors' services subsisted as of December 31, 2023 and 2022 or at any time during all the years presented.

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

No loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors subsisted as of December 31, 2023 and 2022 or at any time during all the years presented.

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

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted as of December 31, 2023 and 2022 or at any time during all the years presented.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 11 Finance income and costs

|                                    | Year ended December 31, |           |
|------------------------------------|-------------------------|-----------|
|                                    | 2023                    | 2022      |
|                                    | RMB'000                 | RMB'000   |
| <b>Finance income:</b>             |                         |           |
| Interest income from bank deposits | 3,558,347               | 1,663,941 |

Interest income mainly represents interest income from bank deposits, including bank balances and term deposits.

|                                                                                                                                           | Year ended December 31, |           |
|-------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|-----------|
|                                                                                                                                           | 2023                    | 2022      |
|                                                                                                                                           | RMB'000                 | RMB'000   |
| <b>Finance costs:</b>                                                                                                                     |                         |           |
| Change in amortized cost of liabilities to fund investors (Note 30)                                                                       | 405,724                 | (583,862) |
| Interest expense from borrowings (Note 34),<br>lease liabilities (Note 17) and payable for purchase of<br>intangible assets (Note 30, 32) | 1,154,965               | 1,132,892 |
| Less: amount capitalized                                                                                                                  | (4,719)                 | (2,547)   |
|                                                                                                                                           | 1,555,970               | 546,483   |

Finance costs have been capitalized on qualifying assets at average interest rates of 4.19% per annum for the year ended December 31, 2023 (2022: 4.15%).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 12(a) Major subsidiaries and controlled structured entities

As of December 31, 2023 and 2022, the Company had the following major subsidiaries (including controlled structured entities):

| Name                                   | Place of incorporation/ establishment and kind of legal entity | Date of incorporation/ establishment | Particulars of issued/ paid-in capital        | Effective interest held |      |                               | Principal activities                                                                                        |
|----------------------------------------|----------------------------------------------------------------|--------------------------------------|-----------------------------------------------|-------------------------|------|-------------------------------|-------------------------------------------------------------------------------------------------------------|
|                                        |                                                                |                                      |                                               | As of December 31, 2023 | 2022 | As of the date of this report |                                                                                                             |
| <b>Subsidiaries</b>                    |                                                                |                                      |                                               |                         |      |                               |                                                                                                             |
| <b>Directly held:</b>                  |                                                                |                                      |                                               |                         |      |                               |                                                                                                             |
| Xiaomi H.K. Limited                    | Hong Kong, limited liability company                           | April 7, 2010                        | HK\$10,000                                    | 100%                    | 100% | 100%                          | Wholesale and retail of smartphones and ecosystem partners' products                                        |
| Fast Pace Limited                      | British Virgin Islands, limited liability company              | January 8, 2013                      | US\$2                                         | 100%                    | 100% | 100%                          | Investment holding and investment activities                                                                |
| Best Ventures Limited                  | British Virgin Islands, limited liability company              | March 21, 2013                       | US\$1                                         | 100%                    | 100% | 100%                          | Investment holding and investment activities                                                                |
| Xiaomi Singapore Pte. Ltd.             | Singapore, limited liability company                           | December 23, 2013                    | Singapore Dollar ("SGD")1 and US\$641,879,420 | 100%                    | 100% | 100%                          | Sales of smart hardware                                                                                     |
| Xiaomi Best Time International Limited | Hong Kong, limited liability company                           | December 20, 2018                    | US\$500,000,000                               | 100%                    | 100% | 100%                          | Intra-group capital supervision, collection, remittance, credit guarantee and interest rate risk management |
| <b>Subsidiaries</b>                    |                                                                |                                      |                                               |                         |      |                               |                                                                                                             |
| <b>Indirectly held:</b>                |                                                                |                                      |                                               |                         |      |                               |                                                                                                             |
| Xiaomi Communications Co., Ltd.        | Mainland China, limited liability company                      | August 25, 2010                      | US\$320,000,000                               | 100%                    | 100% | 100%                          | Sales of smartphones, sales of ecosystem partners' products and provision of customer services              |
| Beijing Xiaomi Electronics Co., Ltd.   | Mainland China, limited liability company                      | January 9, 2012                      | US\$27,000,000                                | 100%                    | 100% | 100%                          | Sales of smart hardware                                                                                     |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 12(a) Major subsidiaries and controlled structured entities (continued)

As of December 31, 2023 and 2022, the Company had the following major subsidiaries (including controlled structured entities) (continued):

| Name                                                       | Place of incorporation/ establishment and kind of legal entity | Date of incorporation/ establishment | Particulars of issued/ paid-in capital | Effective interest held |      |                               | Principal activities                                                                                             |
|------------------------------------------------------------|----------------------------------------------------------------|--------------------------------------|----------------------------------------|-------------------------|------|-------------------------------|------------------------------------------------------------------------------------------------------------------|
|                                                            |                                                                |                                      |                                        | As of December 31, 2023 | 2022 | As of the date of this report |                                                                                                                  |
| <b>Subsidiaries</b>                                        |                                                                |                                      |                                        |                         |      |                               |                                                                                                                  |
| <b>Indirectly held:</b>                                    |                                                                |                                      |                                        |                         |      |                               |                                                                                                                  |
| <b>(continued)</b>                                         |                                                                |                                      |                                        |                         |      |                               |                                                                                                                  |
| Beijing Xiaomi Mobile Software Co., Ltd. ("Xiaomi Mobile") | Mainland China, limited liability company                      | May 8, 2012                          | RMB1,288,000,000                       | 100%                    | 100% | 100%                          | Software and hardware development and provision of software related services                                     |
| Zhuhai Xiaomi Communications Co., Ltd.                     | Mainland China, limited liability company                      | January 25, 2013                     | RMB2,000,000                           | 100%                    | 100% | 100%                          | Procurement and sales of smartphones, ecosystem partners' products and spare parts, procurement of raw materials |
| Guangzhou Xiaomi Communications Co., Ltd.                  | Mainland China, limited liability company                      | September 22, 2016                   | RMB951,000,000                         | 100%                    | 100% | 100%                          | Sales of smart hardware                                                                                          |
| Xiaomi Technology India Private Limited ("Xiaomi India")   | India, limited liability company                               | October 7, 2014                      | Indian Rupees ("INR") 207,450          | 100%                    | 100% | 100%                          | Sales of smartphones and ecosystem partners' products                                                            |
| Guangzhou Xiaomi Information Service Co., Ltd.             | Mainland China, limited liability company                      | December 29, 2016                    | RMB1,000,000                           | 100%                    | 100% | 100%                          | Provision of advertising and promotion services                                                                  |
| Xiaomi Home Commercial Co., Ltd.                           | Mainland China, limited liability company                      | June 27, 2017                        | RMB100,000,000                         | 100%                    | 100% | 100%                          | Operation of retail stores                                                                                       |
| Red Better Limited                                         | British Virgin Islands, limited liability company              | October 8, 2013                      | —                                      | 100%                    | 100% | 100%                          | Investment activities                                                                                            |
| Green Better Limited                                       | British Virgin Islands, limited liability company              | December 9, 2013                     | US\$1                                  | 100%                    | 100% | 100%                          | Investment activities                                                                                            |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 12(a) Major subsidiaries and controlled structured entities (continued)

As of December 31, 2023 and 2022, the Company had the following major subsidiaries (including controlled structured entities) (continued):

| Name                                               | Place of incorporation/ establishment and kind of legal entity | Date of incorporation/ establishment | Particulars of issued/ paid-in capital      | Effective interest held |      |                               | Principal activities                                                        |
|----------------------------------------------------|----------------------------------------------------------------|--------------------------------------|---------------------------------------------|-------------------------|------|-------------------------------|-----------------------------------------------------------------------------|
|                                                    |                                                                |                                      |                                             | As of December 31, 2023 | 2022 | As of the date of this report |                                                                             |
| <b>Subsidiaries</b>                                |                                                                |                                      |                                             |                         |      |                               |                                                                             |
| <b>Indirectly held:</b>                            |                                                                |                                      |                                             |                         |      |                               |                                                                             |
| <b>(continued)</b>                                 |                                                                |                                      |                                             |                         |      |                               |                                                                             |
| People Better Limited                              | British Virgin Islands, limited liability company              | April 22, 2014                       | US\$1,000,001                               | 100%                    | 100% | 100%                          | Investment activities                                                       |
| Xiaomi Home Technology Co., Ltd.                   | Mainland China, limited liability company                      | January 20, 2017                     | RMB80,000,000                               | 100%                    | 100% | 100%                          | Operation of retail stores                                                  |
| PT. Xiaomi Technology Indonesia                    | Indonesia, limited liability company                           | April 23, 2018                       | Indonesian Rupiah ("IDR")<br>13,000,000,000 | 100%                    | 100% | 100%                          | Sales and production of smartphones, sales of television                    |
| Shenzhen Xiaomi Information Technology Co., Ltd.   | Mainland China, limited liability company                      | September 29, 2019                   | RMB591,000,000                              | 100%                    | 100% | 100%                          | Sales of smart hardware and provision of advertising and promotion services |
| Xiaomi Technology Netherlands B.V.                 | Netherlands, limited liability company                         | October 29, 2018                     | EUR1,000,000                                | 100%                    | 100% | 100%                          | Sales of smart hardware                                                     |
| Shenzhen Xiaomi Communication Technology Co., Ltd. | Mainland China, limited liability company                      | March 9, 2020                        | RMB50,000,000                               | 100%                    | 100% | 100%                          | Sales of smart hardware                                                     |
| Shanghai X-Ring Technology Co., Ltd.               | Mainland China, limited liability company                      | December 7, 2021                     | RMB1,919,999,882                            | 100%                    | 100% | 100%                          | Technical services, integrated circuit chip design and service              |



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 12(a) Major subsidiaries and controlled structured entities (continued)

As of December 31, 2023 and 2022, the Company had the following major subsidiaries (including controlled structured entities) (continued):

| Name                                                       | Place of incorporation/ establishment and kind of legal entity | Date of incorporation/ establishment | Particulars of issued/ paid-in capital | Effective interest held |        |                               |                                        |
|------------------------------------------------------------|----------------------------------------------------------------|--------------------------------------|----------------------------------------|-------------------------|--------|-------------------------------|----------------------------------------|
|                                                            |                                                                |                                      |                                        | As of December 31, 2023 | 2022   | As of the date of this report | Principal activities                   |
| <b>Subsidiaries</b>                                        |                                                                |                                      |                                        |                         |        |                               |                                        |
| <b>Indirectly held:</b>                                    |                                                                |                                      |                                        |                         |        |                               |                                        |
| <b>(continued)</b>                                         |                                                                |                                      |                                        |                         |        |                               |                                        |
| Tianxing Digital Technology Co., Ltd. ("Tianxing Digital") | Mainland China, limited liability company                      | December 26, 2013                    | RMB2,313,630,000                       | 100%                    | 100%   | 100%                          | Electronic payment technology services |
| Xiaomi Technology (Thailand) LIMITED                       | Thailand, limited liability company                            | July 4, 2018                         | Thai Baht ("THB") 200,000,000          | 99.99%                  | 99.99% | 99.99%                        | Sales of smart hardware                |
| Airstar (Tianjin) Commercial Factoring Co., Ltd.           | Mainland China, limited liability company                      | November 19, 2023                    | RMB400,000,000                         | 100%                    | —      | 100%                          | Commercial factoring business          |
| Xiaomi Smart Appliances (Wuhan) Co., Ltd.                  | Mainland China, limited liability company                      | November 19, 2023                    | RMB500,000                             | 100%                    | —      | 100%                          | Sales of smart hardware                |
| <b>Controlled structured entities (Note (a)):</b>          |                                                                |                                      |                                        |                         |        |                               |                                        |
| Xiaomi Inc.                                                | Mainland China, limited liability company                      | March 3, 2010                        | RMB1,850,000,000                       | 100%                    | 100%   | 100%                          | E-commerce business                    |
| Tianjin Jinxing Venture Investment Co., Ltd.               | Mainland China, limited liability company                      | December 26, 2013                    | RMB2,476,557,552                       | 100%                    | 100%   | 100%                          | Investment activities                  |
| Beijing Duokan Technology Co., Ltd.                        | Mainland China, limited liability company                      | February 10, 2010                    | RMB10,000,000                          | 100%                    | 100%   | 100%                          | Sales of e-book                        |
| Beijing Wali Internet Technologies Co., Ltd.               | Mainland China, limited liability company                      | June 1, 2009                         | RMB2,100,000                           | 100%                    | 100%   | 100%                          | Provision of internet services         |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 12(a) Major subsidiaries and controlled structured entities (continued)

As of December 31, 2023 and 2022, the Company had the following major subsidiaries (including controlled structured entities) (continued):

| Name                                                                               | Place of incorporation/ establishment and kind of legal entity | Date of incorporation/ establishment | Particulars of issued/ paid-in capital | Effective interest held |      |                               |                                                     |
|------------------------------------------------------------------------------------|----------------------------------------------------------------|--------------------------------------|----------------------------------------|-------------------------|------|-------------------------------|-----------------------------------------------------|
|                                                                                    |                                                                |                                      |                                        | As of December 31, 2023 | 2022 | As of the date of this report | Principal activities                                |
| <b>Controlled structured entities (Note (a)):</b>                                  |                                                                |                                      |                                        |                         |      |                               |                                                     |
| <b>(continued)</b>                                                                 |                                                                |                                      |                                        |                         |      |                               |                                                     |
| Hubei Xiaomi Yangtze River Industry Investment Fund Partners (Limited Partnership) | Mainland China, limited partnership                            | December 7, 2017                     | RMB8,728,747,873                       | 24%                     | 20%  | 24%                           | Investment activities                               |
| Youpin Information Technology Co., Ltd.                                            | Mainland China, limited liability company                      | April 4, 2018                        | RMB50,000,000                          | 100%                    | 100% | 100%                          | E-commerce business                                 |
| Beijing Xiaomi Zhizao Equity Investment Fund Partners (Limited Partnership)        | Mainland China, limited partnership                            | September 18, 2021                   | RMB3,435,085,714                       | 35%                     | 46%  | 35%                           | Investment activities                               |
| Xiaomi EV Technology Co., Ltd.                                                     | Mainland China, limited liability company                      | November 18, 2021                    | RMB665,735,674                         | 100%                    | 100% | 100%                          | Smart electric vehicle business, technical services |

Notes:

- (a) The Company does not have directly or indirectly legal ownership in equity of these structured entities or their subsidiaries. Nevertheless, under certain Contractual Arrangements entered into with the registered owners of these structured entities, the Company and its other legally owned subsidiaries control these companies by way of controlling the voting rights, governing their financial and operating policies, appointing or removing the majority of the members of their controlling authorities, and casting the majority of votes at meetings of such authorities. Accordingly, the Group has rights to exercise power over these structured entities, receives variable returns from its involvement in these structured entities, and has the ability to affect those returns through its power over these structured entities. As a result, they are presented as structured entities of the Company.
- (b) The Company considered that the non-wholly owned subsidiaries with non-controlling interests are not significant to the Group, therefore, no summarized financial information of these non-wholly owned subsidiaries is presented separately.
- (c) The English names of the subsidiaries are direct translation or transliteration of their Chinese registered names.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 12(b) Investments accounted for using the equity method

|                                                                | As of December 31,      |             |
|----------------------------------------------------------------|-------------------------|-------------|
|                                                                | 2023                    | 2022        |
|                                                                | RMB'000                 | RMB'000     |
| Investments in associate accounted for using the equity method |                         |             |
| —Listed entities (Note (a))                                    | 1,421,275               | 2,918,299   |
| —Unlisted entities                                             | 5,500,966               | 5,013,893   |
|                                                                | 6,922,241               | 7,932,192   |
|                                                                |                         |             |
|                                                                | Year ended December 31, |             |
|                                                                | 2023                    | 2022        |
|                                                                | RMB'000                 | RMB'000     |
| <b>At the beginning of the year</b>                            | 7,932,192               | 10,230,751  |
| Additions                                                      | 72,407                  | 24,530      |
| Disposals and transfers (Note (b))                             | (1,128,679)             | (1,575,316) |
| Share of net profits/(losses)                                  | 45,615                  | (400,100)   |
| Share of other comprehensive income                            | 9,326                   | 57,211      |
| Share of changes of other reserves                             | 38,532                  | 122,326     |
| Dividends from associates                                      | (40,014)                | (76,262)    |
| Impairment provision                                           | (7,138)                 | (450,948)   |
| <b>At the end of the year</b>                                  | 6,922,241               | 7,932,192   |

Notes:

- (a) As of December 31, 2023, the fair value of the investments in associates which were listed entities was RMB2,284,313,000 (December 31, 2022: RMB4,204,010,000).
- (b) From February to November 2023, the Group disposed in total 2,376,744 shares of Beijing Roborock Technology Co., Ltd (“Beijing Roborock”) and generated aggregate net gains of approximately RMB516,020,000. On December 5, 2023, the Group derecognized the investment in Beijing Roborock after the Group lost significant influence, and recognized the remaining equity interest in Beijing Roborock as a financial asset measured at fair value through profit or loss, with a deemed disposal gain of RMB957,661,000.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

**12(b) Investments accounted for using the equity method (continued)**

Management has assessed the level of influence that the Group exercises on certain associates and determined that it has significant influence through the board representation and other relevant facts and circumstances, even though the respective shareholding of some investments is below 20%. Accordingly, these investments have been classified as associates.

As of December 31, 2023, there were no individually material associates that are accounted for using the equity method. Aggregated amount of the Group's share of profits/(losses) of individually immaterial associates accounted for using the equity method is as follows:

|                                            | Year ended December 31, |                  |
|--------------------------------------------|-------------------------|------------------|
|                                            | 2023                    | 2022             |
|                                            | RMB'000                 | RMB'000          |
| Aggregate amounts of the Group's share of: |                         |                  |
| Net profit/(loss)                          | 32,178                  | (647,701)        |
| Other comprehensive income                 | 9,326                   | 57,211           |
| <b>Total comprehensive income/(loss)</b>   | <b>41,504</b>           | <b>(590,490)</b> |

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

**13 Income tax expenses**

The income tax expenses of the Group during the years ended December 31, 2023 and 2022 are analyzed as follows:

|                               | Year ended December 31, |                  |
|-------------------------------|-------------------------|------------------|
|                               | 2023                    | 2022             |
|                               | RMB'000                 | RMB'000          |
| Current income tax            | 3,908,395               | 2,267,077        |
| Deferred income tax (Note 35) | 628,456                 | (835,689)        |
| <b>Income tax expenses</b>    | <b>4,536,851</b>        | <b>1,431,388</b> |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 13 Income tax expenses (continued)

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

|                                                                                              | Year ended December 31, |                  |
|----------------------------------------------------------------------------------------------|-------------------------|------------------|
|                                                                                              | 2023                    | 2022             |
|                                                                                              | RMB'000                 | RMB'000          |
| Profit before income tax                                                                     | 22,011,047              | 3,933,956        |
| Tax calculated at statutory income tax rate of 25%                                           | 5,502,762               | 983,489          |
| Tax effects of:                                                                              |                         |                  |
| —Effect of different tax rates in other jurisdictions (Note (a),(b),(c))                     | 717,310                 | 738,249          |
| —Preferential income tax rates applicable to subsidiaries (Note (d))                         | (2,641,645)             | (344,188)        |
| —Tax losses and temporary differences for which no deferred income tax assets was recognized | 2,030,571               | 679,419          |
| —Expenses not deductible for income tax purposes                                             | 558,903                 | 331,589          |
| —Utilization of previously unrecognized deductible tax losses and temporary differences      | (91,147)                | (9,617)          |
| —Recognition of previously unrecognized tax losses and temporary differences                 | 354,861                 | 28,656           |
| —Super Deduction for research and development expenses (Note (e))                            | (1,301,676)             | (691,793)        |
| —Income not subject to tax                                                                   | (771,008)               | (155,801)        |
| —Reversal of deferred income tax assets                                                      | —                       | 90,082           |
| —Others                                                                                      | 177,920                 | (218,697)        |
| <b>Income tax expenses</b>                                                                   | <b>4,536,851</b>        | <b>1,431,388</b> |

Notes:

## (a) Cayman Islands and British Virgin Islands income tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly, is exempted from Cayman Islands income tax. As such, the operating results reported by the Company, including the share-based payments (Note 29), are not subject to any income tax.

The Group entities established under the International Business Companies Acts of British Virgin Islands ("BVI") are exempt from BVI income taxes.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

### 13 Income tax expenses (continued)

Notes: (continued)

(b) Hong Kong income tax

Entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% on the assessable profits for the years presented, based on the existing legislation, interpretations and practices in respect thereof.

(c) India income tax

Entities incorporated in India are subject to corporate income tax at tax rates of 25% to 35% on the assessable profits for the years presented, based on the existing legislation, interpretations and practices in respect thereof.

(d) Preferential EIT rate

Certain subsidiaries in mainland China are entitled to preferential tax rates ranging from 10% to 15%. Main subsidiaries with preferential EIT rates are as follows:

Xiaomi Mobile was qualified as a "Key Software Enterprise" in the third quarter of 2018 and renewed this qualification annually, hence it enjoyed a preferential income tax rate of 10% from 2017 to 2022. The directors of the Company consider Xiaomi Mobile can still be qualified upon annual renewal in the first half of 2024 and hence continues to enjoy the preferential income tax rate of 10% for the year ended December 31, 2023.

Tianxing Digital was qualified as a "High and New Technology Enterprise" in November 2018 and renewed this qualification in December 2021, hence it enjoys a preferential income tax rate of 15% from 2018 to 2023.

(e) Super Deduction for research and development expense

According to the relevant laws and regulations promulgated by the State Council of the People's Republic of China that was effective from 2008 onwards, enterprises engaging in research and development activities were entitled to claim 150% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year ("Super Deduction"). The State Taxation Administration of The People's Republic of China ("STA") further announced in March 2021 that enterprises engaging in research and development activities would entitle to claim 175% of their research and development expenses as Super Deduction until December 2023. The STA announced in September 2022 to increase the Super Deduction rate to 200% of their research and development expenses from October 1, 2022 to December 31, 2022. The STA further announced in March 2023 that enterprises engaging in research and development activities would entitle to claim 200% of their research and development expenses as Super Deduction from January 1, 2023. The Group has made its best estimate for the Super Deduction to be claimed for the Group's entities in ascertaining their assessable profits during the period.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

### 13 Income tax expenses (continued)

Notes: (continued)

(f) Withholding tax in mainland China (“WHT”)

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

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

### 14 Earnings per share

(a) Basic

Basic earnings per share for the years ended December 31, 2023 and 2022 are calculated by dividing the profit attributable to the Company’s owners by the weighted average number of ordinary shares in issue during the year.

|                                                                          | Year ended December 31, |            |
|--------------------------------------------------------------------------|-------------------------|------------|
|                                                                          | 2023                    | 2022       |
| Net profit attributable to the owners of the Company (RMB’000)           | 17,475,173              | 2,474,030  |
| Weighted average number of ordinary shares in issue<br>(thousand shares) | 24,884,874              | 24,828,316 |
| Basic earnings per share (expressed in RMB per share)                    | 0.70                    | 0.10       |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 14 Earnings per share (continued)

## (b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As the inclusion of potential ordinary shares from the convertible bonds would be anti-dilutive, it is not included in the calculation of diluted earnings per share for the year ended December 31, 2023.

|                                                                                                               | Year ended December 31, |            |
|---------------------------------------------------------------------------------------------------------------|-------------------------|------------|
|                                                                                                               | 2023                    | 2022       |
| Net profit attributable to the owners of the Company (RMB'000)                                                | 17,475,173              | 2,474,030  |
| Weighted average number of ordinary shares in issue<br>(thousand shares)                                      | 24,884,874              | 24,828,316 |
| Adjustments for RSUs and share options granted to employees<br>(thousand shares)                              | 440,117                 | 468,412    |
| Weighted average number of ordinary shares for calculation of<br>diluted earnings per share (thousand shares) | 25,324,991              | 25,296,728 |
| Diluted earnings per share (expressed in RMB per share)                                                       | 0.69                    | 0.10       |



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 15 Property, plant and equipment

|                                                     | Electronic<br>equipment<br>RMB'000 | Office<br>equipment<br>RMB'000 | Buildings<br>RMB'000 | Leasehold<br>improvements<br>RMB'000 | Construction<br>in progress<br>RMB'000 | Total<br>RMB'000  |
|-----------------------------------------------------|------------------------------------|--------------------------------|----------------------|--------------------------------------|----------------------------------------|-------------------|
| <b>At January 1, 2023</b>                           |                                    |                                |                      |                                      |                                        |                   |
| Cost                                                | 2,372,125                          | 32,897                         | 4,762,328            | 2,184,779                            | 2,877,312                              | 12,229,441        |
| Accumulated depreciation                            | (1,236,019)                        | (22,412)                       | (287,833)            | (1,544,956)                          | —                                      | (3,091,220)       |
| <b>Net book amount</b>                              | <b>1,136,106</b>                   | <b>10,485</b>                  | <b>4,474,495</b>     | <b>639,823</b>                       | <b>2,877,312</b>                       | <b>9,138,221</b>  |
| <b>Year ended December 31, 2023</b>                 |                                    |                                |                      |                                      |                                        |                   |
| Opening net book amount                             | 1,136,106                          | 10,485                         | 4,474,495            | 639,823                              | 2,877,312                              | 9,138,221         |
| Additions                                           | 724,890                            | 8,595                          | —                    | 430,947                              | 4,416,125                              | 5,580,557         |
| Transfer                                            | 169,085                            | —                              | 2,897,381            | —                                    | (3,066,466)                            | —                 |
| Transfer from investment<br>properties to buildings | —                                  | —                              | 273,354              | —                                    | —                                      | 273,354           |
| Transfer from buildings to<br>investment properties | —                                  | —                              | (1,777)              | —                                    | —                                      | (1,777)           |
| Disposals                                           | (35,606)                           | (51)                           | —                    | (48,451)                             | —                                      | (84,108)          |
| Depreciation charge (Note 9)                        | (527,218)                          | (3,164)                        | (149,436)            | (509,604)                            | —                                      | (1,189,422)       |
| Currency translation differences                    | 950                                | 319                            | —                    | 2,731                                | —                                      | 4,000             |
| <b>Closing net book amount</b>                      | <b>1,468,207</b>                   | <b>16,184</b>                  | <b>7,494,017</b>     | <b>515,446</b>                       | <b>4,226,971</b>                       | <b>13,720,825</b> |
| <b>At December 31, 2023</b>                         |                                    |                                |                      |                                      |                                        |                   |
| Cost                                                | 3,180,964                          | 43,016                         | 7,953,621            | 2,093,698                            | 4,226,971                              | 17,498,270        |
| Accumulated depreciation                            | (1,712,757)                        | (26,832)                       | (459,604)            | (1,578,252)                          | —                                      | (3,777,445)       |
| <b>Net book amount</b>                              | <b>1,468,207</b>                   | <b>16,184</b>                  | <b>7,494,017</b>     | <b>515,446</b>                       | <b>4,226,971</b>                       | <b>13,720,825</b> |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 15 Property, plant and equipment (continued)

|                                                                                     | Electronic<br>equipment<br>RMB'000 | Office<br>equipment<br>RMB'000 | Buildings<br>RMB'000 | Leasehold<br>improvements<br>RMB'000 | Construction<br>in progress<br>RMB'000 | Total<br>RMB'000 |
|-------------------------------------------------------------------------------------|------------------------------------|--------------------------------|----------------------|--------------------------------------|----------------------------------------|------------------|
| <b>At January 1, 2022</b>                                                           |                                    |                                |                      |                                      |                                        |                  |
| Cost                                                                                | 1,775,713                          | 25,717                         | 3,690,248            | 1,885,773                            | 1,707,106                              | 9,084,557        |
| Accumulated depreciation                                                            | (876,772)                          | (19,356)                       | (173,072)            | (1,050,736)                          | —                                      | (2,119,936)      |
| <b>Net book amount</b>                                                              | <b>898,941</b>                     | <b>6,361</b>                   | <b>3,517,176</b>     | <b>835,037</b>                       | <b>1,707,106</b>                       | <b>6,964,621</b> |
| <b>Year ended December 31, 2022</b>                                                 |                                    |                                |                      |                                      |                                        |                  |
| Opening net book amount                                                             | 898,941                            | 6,361                          | 3,517,176            | 835,037                              | 1,707,106                              | 6,964,621        |
| Additions                                                                           | 628,619                            | 9,358                          | —                    | 348,766                              | 2,237,311                              | 3,224,054        |
| Transfer from construction<br>in progress to investment<br>properties and buildings | —                                  | —                              | 991,793              | —                                    | (1,067,179)                            | (75,386)         |
| Transfer from investment<br>properties to buildings                                 | —                                  | —                              | 74,566               | —                                    | —                                      | 74,566           |
| Disposals                                                                           | (8,408)                            | (2,039)                        | —                    | (52,962)                             | —                                      | (63,409)         |
| Depreciation charge (Note 9)                                                        | (384,379)                          | (3,358)                        | (109,040)            | (493,280)                            | —                                      | (990,057)        |
| Currency translation<br>differences                                                 | 1,333                              | 163                            | —                    | 2,262                                | 74                                     | 3,832            |
| <b>Closing net book amount</b>                                                      | <b>1,136,106</b>                   | <b>10,485</b>                  | <b>4,474,495</b>     | <b>639,823</b>                       | <b>2,877,312</b>                       | <b>9,138,221</b> |
| <b>At December 31, 2022</b>                                                         |                                    |                                |                      |                                      |                                        |                  |
| Cost                                                                                | 2,372,125                          | 32,897                         | 4,762,328            | 2,184,779                            | 2,877,312                              | 12,229,441       |
| Accumulated depreciation                                                            | (1,236,019)                        | (22,412)                       | (287,833)            | (1,544,956)                          | —                                      | (3,091,220)      |
| <b>Net book amount</b>                                                              | <b>1,136,106</b>                   | <b>10,485</b>                  | <b>4,474,495</b>     | <b>639,823</b>                       | <b>2,877,312</b>                       | <b>9,138,221</b> |

Construction in progress as of December 31, 2023 and 2022 mainly comprises new office buildings being constructed in mainland China.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

**15 Property, plant and equipment (continued)**

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

|                                   | Year ended December 31, |         |
|-----------------------------------|-------------------------|---------|
|                                   | 2023                    | 2022    |
|                                   | RMB'000                 | RMB'000 |
| Cost of sales                     | 147,454                 | 123,900 |
| Administrative expenses           | 202,531                 | 147,520 |
| Selling and marketing expenses    | 388,218                 | 454,414 |
| Research and development expenses | 451,219                 | 264,223 |
|                                   | <b>1,189,422</b>        | 990,057 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 16 Intangible assets

|                                     | Goodwill<br>(Note (a))<br>RMB'000 | License<br>RMB'000 | Trademarks,<br>patents<br>and domain<br>name<br>RMB'000 | Others<br>RMB'000 | Total<br>RMB'000 |
|-------------------------------------|-----------------------------------|--------------------|---------------------------------------------------------|-------------------|------------------|
| <b>At January 1, 2023</b>           |                                   |                    |                                                         |                   |                  |
| Cost                                | 1,696,639                         | 4,592,900          | 2,239,030                                               | 857,031           | 9,385,600        |
| Accumulated amortization            | —                                 | (3,292,644)        | (1,023,784)                                             | (439,496)         | (4,755,924)      |
| <b>Net book amount</b>              | <b>1,696,639</b>                  | <b>1,300,256</b>   | <b>1,215,246</b>                                        | <b>417,535</b>    | <b>4,629,676</b> |
| <b>Year ended December 31, 2023</b> |                                   |                    |                                                         |                   |                  |
| Opening net book amount             | 1,696,639                         | 1,300,256          | 1,215,246                                               | 417,535           | 4,629,676        |
| Additions                           | —                                 | 6,004,245          | 3,882                                                   | 426,621           | 6,434,748        |
| Disposals                           | —                                 | —                  | (318)                                                   | (4,390)           | (4,708)          |
| Amortization charge (Note 9)        | —                                 | (1,988,681)        | (237,347)                                               | (208,280)         | (2,434,308)      |
| Currency translation differences    | —                                 | 1                  | 1,624                                                   | 1,706             | 3,331            |
| <b>Closing net book amount</b>      | <b>1,696,639</b>                  | <b>5,315,821</b>   | <b>983,087</b>                                          | <b>633,192</b>    | <b>8,628,739</b> |
| <b>At December 31, 2023</b>         |                                   |                    |                                                         |                   |                  |
| Cost                                | 1,696,639                         | 11,159,486         | 2,246,985                                               | 1,263,547         | 16,366,657       |
| Accumulated amortization            | —                                 | (5,843,665)        | (1,263,898)                                             | (630,355)         | (7,737,918)      |
| <b>Net book amount</b>              | <b>1,696,639</b>                  | <b>5,315,821</b>   | <b>983,087</b>                                          | <b>633,192</b>    | <b>8,628,739</b> |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 16 Intangible assets (continued)

|                                     | Goodwill<br>(Note (a))<br>RMB'000 | License<br>RMB'000 | Trademarks,<br>patents<br>and domain<br>name<br>RMB'000 | Others<br>RMB'000 | Total<br>RMB'000 |
|-------------------------------------|-----------------------------------|--------------------|---------------------------------------------------------|-------------------|------------------|
| <b>At January 1, 2022</b>           |                                   |                    |                                                         |                   |                  |
| Cost                                | 1,696,639                         | 4,566,090          | 2,185,896                                               | 465,941           | 8,914,566        |
| Accumulated amortization            | —                                 | (2,258,648)        | (775,872)                                               | (300,887)         | (3,335,407)      |
| <b>Net book amount</b>              | <b>1,696,639</b>                  | <b>2,307,442</b>   | <b>1,410,024</b>                                        | <b>165,054</b>    | <b>5,579,159</b> |
| <b>Year ended December 31, 2022</b> |                                   |                    |                                                         |                   |                  |
| Opening net book amount             | 1,696,639                         | 2,307,442          | 1,410,024                                               | 165,054           | 5,579,159        |
| Additions                           | —                                 | 33,390             | 31,227                                                  | 378,198           | 442,815          |
| Disposals                           | —                                 | (6,607)            | —                                                       | (3,190)           | (9,797)          |
| Amortization charge (Note 9)        | —                                 | (1,035,493)        | (233,592)                                               | (127,357)         | (1,396,442)      |
| Currency translation differences    | —                                 | 1,524              | 7,587                                                   | 4,830             | 13,941           |
| <b>Closing net book amount</b>      | <b>1,696,639</b>                  | <b>1,300,256</b>   | <b>1,215,246</b>                                        | <b>417,535</b>    | <b>4,629,676</b> |
| <b>At December 31, 2022</b>         |                                   |                    |                                                         |                   |                  |
| Cost                                | 1,696,639                         | 4,592,900          | 2,239,030                                               | 857,031           | 9,385,600        |
| Accumulated amortization            | —                                 | (3,292,644)        | (1,023,784)                                             | (439,496)         | (4,755,924)      |
| <b>Net book amount</b>              | <b>1,696,639</b>                  | <b>1,300,256</b>   | <b>1,215,246</b>                                        | <b>417,535</b>    | <b>4,629,676</b> |

Note:

(a) Impairment test for goodwill

For the purpose of impairment tests of goodwill, goodwill is allocated to groups of CGUs. Such groups of CGUs represent the lowest level within the Group for which the goodwill is monitored for internal management purpose.

Impairment review on the goodwill of the Group has been conducted by the management as of December 31, 2023 and 2022 according to IAS 36 "Impairment of assets". For the purposes of impairment review, the recoverable amount of goodwill is determined based on VIU calculations by using the discounted cash flow method.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 16 Intangible assets (continued)

Note (continued):

(a) Impairment test for goodwill (continued)

(i) Impairment test for goodwill of Zimi

On July 5, 2021, the Group completed the acquisition of Zimi which mainly engages in the design, manufacture and sales of mobile charges and related products, and recognized goodwill amounting to RMB1,382,143,000, which was allocated to Zimi as it was monitored by management at Zimi level and goodwill impairment assessment was performed accordingly as of December 31, 2021. Under an internal group reorganization as completed in 2022, the Group has integrated Zimi with a business unit of the Group which has similar business with Zimi to maximize the synergy from the acquisition of Zimi. Accordingly, the goodwill arising from the acquisition of Zimi was reallocated to the aforesaid business unit as identified at the lowest level which management monitors the related goodwill for internal purposes.

The VIU was determined using discounted cash flows calculation which derived from the five-year financial projections plus a terminal value related to cash flows beyond the projection period (five-year period) extrapolated using estimated perpetual growth rate. For the impairment test as of December 31, 2023, the key assumptions used by management for VIU calculation include:

- (1) the annual growth rate of revenue for a five-year period ranging from 2%–4% (2022: 9%–11%) for the business, the gross profit range from 20%–21% (2022: 17%–19%), which was determined by the management based on past performance and its expectation for market development;
- (2) pre-tax discount rate of 22% (2022: 22%) was estimated by using the weighted average cost of capital ("WACC") method. The WACC was calculated by referring to public market data including risk free rate, market return, beta of comparable public companies etc. and the specific risk of the business;
- (3) the estimated perpetual growth rate used in the VIU calculation for period beyond the projected period was 2.2% (2022: 2.0%), after making reference to long term inflation rate of the PRC.

As of December 31, 2023, the recoverable amount calculated based on VIU exceeded carrying value by RMB183,770,000 (2022: RMB202,736,000). Had annual growth rate of revenue for a five-year period been 5% lower or the pre-tax discount rate been 1% higher, the headroom would be decreased to RMB69,283,000 or RMB63,342,000 (2022: RMB81,133,000 or RMB56,531,000) respectively.

Reasonably possible changes in other key assumptions used in the impairment test of goodwill will not lead to the goodwill impairment loss as of December 31, 2023.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 16 Intangible assets (continued)

Note (continued):

(a) Impairment test for goodwill (continued)

(ii) Impairment test for goodwill of others

The goodwill of others is mainly generated from the acquisitions of Duokan International Group Inc. amounting to RMB141,360,000 and Wali International amounting to RMB106,807,000 before 2015. Management forecasted the average annual revenue growth rate in five-year period is 5%, and the cash flows beyond the five-year period were extrapolated using the estimated annual growth rates of 2.2% (2022: 2.0%). Pre-tax discount rate of 20% was used to reflect market assessment of time value and the specific risks relating to the CGUs.

The management performed impairment test for the goodwill and determined such goodwill was not impaired. Reasonably possible changes in key assumptions will not lead to the goodwill impairment loss as of December 31, 2023 and 2022.

Amortization charges were expensed off in the following categories in the consolidated income statement:

|                                   | Year ended December 31, |           |
|-----------------------------------|-------------------------|-----------|
|                                   | 2023                    | 2022      |
|                                   | RMB'000                 | RMB'000   |
| Cost of sales                     | 1,207,569               | —         |
| Administrative expenses           | 113,521                 | 146,744   |
| Selling and marketing expenses    | 7,600                   | 6,511     |
| Research and development expenses | 1,105,618               | 1,243,187 |
|                                   | <b>2,434,308</b>        | 1,396,442 |

The Group tests annually whether goodwill and other intangible assets with an indefinite useful life have suffered any impairment. During the years ended December 31, 2023 and 2022, no goodwill or other identifiable intangible assets have been impaired.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 17 Leases

(i) The consolidated balance sheet includes the following amounts relating to leases:

|                                       | As of December 31, |                    |
|---------------------------------------|--------------------|--------------------|
|                                       | 2023               | 2022               |
|                                       | RMB'000            | RMB'000            |
| <b>Right-of-use assets (Note (a))</b> |                    |                    |
| Land use rights                       | 8,142,639          | 8,118,481          |
| Servers and other equipment           | 67,767             | 488,430            |
| Properties                            | 1,766,195          | 1,757,332          |
| Other assets                          | 2,293              | 741                |
|                                       | <b>9,978,894</b>   | <b>10,364,984</b>  |
| <b>Lease liabilities (Note (b))</b>   |                    |                    |
| Current                               | (712,011)          | (947,392)          |
| Non-current                           | (1,256,155)        | (1,464,736)        |
|                                       | <b>(1,968,166)</b> | <b>(2,412,128)</b> |

Notes:

- (a) Included in the line item 'Other non-current assets' in the consolidated balance sheet. The addition of right-of-use assets for the year ended December 31, 2023 was RMB927,317,000 (2022: RMB3,019,150,000).
- (b) Current lease liabilities and non-current lease liabilities are included in the line item 'Other payables and accruals' and 'Other non-current liabilities' in the consolidated balance sheet, respectively.

(ii) The consolidated income statement includes the following amounts relating to leases:

|                                                                                                                                           | Year ended December 31, |                  |
|-------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|------------------|
|                                                                                                                                           | 2023                    | 2022             |
|                                                                                                                                           | RMB'000                 | RMB'000          |
| Depreciation charge of right-of-use assets (Note (a))                                                                                     | 1,149,698               | 1,248,886        |
| Interest expense (included in finance costs)                                                                                              | 83,117                  | 101,484          |
| Expense relating to short-term leases not included in lease liabilities (included in cost of sales and research and development expenses) | 403,839                 | 463,732          |
| Expense relating to variable lease payments not included in lease liabilities (included in selling and marketing expenses)                | 215,031                 | 255,966          |
|                                                                                                                                           | <b>1,851,685</b>        | <b>2,070,068</b> |



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

**17 Leases (continued)**

Besides land use rights, the Group leases offices, warehouses, retail stores and servers.

The total cash outflow in financing activities for leases during the year ended December 31, 2023 was RMB1,197,692,000 (2022: RMB1,281,785,000), including principal elements of lease payments of approximately RMB1,114,575,000 (2022: RMB1,180,301,000) and related interest paid of approximately RMB83,117,000 (2022: RMB101,484,000), respectively.

Note:

- (a) The depreciation charge of land use rights, servers and other equipment, properties and other assets for the year ended December 31, 2023 were RMB217,725,000 (2022: RMB171,042,000), RMB420,663,000 (2022: RMB416,189,000), RMB511,128,000 (2022: RMB661,002,000) and RMB182,000 (2022: RMB653,000), respectively.

**18 Other non-current assets**

|                                               | As of December 31, |                   |
|-----------------------------------------------|--------------------|-------------------|
|                                               | 2023               | 2022              |
|                                               | RMB'000            | RMB'000           |
| Right-of-use assets (Note 17)                 | 9,978,894          | 10,364,984        |
| Investment properties (Note (a))              | 2,287,548          | 2,863,867         |
| Long-term deposits to suppliers               | 1,000,402          | 1,256,373         |
| Prepayments for property, plant and equipment | 1,064,273          | 921,434           |
| Others                                        | 573,143            | 533,803           |
|                                               | <b>14,904,260</b>  | <b>15,940,461</b> |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 18 Other non-current assets (continued)

Note:

(a) Investment properties

|                                             | Buildings and<br>facilities<br>RMB'000 | Land use<br>rights<br>RMB'000 | Total<br>RMB'000 |
|---------------------------------------------|----------------------------------------|-------------------------------|------------------|
| <b>COST</b>                                 |                                        |                               |                  |
| At January 1, 2023                          | 1,656,378                              | 1,493,759                     | 3,150,137        |
| Transfer from property, plant and equipment | 1,777                                  | —                             | 1,777            |
| Transfer from land use rights               | —                                      | 43,942                        | 43,942           |
| Transfer to property, plant and equipment   | (295,918)                              | —                             | (295,918)        |
| Transfer to land use rights                 | —                                      | (322,895)                     | (322,895)        |
| <b>At December 31, 2023</b>                 | <b>1,362,237</b>                       | <b>1,214,806</b>              | <b>2,577,043</b> |
| <b>ACCUMULATED DEPRECIATION</b>             |                                        |                               |                  |
| At January 1, 2023                          | (77,260)                               | (209,010)                     | (286,270)        |
| Charge for the year (Note 9)                | (36,671)                               | (26,188)                      | (62,859)         |
| Transfer to property, plant and equipment   | 22,564                                 | —                             | 22,564           |
| Transfer to land use rights                 | —                                      | 37,070                        | 37,070           |
| <b>At December 31, 2023</b>                 | <b>(91,367)</b>                        | <b>(198,128)</b>              | <b>(289,495)</b> |
| <b>NET BOOK VALUE</b>                       |                                        |                               |                  |
| <b>At December 31, 2023</b>                 | <b>1,270,870</b>                       | <b>1,016,678</b>              | <b>2,287,548</b> |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 18 Other non-current assets (continued)

Note (continued):

(a) Investment properties (continued)

|                                             | Buildings and<br>facilities<br>RMB'000 | Land use<br>rights<br>RMB'000 | Total<br>RMB'000 |
|---------------------------------------------|----------------------------------------|-------------------------------|------------------|
| <b>COST</b>                                 |                                        |                               |                  |
| At January 1, 2022                          | 1,616,858                              | 1,493,759                     | 3,110,617        |
| Addition                                    | 44,420                                 | —                             | 44,420           |
| Transfer from property, plant and equipment | 75,386                                 | —                             | 75,386           |
| Transfer to property, plant and equipment   | (80,286)                               | —                             | (80,286)         |
| <b>At December 31, 2022</b>                 | <b>1,656,378</b>                       | <b>1,493,759</b>              | <b>3,150,137</b> |
| <b>ACCUMULATED DEPRECIATION</b>             |                                        |                               |                  |
| At January 1, 2022                          | (40,866)                               | (179,116)                     | (219,982)        |
| Charge for the year (Note 9)                | (42,114)                               | (29,894)                      | (72,008)         |
| Transfer to property, plant and equipment   | 5,720                                  | —                             | 5,720            |
| <b>At December 31, 2022</b>                 | <b>(77,260)</b>                        | <b>(209,010)</b>              | <b>(286,270)</b> |
| <b>NET BOOK VALUE</b>                       |                                        |                               |                  |
| <b>At December 31, 2022</b>                 | <b>1,579,118</b>                       | <b>1,284,749</b>              | <b>2,863,867</b> |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 18 Other non-current assets (continued)

Note (continued):

(a) Investment properties (continued)

(i) Details of the Group's main investment properties and information about the fair value hierarchy as of December 31, 2023 and 2022 are as follows:

|                            | As of December 31,            |                                    |                               |                                    |
|----------------------------|-------------------------------|------------------------------------|-------------------------------|------------------------------------|
|                            | 2023                          | 2022                               |                               |                                    |
|                            | Carrying<br>amount<br>RMB'000 | Fair value<br>(level 3)<br>RMB'000 | Carrying<br>amount<br>RMB'000 | Fair value<br>(level 3)<br>RMB'000 |
| Main investment properties | 2,272,703                     | 2,604,900                          | 2,784,676                     | 3,477,280                          |

The Group's investment properties were valued at December 31, 2023 for investment property units located in Haidian and Yizhuang, Beijing and Haizhu, Guangzhou by Asia-Pacific Consulting and Appraisal Limited, which is an independent qualified valuer. The valuation was determined on the basis of capitalization of the net rental income with due provisions for reversionary income potential of the respective properties as of December 31, 2023. The key inputs were term yield and reversionary yield which ranged from 3% to 6% (2022: from 3% to 6%).

(ii) Property rental income earned during the year ended December 31, 2023 was approximately RMB103,981,000 (2022: RMB104,505,000). The investment property units have committed tenants for the next 2 years to 10 years (2022: 3 years to 11 years). As of December 31, 2023, as a lessor, the Group had future minimum lease receipts under non-cancellable operating leases as follows:

|                                              | As of December 31, |                 |
|----------------------------------------------|--------------------|-----------------|
|                                              | 2023<br>RMB'000    | 2022<br>RMB'000 |
| No later than 1 year                         | 96,550             | 122,731         |
| Later than 1 year and no later than 10 years | 203,370            | 358,363         |
|                                              | 299,920            | 481,094         |

(iii) Depreciation charges of approximately RMB62,859,000 for the year ended December 31, 2023 have been charged in profit or loss (2022: RMB72,008,000).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 19 Financial instruments by category

|                                                                                              | As of December 31, |                    |
|----------------------------------------------------------------------------------------------|--------------------|--------------------|
|                                                                                              | 2023               | 2022               |
|                                                                                              | RMB'000            | RMB'000            |
| <b>Assets as per balance sheet</b>                                                           |                    |                    |
| Financial assets measured at fair value:                                                     |                    |                    |
| – Long-term investments measured at fair value through profit or loss (Note 20)              | 60,199,798         | 55,979,974         |
| – Short-term investments measured at fair value through profit or loss (Note 20)             | 20,193,662         | 9,845,910          |
| – Short-term investments measured at fair value through other comprehensive income (Note 20) | 582,131            | 449,109            |
| – Bills receivables measured at fair value through other comprehensive income                | 125,661            | 40,003             |
| Financial assets measured at amortized costs:                                                |                    |                    |
| – Trade and notes receivables (Note 22)                                                      | 12,150,928         | 11,795,074         |
| – Loan receivables (Note 21)                                                                 | 9,772,589          | 7,829,563          |
| – Other receivables                                                                          | 10,103,353         | 11,265,671         |
| – Long-term investments measured at amortized cost (Note 20)                                 | 364,476            | 405,371            |
| – Short-term investments measured at amortized cost (Note 20)                                | 502,816            | —                  |
| – Long-term bank deposits (Note 25(c))                                                       | 18,293,650         | 16,788,346         |
| – Short-term bank deposits (Note 25(c))                                                      | 52,797,857         | 29,874,707         |
| – Restricted cash (Note 25(b))                                                               | 4,794,031          | 3,956,786          |
| – Cash and cash equivalents (Note 25(a))                                                     | 33,631,313         | 27,607,261         |
|                                                                                              | <b>223,512,265</b> | <b>175,837,775</b> |
| <b>Liabilities as per balance sheet</b>                                                      |                    |                    |
| Financial liabilities measured at fair value:                                                |                    |                    |
| – Liabilities to fund investors (Note 30)                                                    | 2,228,308          | 806,000            |
| Financial liabilities measured at amortized cost:                                            |                    |                    |
| – Trade payables (Note 31)                                                                   | 62,098,500         | 53,093,543         |
| – Other payables                                                                             | 14,619,660         | 11,149,880         |
| – Borrowings (Note 34)                                                                       | 27,857,345         | 23,644,002         |
| – Liabilities to fund investors (Note 30)                                                    | 11,574,737         | 14,053,228         |
| – Lease liabilities (Note 17)                                                                | 1,968,166          | 2,412,128          |
|                                                                                              | <b>120,346,716</b> | <b>105,158,781</b> |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 20 Investments

|                                                                     | As of December 31, |                   |
|---------------------------------------------------------------------|--------------------|-------------------|
|                                                                     | 2023               | 2022              |
|                                                                     | RMB'000            | RMB'000           |
| <b>Current assets</b>                                               |                    |                   |
| Short-term investments measured at                                  |                    |                   |
| – Amortized cost (i)                                                | 502,816            | —                 |
| – Fair value through other comprehensive income (ii)                | 582,131            | 449,109           |
| – Fair value through profit or loss (iii)                           | 20,193,662         | 9,845,910         |
|                                                                     | <b>21,278,609</b>  | <b>10,295,019</b> |
| <b>Non-current assets</b>                                           |                    |                   |
| Long-term investments measured at amortized cost (ii)               | 364,476            | 405,371           |
| Long-term investments measured at fair value through profit or loss |                    |                   |
| – Ordinary shares investments (iv)                                  | 15,291,625         | 14,491,407        |
| – Preferred shares investments (v)                                  | 34,444,516         | 32,358,256        |
| – Treasury investments (vi)                                         | 6,846,562          | 6,216,228         |
| – Other investments (vii)                                           | 3,617,095          | 2,914,083         |
|                                                                     | <b>60,564,274</b>  | <b>56,385,345</b> |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

**20 Investments (continued)**

Movement of long-term investments measured at fair value through profit or loss is as follows:

|                                  | Year ended December 31, |             |
|----------------------------------|-------------------------|-------------|
|                                  | 2023                    | 2022        |
|                                  | RMB'000                 | RMB'000     |
| At the beginning of the year     | 55,979,974              | 50,113,702  |
| Additions and transfers          | 5,691,031               | 8,615,245   |
| Disposals                        | (5,183,986)             | (2,898,750) |
| Change in fair value             | 3,238,848               | (2,046,690) |
| Currency translation differences | 473,931                 | 2,196,467   |
| At the end of the year           | 60,199,798              | 55,979,974  |

**(i) Short-term investments measured at amortized cost**

Short-term investments measured at amortized cost are shareholders' deposits deposited by the Group in an associate Chongqing Xiaomi Consumer Finance Co., Ltd., with an interest rate of 3.27% per annum. The investments are held for collection of contractual cash flow and the contractual cash flows of these investments qualify for solely payments of principal and interest, hence they are measured at amortized costs. None of these investments are past due.

**(ii) Short-term investments measured at fair value through other comprehensive income and long-term investments measured at amortized cost**

Short-term investments measured at fair value through other comprehensive income and long-term investments measured at amortized cost are mainly debt securities, denominated in HK\$, US\$ and RMB, where the contractual cash flows are solely principal and interest. The securities are mainly issued by corporates and banks and the fair value of such debt securities was determined based on quoted price on bond market. None of these investments are past due.

Debt securities that are only held for collection of contractual cash flows are measured at amortized cost. Debt securities that are held for both collection of contractual cash flows and for selling, are measured at fair value through other comprehensive income.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

**20 Investments (continued)****(iii) Short-term investments measured at fair value through profit or loss**

The short-term investments measured at fair value through profit or loss are wealth management products, denominated in RMB and US\$, with expected rates of return ranging from 0.25% to 3.25% per annum for the year ended December 31, 2023 (2022: 1.25% to 3.50%). None of these investments are past due.

**(iv) Ordinary shares investments**

|          | As of December 31, |            |
|----------|--------------------|------------|
|          | 2023               | 2022       |
|          | RMB'000            | RMB'000    |
| Listed   | 11,388,792         | 11,019,105 |
| Unlisted | 3,902,833          | 3,472,302  |
|          | 15,291,625         | 14,491,407 |

The fair values of the listed securities are determined based on the closing prices quoted in active markets (level 1: quoted price (unadjusted) in active markets). For certain listed securities which are restricted for sale in a specified period, their fair values are determined based on quoted market prices and unobservable inputs (i.e. discount rate for lack of marketability) and hence classified as level 3 of the fair value hierarchy.

The fair values of unlisted securities are measured using a valuation technique with unobservable inputs and hence classified as Level 3 of the fair value hierarchy. Refer to Note 3.3 for the major assumptions used in the valuation for investment in private companies.

**(v) Preferred shares investments — unlisted**

During the year ended December 31, 2023, the Group made aggregate preferred shares investments of RMB1,761,454,000 (2022: RMB4,253,445,000). These investees are principally engaged in sales of IoT and lifestyle products, provision of internet services and integrated circuit industry.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

### 20 Investments (continued)

#### (v) Preferred shares investments — unlisted (continued)

The preferred shares investments in these investees are convertible redeemable preferred shares or ordinary shares with preferential rights. The Group has the right to require and demand the investees to redeem all of the shares held by the Group at guaranteed predetermined fixed amount upon redemption events which are out of control of issuers. Hence, these investments are accounted for as debt instruments and are measured at financial assets at fair value through profit or loss. Refer to Note 3.3 for the major assumptions used in the valuation for investment in private companies.

#### (vi) Treasury investments

Treasury investments mainly represent investments in the debt instruments issued by certain reputable banks or non-bank financial institutions or entities purchased in the secondary market. As these investments were classified as debt investment and returns are not solely payments of principal and interest, they are measured at fair value through profit or loss.

#### (vii) Other investments

Other investments primarily consist of investments in private equity investment funds. As fund investments classified as debt investment which are not solely payments of principal and interest, they are measured at fair value through profit or loss.

#### (viii) Amounts recognized in profit or loss of financial investments measured at fair value through profit or loss

|                                                                      | Year ended December 31, |                    |
|----------------------------------------------------------------------|-------------------------|--------------------|
|                                                                      | 2023                    | 2022               |
|                                                                      | RMB'000                 | RMB'000            |
| Long-term investments measured at fair value through profit or loss  |                         |                    |
| — Ordinary shares investments                                        | 1,401,934               | (3,748,111)        |
| — Preferred shares investments                                       | 1,690,946               | 2,271,904          |
| — Treasury and other investments                                     | 120,695                 | (575,085)          |
| Short-term investments measured at fair value through profit or loss | 292,701                 | 389,282            |
|                                                                      | <b>3,506,276</b>        | <b>(1,662,010)</b> |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

**21 Loan receivables**

|                             | As of December 31, |                  |
|-----------------------------|--------------------|------------------|
|                             | 2023               | 2022             |
|                             | RMB'000            | RMB'000          |
| Unsecured loan              | 10,645,144         | 8,625,680        |
| Less: credit loss allowance | (872,555)          | (796,117)        |
|                             | <b>9,772,589</b>   | <b>7,829,563</b> |

Loan receivables are loans derived from subsidiaries of the Group which engage in the factoring finance business. Such amounts are recorded at the principal amount less expected credit loss. Loan receivables are denominated in RMB and US\$.

Detail of the credit risk assessment of loan receivables is disclosed in Note 3.1.

**22 Trade and notes receivables**

Details of trade and notes receivables are as follows:

|                             | As of December 31, |                   |
|-----------------------------|--------------------|-------------------|
|                             | 2023               | 2022              |
|                             | RMB'000            | RMB'000           |
| Trade receivables           | 10,253,922         | 9,334,300         |
| Notes receivables           | 2,213,964          | 2,666,114         |
| Less: credit loss allowance | (316,958)          | (205,340)         |
|                             | <b>12,150,928</b>  | <b>11,795,074</b> |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

**22 Trade and notes receivables (continued)**

The carrying amounts of the Group's trade and notes receivables are denominated in the following currencies:

|        | As of December 31, |                   |
|--------|--------------------|-------------------|
|        | 2023               | 2022              |
|        | RMB'000            | RMB'000           |
| RMB    | 7,763,251          | 7,040,345         |
| US\$   | 1,987,801          | 2,253,596         |
| EUR    | 886,786            | 1,384,041         |
| INR    | 717,317            | 501,725           |
| Others | 795,773            | 615,367           |
|        | <b>12,150,928</b>  | <b>11,795,074</b> |

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

|                                                          | Year ended December 31, |                  |
|----------------------------------------------------------|-------------------------|------------------|
|                                                          | 2023                    | 2022             |
|                                                          | RMB'000                 | RMB'000          |
| At the beginning of the year                             | (205,340)               | (163,977)        |
| Credit loss allowance (recognized)                       | (116,902)               | (44,745)         |
| Receivables written off during the year as uncollectable | 5,284                   | 3,382            |
| At the end of the year                                   | <b>(316,958)</b>        | <b>(205,340)</b> |

(a) The Group generally allows a credit period within 180 days to its customers. Aging analysis of trade and notes receivables based on invoice date is as follows:

|                    | As of December 31, |                   |
|--------------------|--------------------|-------------------|
|                    | 2023               | 2022              |
|                    | RMB'000            | RMB'000           |
| Up to 3 months     | 9,108,133          | 9,325,061         |
| 3 to 6 months      | 1,666,418          | 1,946,964         |
| 6 months to 1 year | 522,612            | 469,147           |
| 1 to 2 years       | 1,016,563          | 150,685           |
| Over 2 years       | 154,160            | 108,557           |
|                    | <b>12,467,886</b>  | <b>12,000,414</b> |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

**22 Trade and notes receivables (continued)**

- (b) The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The Group's expected loss rates are mainly determined based on the corresponding historical credit loss rates which are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has considered the expected changes in macroeconomic factors, such as Consumer Price Index ("CPI"), Gross Domestic Product ("GDP") and Business Climate Index ("BCI"), and accordingly adjusts the historical loss rates based on expected changes in all factors identified. The loss allowance provisions as of December 31, 2023 and 2022 are determined as follows:

|                                     | Current   | Up to<br>3 months<br>past due | 3 to<br>6 months<br>past due | Over 6<br>months<br>past due | Total      |
|-------------------------------------|-----------|-------------------------------|------------------------------|------------------------------|------------|
| <b>December 31, 2023:</b>           |           |                               |                              |                              |            |
| Expected loss rate                  | 0.68%     | 3.57%                         | 6.94%                        | 50.64%                       |            |
| Gross carrying amount (in thousand) | 6,385,387 | 2,896,056                     | 753,327                      | 219,152                      | 10,253,922 |
| Loss provision (in thousand)        | 43,493    | 103,444                       | 52,310                       | 110,981                      | 310,228    |
| <b>December 31, 2022:</b>           |           |                               |                              |                              |            |
| Expected loss rate                  | 1.00%     | 2.34%                         | 8.10%                        | 61.99%                       |            |
| Gross carrying amount (in thousand) | 7,155,007 | 1,823,112                     | 240,420                      | 115,761                      | 9,334,300  |
| Loss provision (in thousand)        | 71,350    | 42,747                        | 19,479                       | 71,764                       | 205,340    |

As of December 31, 2023 and 2022, the majority of the balance of receivables are due from certain channel distributors and customers in mainland China, India and Europe who usually settle the amounts due by them within 180 days.

As of December 31, 2023 and 2022, the credit loss allowance for notes receivables is not significant.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 23 Prepayments and other receivables

|                                                                                                     | As of December 31, |            |
|-----------------------------------------------------------------------------------------------------|--------------------|------------|
|                                                                                                     | 2023               | 2022       |
|                                                                                                     | RMB'000            | RMB'000    |
| Receivables from subcontractors for outsourcing of raw materials and amounts paid for third parties | 7,591,022          | 8,919,697  |
| Recoverable value-added tax and other taxes                                                         | 7,248,105          | 4,641,951  |
| Prepayments to suppliers                                                                            | 1,786,057          | 1,567,950  |
| Deposits to suppliers                                                                               | 735,031            | 382,399    |
| Receivables from market development fund                                                            | 190,617            | 153,919    |
| Prepaid fees for patent expenses and other prepaid expenses                                         | 1,148,975          | 1,102,919  |
| Receivables from employees related to Employee Fund (Note (a))                                      | 90,350             | 95,850     |
| Receivables related to share options and RSUs granted to employees                                  | 261,239            | 159,302    |
| Receivables for disposal of investments                                                             | 57,062             | 251,733    |
| Operating and finance lease receivables                                                             | 417,435            | 484,588    |
| Others                                                                                              | 760,597            | 962,784    |
|                                                                                                     | <b>20,286,490</b>  | 18,723,092 |
| Less: credit loss allowance                                                                         | <b>(207,615)</b>   | (144,601)  |
|                                                                                                     | <b>20,078,875</b>  | 18,578,491 |

Note:

(a) Receivables from employees related to Employee Fund is interest bearing and repayable when the employee resign from the Group. Further detail included in Note 29.

As of December 31, 2023 and 2022, the carrying amounts of other receivables were primarily denominated in RMB and US\$ and approximated their fair value at each of the reporting dates. Other receivables that are measured at amortized costs included receivables from subcontractors for outsourcing of raw materials and amounts paid for third parties, deposit to suppliers, receivables from employees related to Employee Fund, receivables related to share options and RSUs granted to employees, receivables for disposal of investments, operating and finance lease receivables and others were considered to be of low credit risk, and thus the impairment provision recognized during the years ended December 31, 2023 and 2022 was limited to 12 months expected losses.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 24 Inventories

|                                           | As of December 31, |             |
|-------------------------------------------|--------------------|-------------|
|                                           | 2023               | 2022        |
|                                           | RMB'000            | RMB'000     |
| Raw materials                             | 11,455,435         | 17,122,900  |
| Finished goods                            | 27,132,256         | 28,650,303  |
| Work in progress                          | 3,564,974          | 3,068,508   |
| Spare parts                               | 3,494,076          | 4,410,902   |
| Others                                    | 952,492            | 655,638     |
|                                           | 46,599,233         | 53,908,251  |
| Less: provision for impairment (Note (a)) | (2,176,396)        | (3,470,360) |
|                                           | 44,422,837         | 50,437,891  |

Note:

- (a) For the year ended December 31, 2023, provision for impairment of RMB3,861,753,000 (2022: RMB7,794,470,000) was recorded in "cost of sales" in the consolidated income statement.

Provision for impairment movements for the years ended December 31, 2023 and 2022 are as below:

|                                     | Year ended December 31, |             |
|-------------------------------------|-------------------------|-------------|
|                                     | 2023                    | 2022        |
|                                     | RMB'000                 | RMB'000     |
| At the beginning of the year        | (3,470,360)             | (1,331,147) |
| Provision for impairment            | (3,861,753)             | (7,794,470) |
| Transfer to cost of sales upon sold | 5,155,717               | 5,655,257   |
| At the end of the year              | (2,176,396)             | (3,470,360) |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 25 Cash and bank balances

## (a) Cash and cash equivalents

|                                                                 | As of December 31, |                   |
|-----------------------------------------------------------------|--------------------|-------------------|
|                                                                 | 2023               | 2022              |
|                                                                 | RMB'000            | RMB'000           |
| Cash at bank and in hand                                        | 26,909,303         | 22,156,628        |
| Short-term bank deposits with initial terms within three months | 6,722,010          | 5,450,633         |
|                                                                 | <b>33,631,313</b>  | <b>27,607,261</b> |

Cash and cash equivalents are denominated in the following currencies:

|        | As of December 31, |                   |
|--------|--------------------|-------------------|
|        | 2023               | 2022              |
|        | RMB'000            | RMB'000           |
| RMB    | 18,661,376         | 13,247,547        |
| US\$   | 9,956,424          | 9,971,440         |
| EUR    | 1,216,482          | 1,165,271         |
| INR    | 354,090            | 844,278           |
| HK\$   | 771,113            | 966,876           |
| Others | 2,671,828          | 1,411,849         |
|        | <b>33,631,313</b>  | <b>27,607,261</b> |

The weighted average effective interest rate for the short-term bank deposits with initial terms within three months was 5.88% per annum for the year ended December 31, 2023 (2022: 1.33%).

## (b) Restricted cash

As of December 31, 2023, among the restricted cash, INR45,321,947,000 (equivalent to RMB3,874,120,000) was restricted by India authorities due to the in-progress investigation described in Note 37.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 25 Cash and bank balances (continued)

## (c) Term bank deposits

An analysis of the Group's term bank deposits as of December 31, 2023 and 2022 are listed as below:

|                                                 | As of December 31, |            |
|-------------------------------------------------|--------------------|------------|
|                                                 | 2023               | 2022       |
|                                                 | RMB'000            | RMB'000    |
| <b>Short-term bank deposits denominated in:</b> |                    |            |
| RMB                                             | 18,521,889         | 8,709,906  |
| INR                                             | 31                 | 37         |
| US\$                                            | 34,275,937         | 21,164,764 |
|                                                 | 52,797,857         | 29,874,707 |
| <b>Long-term bank deposits denominated in:</b>  |                    |            |
| RMB                                             | 16,808,185         | 15,392,410 |
| INR                                             | 151                | 141        |
| US\$                                            | 1,485,314          | 1,395,795  |
|                                                 | 18,293,650         | 16,788,346 |

Short-term bank deposits are bank deposits with original maturities over three months, under twelve months and redeemable on maturity. Long-term bank deposits are bank deposits with original maturities over twelve months and redeemable on maturity.

The effective interest rate of the short-term bank deposits and long-term bank deposits of the Group in RMB ranged from 1.55% to 3.95% and 2.85% to 3.50% per annum for the year ended December 31, 2023, respectively (2022: from 1.65% to 3.95%, and 3.20% to 3.95%, respectively).

The effective interest rate of the short-term bank deposits and long-term bank deposits of the Group in US\$ ranged from 5.15% to 6.10% and 5.50% to 5.71% per annum for the year ended December 31, 2023, respectively (2022: from 2.80% to 5.87%, and 5.30% to 5.53%, respectively).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 26 Share capital and treasury shares

## (a) Share capital

**Authorized:**

As of December 31, 2023 and 2022, the total authorized number of ordinary shares is 270,000,000,000 shares with par value of US\$0.0000025 per share.

**Issued:**

As of December 31, 2023, the number of issued share capital of Class A and Class B Share is 4,576,032,760 and 20,506,393,747, respectively. Each Class A ordinary share will entitle the holder to exercise 10 votes, and each Class B ordinary share will entitle the holder to exercise one vote, on any resolution tabled at the Company's general meetings, except for resolution with respect to a limited number of reserved matters, in relation to which each ordinary share is entitled to one vote.

|                                                        | Note | Number of<br>ordinary<br>shares<br>'000 | Nominal<br>value of<br>ordinary<br>shares<br>US\$'000 | Equivalent<br>nominal<br>value of<br>ordinary<br>shares<br>RMB'000 | Share<br>premium<br>RMB'000 |
|--------------------------------------------------------|------|-----------------------------------------|-------------------------------------------------------|--------------------------------------------------------------------|-----------------------------|
| <b>As of January 1, 2023</b>                           |      | <b>24,951,334</b>                       | <b>62</b>                                             | <b>406</b>                                                         | <b>59,483,288</b>           |
| Exercise of share options and RSUs                     |      | 59,868                                  | —                                                     | 2                                                                  | 658,545                     |
| Shares repurchased and cancelled                       |      | (119,200)                               | —                                                     | (2)                                                                | (1,216,642)                 |
| Issuance of ordinary shares to Share Scheme Trusts     | (a)  | 176,120                                 | —                                                     | —                                                                  | —                           |
| Release of ordinary shares from Share Scheme Trusts    | (a)  | —                                       | —                                                     | 1                                                                  | 1,788,344                   |
| Share issued for acquisition of Zimi completed in 2021 |      | 5,305                                   | —                                                     | —                                                                  | 64,752                      |
| <b>As of December 31, 2023</b>                         |      | <b>25,073,427</b>                       | <b>62</b>                                             | <b>407</b>                                                         | <b>60,778,287</b>           |
| <b>As of January 1, 2022</b>                           |      | <b>24,992,449</b>                       | <b>62</b>                                             | <b>407</b>                                                         | <b>59,717,626</b>           |
| Exercise of share options and RSUs                     |      | 88,385                                  | —                                                     | 3                                                                  | 890,469                     |
| Shares repurchased and cancelled                       |      | (239,462)                               | —                                                     | (4)                                                                | (2,539,074)                 |
| Issuance of ordinary shares to Share Scheme Trusts     | (a)  | 102,907                                 | —                                                     | —                                                                  | —                           |
| Release of ordinary shares from Share Scheme Trusts    | (a)  | —                                       | —                                                     | —                                                                  | 1,315,868                   |
| Share issued for acquisition of Zimi completed in 2021 |      | 7,055                                   | —                                                     | —                                                                  | 98,399                      |
| <b>As of December 31, 2022</b>                         |      | <b>24,951,334</b>                       | <b>62</b>                                             | <b>406</b>                                                         | <b>59,483,288</b>           |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

**26 Share capital and treasury shares (continued)****(a) Share capital (continued)****Issued (continued):**

Notes:

- (a) The Company issued ordinary shares with respect to the share options and RSUs under the employees share-based compensation scheme to be exercised by certain grantees of the Company to trusts, which were established to hold the shares for and on behalf of the grantees (collectively, "Share Scheme Trusts").

**(b) Treasury shares**

|                                                        | Number of shares<br>'000 | Amounts<br>RMB'000 |
|--------------------------------------------------------|--------------------------|--------------------|
| <b>As of January 1, 2023</b>                           | <b>20,289</b>            | <b>190,795</b>     |
| Shares repurchased                                     | 133,677                  | 1,485,385          |
| Shares cancelled                                       | (119,200)                | (1,216,644)        |
| Release of ordinary shares from<br>Share Scheme Trusts | (1,938)                  | (21,245)           |
| <b>As of December 31, 2023</b>                         | <b>32,828</b>            | <b>438,291</b>     |
| <b>As of January 1, 2022</b>                           | <b>24,503</b>            | <b>343,730</b>     |
| Shares repurchased                                     | 235,248                  | 2,386,143          |
| Shares cancelled                                       | (239,462)                | (2,539,078)        |
| <b>As of December 31, 2022</b>                         | <b>20,289</b>            | <b>190,795</b>     |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

**26 Share capital and treasury shares (continued)****(b) Treasury shares (continued)**

During the year ended December 31, 2023, the Company repurchased its own ordinary shares on the Stock Exchange of Hong Kong Limited as follows:

| Month/Year     | Number of shares<br>'000 | Highest price paid per share<br>HK\$ | Lowest price paid per share<br>HK\$ | Aggregate price paid<br>HK\$'000 |
|----------------|--------------------------|--------------------------------------|-------------------------------------|----------------------------------|
| April 2023     | 1,938                    | 12.36                                | 12.02                               | 23,773                           |
| May 2023       | 4,400                    | 10.54                                | 10.46                               | 46,198                           |
| June 2023      | 38,200                   | 11.00                                | 9.96                                | 407,831                          |
| July 2023      | 6,900                    | 10.88                                | 10.66                               | 74,525                           |
| September 2023 | 37,700                   | 12.00                                | 11.58                               | 445,714                          |
| October 2023   | 16,000                   | 12.00                                | 11.64                               | 189,868                          |
| November 2023  | 1,600                    | 15.00                                | 14.96                               | 23,990                           |
| December 2023  | 26,939                   | 16.36                                | 14.44                               | 411,759                          |
|                | 133,677                  |                                      |                                     | 1,623,658                        |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 27 Other reserves

|                                                                                                                                                      | Share-based<br>compensation<br>reserve<br>RMB'000 | Currency<br>translation<br>differences<br>RMB'000 | Statutory<br>surplus<br>reserve<br>RMB'000 | General<br>reserve<br>RMB'000 | Capital<br>reserve<br>RMB'000 | Conversion<br>option<br>RMB'000 | Others<br>RMB'000 | Total<br>RMB'000  |
|------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|---------------------------------------------------|--------------------------------------------|-------------------------------|-------------------------------|---------------------------------|-------------------|-------------------|
| <b>At January 1, 2023</b>                                                                                                                            | <b>7,415,315</b>                                  | <b>381,026</b>                                    | <b>2,632,834</b>                           | <b>52,225</b>                 | <b>420,118</b>                | <b>1,764,799</b>                | <b>284,691</b>    | <b>12,951,008</b> |
| Appropriation to statutory reserves (Note (a))                                                                                                       | —                                                 | —                                                 | 704,678                                    | —                             | —                             | —                               | —                 | 704,678           |
| Appropriation to general reserves                                                                                                                    | —                                                 | —                                                 | —                                          | 15,661                        | —                             | —                               | —                 | 15,661            |
| Employees share-based compensation scheme:                                                                                                           |                                                   |                                                   |                                            |                               |                               |                                 |                   |                   |
| — value of employee services (Note (c) and Note 29)                                                                                                  | 3,280,371                                         | —                                                 | —                                          | —                             | —                             | —                               | —                 | 3,280,371         |
| — exercise of share options and RSUs                                                                                                                 | (580,578)                                         | —                                                 | —                                          | —                             | —                             | —                               | —                 | (580,578)         |
| Share of other comprehensive income of investments accounted for using the equity method (Note 12(b))                                                | —                                                 | —                                                 | —                                          | —                             | —                             | —                               | 9,326             | 9,326             |
| Share of other reserves of investments accounted for using the equity method (Note 12(b))                                                            | —                                                 | —                                                 | —                                          | —                             | 38,532                        | —                               | —                 | 38,532            |
| Release of ordinary shares from Share Scheme Trust (Note 26(a)(a))                                                                                   | (1,805,864)                                       | —                                                 | —                                          | —                             | —                             | —                               | —                 | (1,805,864)       |
| Transfer of share of other reserves to profit or loss upon disposal and deemed disposal of investments accounted for using equity method             | —                                                 | —                                                 | —                                          | —                             | (85,730)                      | —                               | —                 | (85,730)          |
| Transfer of share of other comprehensive income to profit or loss upon disposal and deemed disposal of investments accounted for using equity method | —                                                 | —                                                 | —                                          | —                             | —                             | —                               | (2,167)           | (2,167)           |
| Net losses from changes in fair value of financial assets at fair value through other comprehensive income                                           | —                                                 | —                                                 | —                                          | —                             | —                             | —                               | (26,711)          | (26,711)          |
| Share consideration for acquisition of Zimi completed in 2021                                                                                        | —                                                 | —                                                 | —                                          | —                             | (64,752)                      | —                               | —                 | (64,752)          |
| Others                                                                                                                                               | —                                                 | —                                                 | (2,083)                                    | —                             | —                             | —                               | —                 | (2,083)           |
| Currency translation differences (Note (b))                                                                                                          | —                                                 | 1,051,927                                         | —                                          | —                             | —                             | —                               | —                 | 1,051,927         |
| <b>At December 31, 2023</b>                                                                                                                          | <b>8,309,244</b>                                  | <b>1,432,953</b>                                  | <b>3,335,429</b>                           | <b>67,886</b>                 | <b>308,168</b>                | <b>1,764,799</b>                | <b>265,139</b>    | <b>15,483,618</b> |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 27 Other reserves (continued)

|                                                                                                                                                                | Share-based<br>compensation<br>reserve | Currency<br>translation<br>differences | Statutory<br>surplus<br>reserve | General<br>reserve | Capital<br>reserve | Conversion<br>option | Others   | Total       |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|----------------------------------------|---------------------------------|--------------------|--------------------|----------------------|----------|-------------|
|                                                                                                                                                                | RMB'000                                | RMB'000                                | RMB'000                         | RMB'000            | RMB'000            | RMB'000              | RMB'000  | RMB'000     |
| <b>At January 1, 2022</b>                                                                                                                                      | 6,694,157                              | (3,218,845)                            | 2,269,502                       | 54,123             | 815,986            | 1,764,799            | 156,926  | 8,536,648   |
| Appropriation to statutory reserves<br>(Note (a))                                                                                                              | —                                      | —                                      | 384,506                         | —                  | —                  | —                    | —        | 384,506     |
| Appropriation to general reserves                                                                                                                              | —                                      | —                                      | —                               | (1,898)            | —                  | —                    | —        | (1,898)     |
| Employees share-based<br>compensation scheme:                                                                                                                  |                                        |                                        |                                 |                    |                    |                      |          |             |
| — value of employee services<br>(Note (c) and Note 29)                                                                                                         | 2,821,775                              | —                                      | —                               | —                  | —                  | —                    | —        | 2,821,775   |
| — exercise of share options<br>and RSUs                                                                                                                        | (793,005)                              | —                                      | —                               | —                  | —                  | —                    | —        | (793,005)   |
| Share of other comprehensive income<br>of investments accounted for using<br>the equity method (Note 12(b))                                                    | —                                      | —                                      | —                               | —                  | —                  | —                    | 57,211   | 57,211      |
| Share of other reserves of<br>investments accounted<br>for using the equity<br>method (Note 12(b))                                                             | —                                      | —                                      | —                               | —                  | 122,326            | —                    | —        | 122,326     |
| Release of ordinary shares<br>from Share Scheme<br>Trust (Note 26(a)(a))                                                                                       | (1,307,612)                            | —                                      | —                               | —                  | —                  | —                    | —        | (1,307,612) |
| Transfer of share of other reserves<br>to profit or loss upon disposal and<br>deemed disposal of investments<br>accounted for using equity method              | —                                      | —                                      | —                               | —                  | (419,795)          | —                    | —        | (419,795)   |
| Transfer of share of other<br>comprehensive loss to profit or loss<br>upon disposal and deemed disposal<br>of investments accounted for using<br>equity method | —                                      | —                                      | —                               | —                  | —                  | —                    | 93,311   | 93,311      |
| Net losses from changes in<br>fair value of financial assets<br>at fair value through other<br>comprehensive income                                            | —                                      | —                                      | —                               | —                  | —                  | —                    | (22,754) | (22,754)    |
| Share consideration for<br>acquisition of Zimi<br>completed in 2021                                                                                            | —                                      | —                                      | —                               | —                  | (98,399)           | —                    | —        | (98,399)    |
| Others                                                                                                                                                         | —                                      | —                                      | (21,174)                        | —                  | —                  | —                    | (3)      | (21,177)    |
| Currency translation<br>differences (Note (b))                                                                                                                 | —                                      | 3,599,871                              | —                               | —                  | —                  | —                    | —        | 3,599,871   |
| <b>At December 31, 2022</b>                                                                                                                                    | 7,415,315                              | 381,026                                | 2,632,834                       | 52,225             | 420,118            | 1,764,799            | 284,691  | 12,951,008  |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

### 27 Other reserves (continued)

Notes:

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

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

- (b) Foreign currency translation reserve represents the difference arising from the translation of the financial statements of companies within the Group that have a functional currency different from the presentation currency of RMB for the financial statements of the Company and the Group.

A majority of the currency translation differences are arising from the Company when it translates the financial statements from the functional currency of US\$ to presentation currency of RMB.

- (c) Share-based compensation reserve arises from share-based payments granted to employees of the Group, see Note 29 for detail.

### 28 Dividends

No dividends have been paid or declared by the Company during the years ended December 31, 2023 and 2022.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

### 29 Share-based payments

On May 5, 2011, the Board of Directors of the Company approved the establishment of the “Xiaomi Corporation 2011 Employee Stock Option Plan” (“**2011 Plan**”) with the purpose of attracting, motivating, retaining and rewarding certain employees and directors. The 2011 Plan was valid and effective for 10 years from the approval of the Board of Directors. The maximum number of shares that may be issued under 2011 Plan shall be 35,905,172 Class B ordinary shares (which were adjusted to 1,436,206,880 shares after the 1 to 4 share split on March 14, 2014 and further 1 to 10 Share Subdivision on June 17, 2018). The 2011 Plan permits the awards of options and RSUs.

Subsequently in August 2012, the 2011 Plan was superseded in its entirety as the “2012 Employee Stock Incentive Plan” (“**Pre-IPO ESOP**”). The purpose of Pre-IPO ESOP is same as the 2011 Plan. The Pre-IPO ESOP was valid and effective for 10 years from the approval of the Board of Directors. Through Pre-IPO ESOP, the Company may grant equity-based incentive up to 45,905,172 Class B ordinary shares initially (which were adjusted to 1,836,206,880 shares after the 1 to 4 share split on March 14, 2014 and further 1 to 10 Share Subdivision on June 17, 2018). The aggregate number of reserved Class B ordinary shares approved was 2,512,694,900. The Pre-IPO ESOP permits the awards of options and RSUs.

On June 17, 2018, the Board of Directors of the Company adopted the establishment of the 2018 Share Option Scheme. The purpose of 2018 Share Option Scheme is to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage selected participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. The total number of Class B ordinary shares available for grant under 2018 Share Option Scheme was 1,568,094,311 shares.

On June 17, 2018, the Board of Directors of the Company adopted the establishment of the 2018 Share Award Scheme. The purpose of the 2018 Share Award Scheme are (1) to align the interests of eligible persons with those of the Group through ownership of Class B ordinary shares, dividends and other distributions paid on shares and/or the increase in value of the Class B ordinary shares, and (2) to encourage and retain eligible persons to make contributions to the long-term growth and profits of the Group. The aggregate number of Class B ordinary shares underlying all grants made pursuant to the 2018 Share Award Scheme will not exceed 1,118,806,541 shares without shareholders' approval.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

**29 Share-based payments (continued)**

On March 24, 2023, the Board of Directors of the Company adopted the 2023 Share Scheme. The purpose of the 2023 Share Scheme are (1) to align the interests of eligible persons with those of the Group through ownership of Class B ordinary shares, dividends and other distributions paid on shares and/or the increase in value of the Class B ordinary shares, and (2) to encourage and retain eligible persons to make contributions to the long-term growth and profits of the Group. The aggregate number of Class B ordinary shares underlying all grants made pursuant to the 2023 Share Scheme will not exceed 2,503,959,565 shares without shareholder's approval.

**Pre-IPO ESOP****Share options granted to employees**

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

|                                                   | Number of<br>share options | Average<br>exercise price<br>per share<br>option (US\$) |
|---------------------------------------------------|----------------------------|---------------------------------------------------------|
| Outstanding as of January 1, 2023                 | 345,873,793                | 0.05                                                    |
| Forfeited during the year                         | (10,565,000)               | 0.11                                                    |
| Transferred to Share Scheme Trust (Note 26(a)(a)) | (4,735,000)                | 0.12                                                    |
| Exercised during the year                         | (59,868,669)               | 0.18                                                    |
| Outstanding as of December 31, 2023               | 270,705,124                | 0.02                                                    |
| Exercisable as of December 31, 2023               | 238,753,023                | 0.25                                                    |
| Outstanding as of January 1, 2022                 | 466,216,237                | 0.08                                                    |
| Forfeited during the year                         | (28,049,666)               | 0.21                                                    |
| Transferred to Share Scheme Trust (Note 26(a)(a)) | (12,883,200)               | 0.10                                                    |
| Exercised during the year                         | (79,409,578)               | 0.18                                                    |
| Outstanding as of December 31, 2022               | 345,873,793                | 0.05                                                    |
| Exercisable as of December 31, 2022               | 252,266,503                | 0.23                                                    |

The weighted-average remaining contract life for outstanding share options was 2.51 years and 3.39 years as of December 31, 2023 and 2022, respectively.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

**29 Share-based payments (continued)****2018 Share Option Scheme****Share options granted to employees**

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

|                                     | Number of<br>share options | Average<br>exercise price<br>per share<br>option (HK\$) |
|-------------------------------------|----------------------------|---------------------------------------------------------|
| Outstanding as of January 1, 2023   | 120,700,000                | 24.53                                                   |
| Forfeited during the year           | —                          | —                                                       |
| Outstanding as of December 31, 2023 | 120,700,000                | 24.53                                                   |
| Exercisable as of December 31, 2023 | 10,537,500                 | 22.54                                                   |
| Outstanding as of January 1, 2022   | 121,900,000                | 24.53                                                   |
| Forfeited during the year           | (1,200,000)                | 24.50                                                   |
| Outstanding as of December 31, 2022 | 120,700,000                | 24.53                                                   |
| Exercisable as of December 31, 2022 | 5,862,500                  | 20.79                                                   |

The weighted-average remaining contract life for outstanding share options was 6.69 years and 7.69 years as of December 31, 2023 and 2022, respectively.

***Fair value of share options***

The Group has used Binomial option-pricing model to determine the fair value of the share option as of the grant date.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

**29 Share-based payments (continued)****2018 Share Award Scheme****RSUs granted to employees**

Movements in the number of RSUs granted to the Company's employees under 2018 Share Award Scheme and the respective weighted average grant date fair value are as below:

|                                                                 | Number of RSUs | Weighted<br>average grant<br>date fair value<br>per RSU<br>(HK\$) |
|-----------------------------------------------------------------|----------------|-------------------------------------------------------------------|
| Outstanding as of January 1, 2023                               | 569,589,764    | 16.86                                                             |
| Granted during the year                                         | 238,816,959    | 11.69                                                             |
| Forfeited during the year                                       | (61,701,292)   | 16.42                                                             |
| Transferred to Share Scheme Trust (Note 26(a)(a))               | (132,509,721)  | 15.25                                                             |
| Outstanding as of December 31, 2023                             | 614,195,710    | 15.24                                                             |
| Outstanding as of January 1, 2022                               | 359,723,827    | 21.44                                                             |
| Granted during the year                                         | 366,319,134    | 12.80                                                             |
| Forfeited during the year                                       | (74,782,454)   | 16.84                                                             |
| Transferred to Share Scheme Trust<br>(Note 26(a)(a)) and others | (81,670,743)   | 18.86                                                             |
| Outstanding as of December 31, 2022                             | 569,589,764    | 16.86                                                             |

The weighted-average remaining contract life for outstanding RSUs was 8.38 years and 8.83 years as of December 31, 2023 and 2022, respectively.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

**29 Share-based payments (continued)****2023 Share Scheme****RSUs granted to employees**

Movements in the number of RSUs granted to the Company's employees under 2023 Share Scheme and the respective weighted average grant date fair value are as below:

|                                     | Number of RSUs | Weighted<br>average grant<br>date fair value<br>per RSU<br>(HK\$) |
|-------------------------------------|----------------|-------------------------------------------------------------------|
| Outstanding as of January 1, 2023   | —              | —                                                                 |
| Granted during the year             | 150,622,365    | 13.37                                                             |
| Forfeited during the year           | (5,040,126)    | 12.83                                                             |
| Outstanding as of December 31, 2023 | 145,582,239    | 13.39                                                             |

The weighted-average remaining contract life for outstanding RSUs was 9.64 years as of December 31, 2023.

The total expenses recognized in the consolidated income statement in connection with share options and RSUs granted to the Group's employees under all share-based payment schemes are RMB3,279,535,000 and RMB2,821,900,000 for the years ended December 31, 2023 and 2022, respectively.

**Employee fund**

On August 31, 2014, the Board of Directors of the Company approved the establishment of Employee Fund with the purpose of which is to invest in companies within the business ecosystem of the Group. The Company invited certain employees to participate, with the condition that they would only receive the original investment sum with interest should they decide to resign from the Group within 5 years from the establishment date (the "Lockup Period"). Upon the end of the Lockup Period, the holders would become the equity holders of the Employee Fund. According to the arrangement of Employee Fund, the equity holders of the Employee Fund can demand the Company to buy back the shares at fair value or continue to hold the shares when they resign after the Lockup Period. The Group measures the liability related to cash-settled share-based payments at fair value as of December 31, 2023.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

**29 Share-based payments (continued)****Employee fund (continued)**

The total expenses recognized and reversed in the consolidated income statements for the Employee Fund granted to the Group's employees are RMB99,135,000 and RMB324,542,000 for the years ended December 31, 2023 and 2022, respectively.

**Share based awards granted to Lei Jun**

On June 17, 2018, Lei Jun was granted 42,070,000 share options in Xiaomi Finance Inc. ("Xiaomi Finance") pursuant to the first share option scheme adopted by Xiaomi Finance. Such share options were vested immediately and Lei Jun can exercise these share options with exercise price of RMB3.8325 for each share option for the following 20 years commencing on June 17, 2018. No share option was exercised for the years ended December 31, 2023 and 2022, respectively.

**30 Other non-current liabilities**

|                                           | <b>As of December 31,</b> |                |
|-------------------------------------------|---------------------------|----------------|
|                                           | <b>2023</b>               | <b>2022</b>    |
|                                           | <b>RMB'000</b>            | <b>RMB'000</b> |
| Liabilities to fund investors (Note (a))  | <b>13,803,045</b>         | 14,859,228     |
| Lease liabilities (Note 17)               | <b>1,256,155</b>          | 1,464,736      |
| Payable for purchase of intangible assets | <b>2,768,401</b>          | —              |
| Deferred government grants                | <b>2,115,561</b>          | 61,004         |
| Others                                    | <b>71,111</b>             | 149,863        |
|                                           | <b>20,014,273</b>         | 16,534,831     |

Note:

- (a) It represents the funds raised by the third party investors under Hubei Xiaomi Yangtze River Industry Investment Fund Partners (Limited Partnership) (湖北小米長江產業基金合夥企業(有限合夥)) (the "Hubei Fund") and Beijing Xiaomi Zhizao Equity Investment Fund Partners (Limited Partnership) (北京小米智造股權投資基金合夥企業(有限合夥)) (the "Beijing Fund"). The Group controls the Hubei Fund and the Beijing Fund as the Group is exposed to and has rights to variable returns from its involvement with the Hubei Fund and the Beijing Fund, and has the ability to affect those returns through its power over the Hubei Fund and the Beijing Fund.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

### 30 Other non-current liabilities (continued)

Note (continued):

(a) (continued)

For the amount raised from limited partners of the Hubei Fund, the Group has contractual obligation to settle the liability with the limited partners and therefore is classified as a financial liability measured at amortized cost in the consolidated financial statements. The carrying amount of this financial liability approximates to its fair value.

For the amount raised from limited partners of the Beijing Fund, the Group has contractual obligation to settle the liability with the limited partners and the management designates it as a financial liability measured at fair value through profit or loss in the consolidated financial statements.

### 31 Trade payables

Trade payables primarily include payables for inventories. As of December 31, 2023 and 2022, the carrying amounts of trade payables were primarily denominated in RMB, US\$ and INR.

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

|                    | As of December 31, |                   |
|--------------------|--------------------|-------------------|
|                    | 2023               | 2022              |
|                    | RMB'000            | RMB'000           |
| Up to 3 months     | 52,493,579         | 47,999,500        |
| 3 to 6 months      | 4,809,809          | 1,820,555         |
| 6 months to 1 year | 3,039,535          | 2,172,721         |
| 1 to 2 years       | 1,001,272          | 855,854           |
| Over 2 years       | 754,305            | 244,913           |
|                    | <b>62,098,500</b>  | <b>53,093,543</b> |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

**32 Other payables and accruals**

|                                            | As of December 31, |                   |
|--------------------------------------------|--------------------|-------------------|
|                                            | 2023               | 2022              |
|                                            | RMB'000            | RMB'000           |
| Amounts collected for third parties        | 858,632            | 842,068           |
| Payroll and welfare payables               | 3,120,400          | 2,535,922         |
| Deposits payable                           | 4,761,399          | 4,335,731         |
| Employee Fund (Note 29)                    | 864,840            | 811,018           |
| Accrual expenses                           | 2,742,593          | 1,752,006         |
| Payables for construction cost             | 2,220,127          | 1,748,373         |
| Payables for investments                   | 41,325             | 93,866            |
| Other taxes payables                       | 1,648,291          | 886,005           |
| Lease liabilities (Note 17)                | 712,011            | 947,392           |
| Deposits from customers                    | 1,519,475          | 1,607,408         |
| Deferred government grants                 | 2,771,695          | 1,169,511         |
| Payables for purchase of intangible assets | 2,390,221          | —                 |
| Others                                     | 1,963,641          | 1,711,416         |
|                                            | <b>25,614,650</b>  | <b>18,440,716</b> |

The carrying amounts of other payables were primarily denominated in RMB and US\$ and approximate their fair values as of December 31, 2023 and 2022.

**33 Advance from customers**

Advance from customers primarily includes advance from customers when the Group receives payments in advance of the delivery of products or performance of services.

Advance from customers mainly included contract liabilities, which are the Group's obligations to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. As of December 31, 2023, the total contract liabilities amounted to RMB12,612,179,000 (2022: RMB8,756,344,000), which will be recognized as revenue within one year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 34 Borrowings

|                                            | As of December 31, |                   |
|--------------------------------------------|--------------------|-------------------|
|                                            | 2023               | 2022              |
|                                            | RMB'000            | RMB'000           |
| <b>Included in non-current liabilities</b> |                    |                   |
| Secured borrowings                         | —                  | 102,325           |
| Unsecured borrowings (Note (a))            | 16,631,078         | 16,656,195        |
| Convertible bonds (Note (b))               | 5,042,891          | 4,734,741         |
|                                            | <b>21,673,969</b>  | <b>21,493,261</b> |
| <b>Included in current liabilities</b>     |                    |                   |
| Secured borrowings                         | —                  | 3,283             |
| Unsecured borrowings (Note (a))            | 6,183,376          | 2,147,458         |
|                                            | <b>6,183,376</b>   | <b>2,150,741</b>  |

Notes:

- (a) As of December 31, 2023, other than the interest rate of 49% (2022: 14.3%) for unsecured borrowings in Turkish Lira ("TRY") 200,000,000 (2022: TRY 189,466,000) which was equivalent to RMB48,102,000 (2022: RMB70,538,000), and the interest rate of 14.25% (2022: Nil) for unsecured borrowings in Russian Rouble ("RUB") 500,000,000 (2022: Nil), which was equivalent to RMB40,135,000 (2022: Nil), the interest rate of the remaining unsecured borrowings was 2.40% to 6.19% (2022: 2.10% to 4.10%) per annum.
- (b) On December 17, 2020, the Group completed the issuance of 7-Year US\$855,000,000 zero coupon guaranteed convertible bonds due on December 17, 2027 (the "Bonds") to third party professional investors (the "bondholders"). The bondholders have the right, at any time on or after January 27, 2021 up to the 10 days prior to the maturity date, to convert part or all of the outstanding principal amount of the Bonds into ordinary shares of the Group at a conversion price of HK\$36.74 per share, subject to adjustments. The outstanding principal amount of the Bonds is repayable by the Group upon the maturity of the Bonds on December 17, 2027, if not previously redeemed, converted or purchased and cancelled.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 34 Borrowings (continued)

Notes (continued):

(b) (continued):

The liability component of the Bonds recognized in the balance sheet are calculated as follows:

|                                                    | RMB'000          |
|----------------------------------------------------|------------------|
| <b>Liability component as of January 1, 2023</b>   | <b>4,734,741</b> |
| Interest accrued                                   | 226,884          |
| Effect of foreign currency translation             | 81,266           |
| <b>Liability component as of December 31, 2023</b> | <b>5,042,891</b> |
| <b>Liability component as of January 1, 2022</b>   | <b>4,138,542</b> |
| Interest accrued                                   | 206,933          |
| Effect of foreign currency translation             | 389,266          |
| <b>Liability component as of December 31, 2022</b> | <b>4,734,741</b> |

The equity component of the Bonds of RMB1,764,799,000 was included in "Reserves" (Note 27) of the Group as of December 31, 2023 and 2022.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

**35 Deferred income taxes**

Deferred income taxes are calculated in full on temporary differences under the liability method using the tax rates at which are expected to be applied at the time of reversal of the temporary differences.

The amount of offsetting deferred income tax assets and liabilities is RMB497,823,000 as of December 31, 2023 (2022: RMB698,411,000). The analysis of deferred income tax assets and liabilities before offsetting is as follows:

|                                         | As of December 31, |                    |
|-----------------------------------------|--------------------|--------------------|
|                                         | 2023               | 2022               |
|                                         | RMB'000            | RMB'000            |
| <b>Deferred income tax assets:</b>      |                    |                    |
| — to be recovered after 12 months       | 782,601            | 1,135,477          |
| — to be recovered within 12 months      | 1,875,972          | 1,841,109          |
|                                         | <b>2,658,573</b>   | <b>2,976,586</b>   |
| <b>Deferred income tax liabilities:</b> |                    |                    |
| — to be settled after 12 months         | (1,957,295)        | (1,646,852)        |
| — to be settled within 12 months        | (34,815)           | (34,815)           |
|                                         | <b>(1,992,110)</b> | <b>(1,681,667)</b> |

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

|                                                         | Year ended December 31, |                  |
|---------------------------------------------------------|-------------------------|------------------|
|                                                         | 2023                    | 2022             |
|                                                         | RMB'000                 | RMB'000          |
| <b>At the beginning of the year</b>                     | <b>2,561,062</b>        | 1,853,918        |
| Adjustment on amendment to IAS 12 (Note 2.1 (a))        | 415,524                 | 555,070          |
| At the beginning of the year (Restated)                 | 2,976,586               | 2,408,988        |
| (Debited)/credited to the consolidated income statement | (318,013)               | 567,598          |
| <b>At the end of the year</b>                           | <b>2,658,573</b>        | <b>2,976,586</b> |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

**35 Deferred income taxes (continued)**

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

|                                                         | Year ended December 31, |                    |
|---------------------------------------------------------|-------------------------|--------------------|
|                                                         | 2023                    | 2022               |
|                                                         | RMB'000                 | RMB'000            |
| At the beginning of the year                            | (1,266,143)             | (1,394,688)        |
| Adjustment on amendment to IAS 12 (Note 2.1 (a))        | (415,524)               | (555,070)          |
| At the beginning of the year (Restated)                 | (1,681,667)             | (1,949,758)        |
| (Debited)/credited to the consolidated income statement | (310,443)               | 268,091            |
| <b>At the end of the year</b>                           | <b>(1,992,110)</b>      | <b>(1,681,667)</b> |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 35 Deferred income taxes (continued)

The movement in deferred income tax assets and liabilities during the years without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets:

|                                                     | Accrued liabilities and provisions<br>RMB'000 | Provision for impairment of inventories<br>RMB'000 | Depreciation of property, plant and equipment and amortization of intangible assets<br>RMB'000 | Tax losses<br>RMB'000 | Fair value changes of financial assets<br>RMB'000 | Credit loss allowance<br>RMB'000 | Unrealized gain on intra-group transactions<br>RMB'000 | Lease<br>RMB'000 | Others<br>RMB'000 | Total<br>RMB'000 |
|-----------------------------------------------------|-----------------------------------------------|----------------------------------------------------|------------------------------------------------------------------------------------------------|-----------------------|---------------------------------------------------|----------------------------------|--------------------------------------------------------|------------------|-------------------|------------------|
| At January 1, 2023                                  | 686,101                                       | 491,545                                            | 43,176                                                                                         | 452,826               | 89,846                                            | 41,439                           | 622,024                                                | 47,912           | 86,193            | 2,561,062        |
| Adjustment on amendment to IAS 12 (Note 2.1 (a))    | —                                             | —                                                  | —                                                                                              | —                     | —                                                 | —                                | —                                                      | 415,524          | —                 | 415,524          |
| At January 1, 2023 (Restated)                       | 686,101                                       | 491,545                                            | 43,176                                                                                         | 452,826               | 89,846                                            | 41,439                           | 622,024                                                | 463,436          | 86,193            | 2,976,586        |
| Credited/(debited) to consolidated income statement | 219,910                                       | (124,442)                                          | (12,950)                                                                                       | (240,019)             | 33,269                                            | 35,275                           | (95,880)                                               | (144,119)        | 10,943            | (318,013)        |
| At December 31, 2023                                | 906,011                                       | 367,103                                            | 30,226                                                                                         | 212,807               | 123,115                                           | 76,714                           | 526,144                                                | 319,317          | 97,136            | 2,658,573        |
| At January 1, 2022                                  | 432,232                                       | 237,069                                            | 45,146                                                                                         | 318,964               | 82,770                                            | 171,181                          | 473,912                                                | 13,207           | 79,437            | 1,853,918        |
| Adjustment on amendment to IAS 12 (Note 2.1 (a))    | —                                             | —                                                  | —                                                                                              | —                     | —                                                 | —                                | —                                                      | 555,070          | —                 | 555,070          |
| At January 1, 2022 (Restated)                       | 432,232                                       | 237,069                                            | 45,146                                                                                         | 318,964               | 82,770                                            | 171,181                          | 473,912                                                | 568,277          | 79,437            | 2,408,988        |
| Credited/(debited) to consolidated income statement | 253,869                                       | 254,476                                            | (1,970)                                                                                        | 133,862               | 7,076                                             | (129,742)                        | 148,112                                                | (104,841)        | 6,756             | 567,598          |
| At December 31, 2022                                | 686,101                                       | 491,545                                            | 43,176                                                                                         | 452,826               | 89,846                                            | 41,439                           | 622,024                                                | 463,436          | 86,193            | 2,976,586        |

Deferred income tax assets are recognized for deductible temporary differences to the extent that the realization of the related tax benefits through future taxable profits is probable.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 35 Deferred income taxes (continued)

As of December 31, 2023, the Group did not recognize deferred income tax assets of RMB3,262,716,000 (2022: RMB1,365,921,000), in respect of deductible temporary differences and cumulative tax losses amounting RMB18,415,305,000 (2022: RMB6,855,803,000), that can be carried forward against future taxable income. The tax losses as of December 31, 2023 amounting to RMB2,343,293,000 (2022: RMB1,838,100,000) can be carried forward indefinitely, and the remaining amount of RMB15,477,728,000 (2022: RMB4,018,848,000) will expire within 11 years (2022: 12 years).

The movement in deferred income tax assets and liabilities during the years without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax liabilities:

|                                                     | Fair value changes of financial assets<br>RMB'000 | Depreciation of property, plant and equipment and amortization of intangible assets<br>RMB'000 | Unrealized exchange gain/(loss)<br>RMB'000 | Business combination<br>RMB'000 | Lease<br>RMB'000 | Others<br>RMB'000 | Total<br>RMB'000 |
|-----------------------------------------------------|---------------------------------------------------|------------------------------------------------------------------------------------------------|--------------------------------------------|---------------------------------|------------------|-------------------|------------------|
| At January 1, 2023                                  | (773,742)                                         | (147,944)                                                                                      | (140,282)                                  | (188,473)                       | (15,465)         | (237)             | (1,266,143)      |
| Adjustment on amendment to IAS 12 (Note 2.1 (a))    | —                                                 | —                                                                                              | —                                          | —                               | (415,524)        | —                 | (415,524)        |
| At January 1, 2023 (Restated)                       | (773,742)                                         | (147,944)                                                                                      | (140,282)                                  | (188,473)                       | (430,989)        | (237)             | (1,681,667)      |
| (Debited)/credited to consolidated income statement | (704,121)                                         | 29,237                                                                                         | 140,282                                    | 34,814                          | 189,430          | (85)              | (310,443)        |
| At December 31, 2023                                | (1,477,863)                                       | (118,707)                                                                                      | —                                          | (153,659)                       | (241,559)        | (322)             | (1,992,110)      |
| At January 1, 2022                                  | (1,105,849)                                       | (62,594)                                                                                       | —                                          | (223,353)                       | (2,892)          | —                 | (1,394,688)      |
| Adjustment on amendment to IAS 12 (Note 2.1 (a))    | —                                                 | —                                                                                              | —                                          | —                               | (555,070)        | —                 | (555,070)        |
| At January 1, 2022 (Restated)                       | (1,105,849)                                       | (62,594)                                                                                       | —                                          | (223,353)                       | (557,962)        | —                 | (1,949,758)      |
| Credited/(debited) to consolidated income statement | 332,107                                           | (85,350)                                                                                       | (140,282)                                  | 34,880                          | 126,973          | (237)             | 268,091          |
| At December 31, 2022                                | (773,742)                                         | (147,944)                                                                                      | (140,282)                                  | (188,473)                       | (430,989)        | (237)             | (1,681,667)      |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 36 Cash flow information

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

|                                                                                                | Year ended December 31, |              |
|------------------------------------------------------------------------------------------------|-------------------------|--------------|
|                                                                                                | 2023                    | 2022         |
|                                                                                                | RMB'000                 | RMB'000      |
| <b>Profit before income tax</b>                                                                | <b>22,011,047</b>       | 3,933,956    |
| Adjustments for:                                                                               |                         |              |
| — Depreciation of property, plant and equipment, right-of-use assets and investment properties | 2,401,979               | 2,310,951    |
| — Amortization of intangible assets                                                            | 2,434,308               | 1,396,442    |
| — Gain on disposal of property, plant and equipment                                            | (12,510)                | (6,887)      |
| — Credit loss allowance                                                                        | 321,528                 | 217,971      |
| — Provision for impairment of inventories                                                      | 3,861,753               | 7,794,470    |
| — Impairment provision for investments accounted for using the equity method (Note 8)          | 7,138                   | 450,948      |
| — Interest income                                                                              | (3,558,347)             | (1,663,941)  |
| — Interest expense                                                                             | 1,555,970               | 546,483      |
| — Dividend income                                                                              | (157,569)               | (125,299)    |
| — Share of net (profits)/losses of investments accounted for using the equity method           | (45,615)                | 400,100      |
| — Gains on disposal and deemed disposal of investments accounted for using the equity method   | (1,580,123)             | (127,310)    |
| — Loss on disposal of a subsidiary                                                             | —                       | (458)        |
| — Fair value changes on financial instruments measured at fair value through profit or loss    | (3,501,053)             | 1,662,010    |
| — Share-based compensation                                                                     | 3,378,670               | 2,497,358    |
| — Foreign exchange (gains)/losses, net                                                         | (124,405)               | 998,602      |
| Operating cash flows before changes in working capital                                         |                         |              |
| — Decrease/(increase) in inventories                                                           | 2,173,795               | (5,448,990)  |
| — (Increase)/decrease in trade receivables                                                     | (1,652,782)             | 4,346,873    |
| — Increase in loan receivables                                                                 | (1,983,565)             | (2,545,224)  |
| — (Increase)/decrease in prepayments and other receivables                                     | (2,426,241)             | 1,444,782    |
| — (Increase)/decrease in restricted cash                                                       | (659,788)               | 350,688      |
| — Increase/(decrease) in trade payables                                                        | 11,147,623              | (20,514,286) |
| — Increase in advance from customers                                                           | 4,026,797               | 298,782      |
| — Increase in warranty provision                                                               | 1,537,927               | 1,311,348    |
| — Increase/(decrease) in other payables and accruals                                           | 3,101,149               | (540,598)    |
| — Increase in other non-current liabilities                                                    | 2,054,557               | 41,776       |
| <b>Cash generated from/(used in) operations</b>                                                | <b>44,312,243</b>       | (969,453)    |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

### 36 Cash flow information (continued)

#### (b) Non-cash investing and financing transactions

Other than addition of right-of-use assets and lease liabilities described in Note 17, transfer of investments accounted for using the equity method to financial assets at fair value through profit or loss as described in Note 12(b) and Note 20, addition of intangible assets in Note 16 with increase of payables for purchase of intangible assets in Note 30 and Note 32, addition of property, plant and equipment in Note 15 with payables for purchase of property, plant and equipment in Note 32, there were no material non-cash investing and financing transactions for the years ended December 31, 2023 and 2022.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 36 Cash flow information (continued)

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

|                                                                          | Liabilities from financing activities |                                |                                                |                                 |                                                                | Total<br>RMB'000  |
|--------------------------------------------------------------------------|---------------------------------------|--------------------------------|------------------------------------------------|---------------------------------|----------------------------------------------------------------|-------------------|
|                                                                          | Borrowing<br>RMB'000                  | Interest<br>payable<br>RMB'000 | Liabilities<br>to fund<br>investors<br>RMB'000 | Lease<br>liabilities<br>RMB'000 | Payables for<br>purchase of<br>intangible<br>assets<br>RMB'000 |                   |
| <b>Liabilities from financing activities<br/>as of January 1, 2023</b>   | <b>23,644,002</b>                     | <b>157,830</b>                 | <b>14,859,228</b>                              | <b>2,412,128</b>                | <b>—</b>                                                       | <b>41,073,188</b> |
| Cash flows                                                               | 4,262,857                             | (177,329)                      | (1,467,129)                                    | (1,197,692)                     | (1,393,188)                                                    | 27,519            |
| Accrued interest expenses                                                | 839,025                               | 193,288                        | 405,724                                        | 83,117                          | 39,535                                                         | 1,560,689         |
| Foreign exchange adjustments                                             | 271,122                               | —                              | —                                              | —                               | —                                                              | 271,122           |
| Other non-cash movements (Note (a))                                      | (1,159,661)                           | (164,158)                      | 5,222                                          | 670,613                         | 6,512,275                                                      | 5,864,291         |
| <b>Liabilities from financing activities<br/>as of December 31, 2023</b> | <b>27,857,345</b>                     | <b>9,631</b>                   | <b>13,803,045</b>                              | <b>1,968,166</b>                | <b>5,158,622</b>                                               | <b>48,796,809</b> |
| <b>Liabilities from financing activities<br/>as of January 1, 2022</b>   | <b>26,246,840</b>                     | <b>146,651</b>                 | <b>14,892,666</b>                              | <b>3,281,154</b>                | <b>—</b>                                                       | <b>44,567,311</b> |
| Cash flows                                                               | (2,791,338)                           | (1,020,229)                    | 550,424                                        | (1,281,785)                     | —                                                              | (4,542,928)       |
| Accrued interest expenses                                                | —                                     | 1,031,408                      | (583,862)                                      | 101,484                         | —                                                              | 549,030           |
| Foreign exchange adjustments                                             | 1,738,062                             | —                              | —                                              | —                               | —                                                              | 1,738,062         |
| Other non-cash movements (Note (a))                                      | (1,549,562)                           | —                              | —                                              | 311,275                         | —                                                              | (1,238,287)       |
| <b>Liabilities from financing activities<br/>as of December 31, 2022</b> | <b>23,644,002</b>                     | <b>157,830</b>                 | <b>14,859,228</b>                              | <b>2,412,128</b>                | <b>—</b>                                                       | <b>41,073,188</b> |

Notes:

- (a) It mainly resulted from the addition of payables for purchase of intangible assets, the addition of leases and the maturity of discounted commercial bill acceptance.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

### 37 Contingencies

The Group, in the ordinary course of its business, is involved in various claims, suits, and legal proceedings that arise from time to time. Since December 2021, Xiaomi Technology India Private Limited (“**Xiaomi India**”) has been involved in various investigations and notifications initiated by relevant Indian authorities including the Income Tax Department, the Directorate of Revenue Intelligence and the Directorate of Enforcement (the “**ED**”) in relation to compliance of relevant income tax regulations, custom duties regulations as well as foreign exchange regulations, respectively.

In this connection, Xiaomi India received orders alleging that it has inappropriately deducted certain costs and expenses, including purchase costs of mobile phones and royalty fees paid to overseas third parties as well as companies within the Group. As a result, certain of its bank accounts has been attached and thereby INR45,321,947,000 (equivalent to RMB3,874,120,000) has been considered as restrictive as of December 31, 2023. The cases are currently in the hearing stages and not yet concluded.

Management assessed the aforesaid matters related to Xiaomi India, after taking into considerations of opinions from professional advisors, it is concluded that Xiaomi India has valid grounds to respond to the relevant Indian authorities. The Group, hence, has not made any provision as of December 31, 2023 pertaining to these matters.

Conclusions of legal proceedings, investigations and allegations could take a long period of time, and the Group could receive judgments or enter into settlements that may adversely affect its operating results or cash flows. Quantifying the related financial effects is not practical at this stage.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

**38 Commitments****(a) Capital commitments**

Capital expenditure contracted for at the end of the years but not yet incurred is as follows:

|                               | As of December 31, |                  |
|-------------------------------|--------------------|------------------|
|                               | 2023               | 2022             |
|                               | RMB'000            | RMB'000          |
| Property, plant and equipment | 1,068,216          | 2,366,080        |
| Intangible assets             | 5,932              | 1,165,439        |
| Investments                   | 857,726            | 882,374          |
|                               | <b>1,931,874</b>   | <b>4,413,893</b> |

**(b) Operating lease commitments**

The Group leases offices, warehouses, retail stores and servers under non-cancellable operating lease agreements. The Group has recognized right-of-use assets and lease liabilities for these leases, except for certain short-term leases, variable lease payments and leases contracted but before the commencement date as shown in the table below, see Note 17 for further information. The Group's future aggregate minimum lease payments under non-cancellable operating leases are as follows:

|                                              | As of December 31, |                  |
|----------------------------------------------|--------------------|------------------|
|                                              | 2023               | 2022             |
|                                              | RMB'000            | RMB'000          |
| Not later than 1 year                        | 278,368            | 289,127          |
| Later than 1 year and not later than 5 years | 550,153            | 681,126          |
| Later than 5 years                           | 825,079            | 855,925          |
|                                              | <b>1,653,600</b>   | <b>1,826,178</b> |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

**39 Related party transactions**

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

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

**(a) Significant transactions with related parties**

|                                             | Year ended December 31, |                   |
|---------------------------------------------|-------------------------|-------------------|
|                                             | 2023                    | 2022              |
|                                             | RMB'000                 | RMB'000           |
| <b>(i) Sales of goods and services</b>      |                         |                   |
| Associates of the Group                     | 349,954                 | 1,413,135         |
| Associates of Lei Jun                       | 47,254                  | 2,251             |
|                                             | <b>397,208</b>          | <b>1,415,386</b>  |
| <b>(ii) Purchases of goods and services</b> |                         |                   |
| Associates of the Group                     | 32,017,985              | 37,142,979        |
| Associates of Lei Jun                       | 4,891                   | 2,741             |
|                                             | <b>32,022,876</b>       | <b>37,145,720</b> |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 39 Related party transactions (continued)

## (b) Year end balances with related parties

|                                                                     | As of December 31, |           |
|---------------------------------------------------------------------|--------------------|-----------|
|                                                                     | 2023               | 2022      |
|                                                                     | RMB'000            | RMB'000   |
| <b>(i) Trade receivables from related parties</b>                   |                    |           |
| Associates of the Group                                             | 133,432            | 292,583   |
| Associates of Lei Jun                                               | 2,921              | 3,001     |
|                                                                     | <b>136,353</b>     | 295,584   |
| <b>(ii) Trade payables to related parties</b>                       |                    |           |
| Associates of the Group                                             | 9,698,412          | 7,171,035 |
| Associates of Lei Jun                                               | 2,572              | 1,767     |
|                                                                     | <b>9,700,984</b>   | 7,172,802 |
| <b>(iii) Prepayments and other receivables from related parties</b> |                    |           |
| Associates of the Group                                             | 251,536            | 454,796   |
| Associates of Lei Jun                                               | 37,478             | 71,783    |
|                                                                     | <b>289,014</b>     | 526,579   |
| <b>(iv) Other payables and accruals to related parties</b>          |                    |           |
| Associates of the Group                                             | 78,141             | 85,431    |
| Associates of Lei Jun                                               | 82,799             | 86,461    |
|                                                                     | <b>160,940</b>     | 171,892   |
| <b>(v) Advance from customers</b>                                   |                    |           |
| Associates of the Group                                             | 65,271             | 37,838    |
| Associates of Lei Jun                                               | 10,570             | 80        |
|                                                                     | <b>75,841</b>      | 37,918    |

All the balances with related parties above were unsecured, non-interest bearing and repayable within one year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 39 Related party transactions (continued)

## (c) Loans to related parties

|                                  | Year ended December 31, |          |
|----------------------------------|-------------------------|----------|
|                                  | 2023                    | 2022     |
|                                  | RMB'000                 | RMB'000  |
| <b>Loans to associates:</b>      |                         |          |
| At the beginning of the year     | 1,936                   | 1,682    |
| Loans advanced                   | 50,000                  | 80,940   |
| Loans repaid                     | (2,761)                 | (47,393) |
| Interest charged                 | 424                     | (182)    |
| Less: credit loss allowance      | 757                     | (43,616) |
| Currency translation differences | 68                      | 10,505   |
| At the end of the year           | 50,424                  | 1,936    |

## (d) Key management compensation

|                                             | Year ended December 31, |         |
|---------------------------------------------|-------------------------|---------|
|                                             | 2023                    | 2022    |
|                                             | RMB'000                 | RMB'000 |
| Salaries                                    | 20,557                  | 32,831  |
| Discretionary bonuses                       | 7,140                   | 2,477   |
| Share-based compensation                    | 384,205                 | 399,465 |
| Employer's contribution to pension schedule | 1,821                   | 1,576   |
|                                             | 413,723                 | 436,349 |

## 40 Events after the reporting period

The Company repurchased 138,100,000 Class B ordinary shares of the Company during January and February 2024. The total considerations were approximately HK\$1,857,651,730. And the shares repurchased were subsequently cancelled on March 14, 2024.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 41 Financial position and reserve movement of the Company

## (a) Financial position of the Company

|                                                     | As of December 31, |                   |
|-----------------------------------------------------|--------------------|-------------------|
|                                                     | 2023               | 2022              |
|                                                     | RMB'000            | RMB'000           |
| <b>Assets</b>                                       |                    |                   |
| <b>Non-current assets</b>                           |                    |                   |
| Property, plant and equipment                       | 60                 | 245               |
| Investment in subsidiaries                          | 41,000,871         | 36,687,166        |
| Investment accounted for using the equity method    | 426,827            | 837,433           |
| Other assets                                        | 79                 | 78                |
|                                                     | <b>41,427,837</b>  | <b>37,524,922</b> |
| <b>Current assets</b>                               |                    |                   |
| Prepayments and other receivables                   | 24,466,383         | 25,768,288        |
| Cash and cash equivalents                           | 453,104            | 228,538           |
|                                                     | <b>24,919,487</b>  | <b>25,996,826</b> |
| <b>Total assets</b>                                 | <b>66,347,324</b>  | <b>63,521,748</b> |
| <b>Equity and liabilities</b>                       |                    |                   |
| <b>Equity attributable to owners of the Company</b> |                    |                   |
| Share capital                                       | 407                | 406               |
| Reserves (Note 41(b))                               | 62,775,595         | 60,673,864        |
| <b>Total equity</b>                                 | <b>62,776,002</b>  | <b>60,674,270</b> |
| <b>Liabilities</b>                                  |                    |                   |
| <b>Current liabilities</b>                          |                    |                   |
| Other payables and accruals                         | 3,571,322          | 2,847,478         |
| <b>Total liabilities</b>                            | <b>3,571,322</b>   | <b>2,847,478</b>  |
| <b>Total equity and liabilities</b>                 | <b>66,347,324</b>  | <b>63,521,748</b> |

The balance sheet of the Company was approved by the Board of Directors on March 19, 2024 and was signed on its behalf:

Lei Jun

Lin Bin

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 41 Financial position and reserve movement of the Company (continued)

## (b) Reserve movement of the Company

|                                                                                                   | Treasury<br>shares<br>RMB'000 | Share<br>premium<br>RMB'000 | Share-based<br>compensation<br>reserve<br>RMB'000 | Currency<br>translation<br>differences<br>RMB'000 | Capital<br>reserve<br>RMB'000 | Accumulated<br>losses<br>RMB'000 | Conversion<br>option<br>RMB'000 | Others<br>RMB'000 | Total<br>RMB'000 |
|---------------------------------------------------------------------------------------------------|-------------------------------|-----------------------------|---------------------------------------------------|---------------------------------------------------|-------------------------------|----------------------------------|---------------------------------|-------------------|------------------|
| At January 1, 2023                                                                                | (190,795)                     | 59,483,288                  | 7,491,132                                         | 2,154,679                                         | 318,783                       | (10,338,813)                     | 1,764,799                       | (9,209)           | 60,673,864       |
| Loss for the year                                                                                 | —                             | —                           | —                                                 | —                                                 | —                             | (470,182)                        | —                               | —                 | (470,182)        |
| Purchase of own shares                                                                            | (1,485,385)                   | —                           | —                                                 | —                                                 | —                             | —                                | —                               | —                 | (1,485,385)      |
| Cancellation of shares                                                                            | 1,216,644                     | (1,216,642)                 | —                                                 | —                                                 | —                             | —                                | —                               | —                 | 2                |
| Release of ordinary shares from<br>Share Scheme Trust                                             | 21,245                        | 1,788,344                   | (1,805,864)                                       | —                                                 | —                             | —                                | —                               | —                 | 3,725            |
| Employees share-based<br>compensation scheme:                                                     |                               |                             |                                                   |                                                   |                               |                                  |                                 |                   |                  |
| — value of employee services<br>(Note 29)                                                         | —                             | —                           | 3,240,396                                         | —                                                 | —                             | —                                | —                               | —                 | 3,240,396        |
| — exercise of share options and<br>RSUs (Note 29)                                                 | —                             | 658,545                     | (580,578)                                         | —                                                 | —                             | —                                | —                               | —                 | 77,967           |
| Share of other comprehensive<br>income of investments<br>accounted for using the<br>equity method | —                             | —                           | —                                                 | —                                                 | —                             | —                                | —                               | 2,046             | 2,046            |
| Share of other reserves of<br>investments accounted for using<br>the equity method                | —                             | —                           | —                                                 | —                                                 | (1,157)                       | —                                | —                               | —                 | (1,157)          |
| Share consideration for acquisition<br>of Zimi completed in 2021                                  | —                             | 64,752                      | —                                                 | —                                                 | (64,752)                      | —                                | —                               | —                 | —                |
| Currency translation differences<br>(Note (a))                                                    | —                             | —                           | —                                                 | 734,319                                           | —                             | —                                | —                               | —                 | 734,319          |
| At December 31, 2023                                                                              | (438,291)                     | 60,778,287                  | 8,345,086                                         | 2,888,998                                         | 252,874                       | (10,808,995)                     | 1,764,799                       | (7,163)           | 62,775,595       |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 41 Financial position and reserve movement of the Company (continued)

## (b) Reserve movement of the Company (continued)

|                                                                                                   | Treasury<br>shares<br>RMB'000 | Share<br>premium<br>RMB'000 | Share-based<br>compensation<br>reserve<br>RMB'000 | Currency<br>translation<br>differences<br>RMB'000 | Capital<br>reserve<br>RMB'000 | Accumulated<br>losses<br>RMB'000 | Conversion<br>option<br>RMB'000 | Others<br>RMB'000 | Total<br>RMB'000 |
|---------------------------------------------------------------------------------------------------|-------------------------------|-----------------------------|---------------------------------------------------|---------------------------------------------------|-------------------------------|----------------------------------|---------------------------------|-------------------|------------------|
| <b>At January 1, 2022</b>                                                                         | (343,730)                     | 59,717,626                  | 6,797,476                                         | (1,566,437)                                       | 367,725                       | (9,725,539)                      | 1,764,799                       | (93,408)          | 56,918,512       |
| Loss for the year                                                                                 | —                             | —                           | —                                                 | —                                                 | —                             | (613,274)                        | —                               | —                 | (613,274)        |
| Purchase of own shares                                                                            | (2,386,143)                   | —                           | —                                                 | —                                                 | —                             | —                                | —                               | —                 | (2,386,143)      |
| Cancellation of shares                                                                            | 2,539,078                     | (2,539,074)                 | —                                                 | —                                                 | —                             | —                                | —                               | —                 | 4                |
| Release of ordinary shares from<br>Share Scheme Trust                                             | —                             | 1,315,868                   | (1,307,612)                                       | —                                                 | —                             | —                                | —                               | —                 | 8,256            |
| Employees share-based<br>compensation scheme:                                                     |                               |                             |                                                   |                                                   |                               |                                  |                                 |                   |                  |
| — value of employee services<br>(Note 29)                                                         | —                             | —                           | 2,794,273                                         | —                                                 | —                             | —                                | —                               | —                 | 2,794,273        |
| — exercise of share options and<br>RSUs (Note 29)                                                 | —                             | 890,469                     | (793,005)                                         | —                                                 | —                             | —                                | —                               | —                 | 97,464           |
| Share of other comprehensive<br>income of investments<br>accounted for using the<br>equity method | —                             | —                           | —                                                 | —                                                 | —                             | —                                | —                               | 84,199            | 84,199           |
| Share of other reserves of<br>investments accounted for<br>using the equity method                | —                             | —                           | —                                                 | —                                                 | 49,457                        | —                                | —                               | —                 | 49,457           |
| Share consideration for acquisition<br>of Zimi completed in 2021                                  | —                             | 98,399                      | —                                                 | —                                                 | (98,399)                      | —                                | —                               | —                 | —                |
| Currency translation differences<br>(Note (a))                                                    | —                             | —                           | —                                                 | 3,721,116                                         | —                             | —                                | —                               | —                 | 3,721,116        |
| <b>At December 31, 2022</b>                                                                       | (190,795)                     | 59,483,288                  | 7,491,132                                         | 2,154,679                                         | 318,783                       | (10,338,813)                     | 1,764,799                       | (9,209)           | 60,673,864       |

Note:

- (a) Foreign currency translation reserve represents the difference arising from the translation of the financial statements of the Company as its functional currency in US\$, different from its presentation currency as RMB.

## **APPENDIX II**

### **REPRODUCTION OF THE ANNUAL FINANCIAL STATEMENTS OF THE ISSUER AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023 AND ITS AUDITOR'S REPORT**

The information set out below is a reproduction of the annual financial statements of the Issuer as at and for the year ended 31 December 2023 and its auditor's report.



**SG Issuer**  
**Société Anonyme**

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

**As at and for the year ended 31 December 2023**

**15, Avenue Emile Reuter**  
**L-2420 Luxembourg**  
**R.C.S. Luxembourg : B121.363**

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SG Issuer S.A.

**Executive Board Members**

As at 31 December 2023

**EXECUTIVE BOARD MEMBERS**

**Chairman:**

**Mr Yves CACCLIN**

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

**Members:**

**Mr Thierry BODSON**

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

**Mr François CARALP**

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

**Mr Alexandre GALLICHE (until 13 January 2023)**

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

**Mr Julien BOUCHAT (since 13 January 2023)**

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

**Mr Pascal JACOB (until 28 April 2023)**

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

**Mr Youenn LE BRIS (since 28 April 2023)**

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

**Mr Laurent SIMONET**

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

**Mrs Estelle STEPHAN JASPARD**

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

SG Issuer S.A.

**Supervisory Board Members**

As at 31 December 2023

**SUPERVISORY BOARD MEMBERS**

**Chairman:**

**Mr Laurent WEIL**

Employee of Société Générale

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

**Vice-president:**

**Mr Olivier BLANC (until 28 April 2023)**

Employee of Société Générale Luxembourg

11, avenue Emile Reuter, L-2420 Luxembourg

**Mrs Peggy VENIANT COTTIN (since 20 June 2023)**

Employee of Société Générale Luxembourg

11, avenue Emile Reuter, L-2420 Luxembourg

**Members:**

**Mr Angelo BONETTI**

Employee of Société Générale

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

**Mr Gregory CLAUDY**

Independent Director

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

**Mr Emanuele Maiocchi**

Employee of Société Générale Luxembourg

11, avenue Emile Reuter, L-2420 Luxembourg

SG Issuer S.A.

**Audit Committee Members**

As at 31 December 2023

**AUDIT COMMITTEE MEMBERS**

**Chairman:**

**Mr Gregory CLAUDY**

Independent Director

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

**Members:**

**Mr Olivier BLANC (until 28 April 2023)**

Employee of Société Générale Luxembourg

11, avenue Emile Reuter, L-2420 Luxembourg

**Mr Emanuele MAIOCCHI**

Employee of Société Générale Luxembourg

11, avenue Emile Reuter, L-2420 Luxembourg

**Mrs Peggy VENIANT COTTIN (since 20 June 2023)**

Employee of Société Générale Luxembourg

11, avenue Emile Reuter, L-2420 Luxembourg

SG Issuer S.A.

**Management and Administration**

As at 31 December 2023

**MANAGEMENT AND ADMINISTRATION**

**Issuer**

SG Issuer  
15, Avenue Emile Reuter, L-2420 Luxembourg, Luxembourg

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

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

**Arranger and Dealer**

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

**Security Trustee and Security Agent Trustee**

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

**Collateral Custodian**

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

**Collateral Monitoring Agent**

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

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

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

**Paying Agents**

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

**Warrant Agent**

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

SG Issuer S.A.

**Legal advisers and Réviseur d'entreprises agréé**

As at 31 December 2023

**LEGAL ADVISERS AND RÉVISEUR D'ENTREPRISES AGRÉÉ**

**Legal advisers**

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

Allen & Overy LLP

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

To the Trustee as to English Law

Allen & Overy LLP

1 Bishops Square, London E1 6AD, United Kingdom

To the Arranger as to Luxembourg Law

Allen & Overy Luxembourg

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

**Independent Auditor (Réviseur d'entreprises agréé)**

Ernst & Young S.A.

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

SG Issuer S.A.

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

As at 31 December 2023

**REPORT OF THE EXECUTIVE BOARD AND CORPORATE GOVERNANCE STATEMENT**

The Directors of SG Issuer (the "Company" or "SGIS") (each a « Director », collectively the « Executive Board ») present the financial statements and the Report of the Executive Board and Corporate Governance Statement of the Company for the year ended 31 December 2023.

**1. ACTIVITIES AND REVIEW OF THE DEVELOPMENT OF THE BUSINESS**

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

Notes and Warrants issued by the Company can be sold in either Private Placements or Public Offerings. Notes are mainly Debt Securities, Bonds, Certificates. Issuing Proceeds raised by the sale of the Notes are transferred to Société Générale Paris S.A. ("Société Générale") through a Fully Funded Swap ("FFS"), which perfectly hedges SGIS for the full issue size.

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

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

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

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

The main programs for Notes are (i) the Debt Instruments Issuance Program, the Base Prospectus of which has been updated and approved by the CSSF on 31 May 2023 and (ii) the "Programme d'Emission de Titres de Créance", the Base Prospectus of which has been updated and approved by the CSSF on 12 June 2023. Similarly, the main program for Warrants is the Warrants Issuance Program, for which the last updates have been approved by the CSSF on 26 June 2023.

In addition, (i) the German law Dual Language Debt Instruments Issuance Program has been updated and approved by the CSSF on 12 June 2023 and (ii) the Dual Language Leveraged and Tracking Products Issuance Program has been updated and approved by the CSSF on 3 July 2023.

The UK Securities Issuance Program has been approved by the CSSF on 31 May 2023 and the Swiss Securities Issuance Program on 3 July 2023 by the SIX Exchange Regulation Ltd.

The newly created German Debt Instruments Issuance Program was approved by the CSSF on 9 November 2022.

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

During 2023, 16 749 new Notes were issued (among which 70 new secured Notes) and 3 226 new Warrants were issued. The net profit for the period from 1 January 2023 to 31 December 2023 amounts to KEUR 15.

The Company did not exercise any research and development activity, does not have any branch, and did not



SG Issuer S.A.

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

As at 31 December 2023

acquire any own shares.

**2. RISKS AND UNCERTAINTIES**

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

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

The legal documentation and the derivative instruments have been put in place in order to make sure that the assets match the liabilities at any time. Therefore, no market risk is supported by the Company. The risk management in relation to the Notes and Warrants is also described in Note 10 hereafter.

**3. FUTURE DEVELOPMENTS AND PERSPECTIVES**

Following the acquisition by the Société Générale Group (SG Group) of the listed warrants activities from CommerzBank, Société Générale decided to centralize the new warrants issuances into another vehicle of the SG Group. So, as expected by the Executive Board, the 2023 commission income of the Company related to Warrants issuance decreased by more than half compared to previous year. The Company however pursue specific warrants issuance activity on the Asian markets

**4. INFORMATION ON LITIGATIONS**

During the year ended 31 December 2020, SG Issuer, as the Issuer of Notes linked to the credit risk of a French corporate, and Société Générale, as the Guarantor, were brought before the Courts of Paris (alongside other French financial institutions) by end investors to obtain compensation for the financial loss they suffered on their investment in these securities. The French corporate was the subject of a "safeguard procedure", which constitutes a credit event under the terms of the Notes which had a strong impact on the value of the Notes. These investors rely on unfounded allegations according to which SG Issuer and Société Générale were aware of the difficulties of the French corporate when setting up and marketing these Notes and that in doing so, they failed to meet their regulatory obligations (to act in an honest, fair and professional manner, to provide information on the product risks and to determine the suitability of the Notes for retail investors).

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

**5. CORPORATE GOVERNANCE STATEMENT**

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

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

**5.1 Executive Board**

SG Issuer S.A.

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

As at 31 December 2023

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

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

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

Key tasks of the Executive Board:

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

### **5.2 Supervisory Board**

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

### **5.3 Audit Committee**

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

An Audit Committee of the Company took place on 24 April 2024, during which the financial statements for the year ended 31 December 2023 and the external audit results were presented. At least one member of the committee must be independent, which is the case of the Chairman of the Company's Audit Committee.

SG Issuer S.A.

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

As at 31 December 2023

### **5.4 Internal Audit**

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

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

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

### **5.5 Controls framework**

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

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

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

### **5.6 New Products Committee**

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

SG Issuer S.A.

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

As at 31 December 2023

**5.7 Service level agreements**


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

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


Luxembourg, 26 April 2024

For the Executive Board

Yves CACCLIN  
Chairman of the Executive Board

DocuSigned by:  
  
7831052D58254D9...

Thierry BODSON  
Member of the Executive Board

DocuSigned by:  
  
FA6BBE7F77A249C...

SG Issuer S.A.

**Global Statement for the financial statements**

As at 31 December 2023


**GLOBAL STATEMENT FOR THE FINANCIAL STATEMENTS**

To the best of our knowledge, the financial statements gives a true and fair view of the financial position of the Company as at 31 December 2023, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union, and the Report of the Executive Board (management report) includes a fair presentation of the development and performance of the business and the position of the Company, together with a description of the main risks and uncertainties that it faces.


Luxembourg, 26 April 2024

Executive Board Member  
For the Executive Board

Yves CACCLIN  
Chairman of the Executive Board

DocuSigned by:  
  
7831052D58254D9...

Thierry BODSON  
Member of the Executive Board

DocuSigned by:  
  
FA6BBE7F77A249C...



**Ernst & Young**  
Société anonyme

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

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L-2017 Luxembourg

R.C.S. Luxembourg B 47 771  
TVA LU 16063074

## Independent auditor's report

To the sole Shareholder of  
SG Issuer  
15, Avenue Emile Reuter  
L-2420 Luxembourg

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of SG Issuer S.A. (the "Company"), which comprise the statement of financial position as at 31 December 2023, and the statement of profit and loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

#### Basis for opinion

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

#### Key audit matters

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



## **Hedging of financial instruments issued**

### **Description**

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

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

### **How the matter was addressed in our audit**

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

We verified the intercompany reconciliation process between the Company and Société Générale S.A., and the intercompany reconciliations performed as at 31 December 2023.

For a sample of financial instruments issued by the Company as at 31 December 2023, we verified that the Company has contracted the mirror financial instruments with Société Générale S.A..

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

## **Other information**

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

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

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



### **Responsibilities of the Executive Board for the financial statements**

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

The Executive Board is also responsible for presenting the financial statements in compliance with the requirements set out in the Delegated Regulation 2019/815 on European Single Electronic Format, as amended ("ESEF Regulation").

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

### **Responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements**

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

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

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





- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Assess whether the financial statements have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.

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

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

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

#### **Report on other legal and regulatory requirements**

We have been appointed as "réviseur d'entreprises agréé" by the General Meeting of the Shareholders on 28 April 2023 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 7 years.

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

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

We have checked the compliance of the financial statements of the Company as at 31 December 2023 with relevant statutory requirements set out in the ESEF Regulation that are applicable to the financial statements. For the Company, it relates to:

- Financial statements prepared in valid xHTML format;

In our opinion, the financial statements of the Company as at 31 December 2023, identified as "SG Issuer S.A. financial statements 12312023 ESEF", have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.



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

Ernst & Young  
Société anonyme  
Cabinet de révision agréé

A handwritten signature in blue ink, appearing to be 'Dorian Rigaud', written over a horizontal line.

Dorian Rigaud

Luxembourg, 26 April 2024

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SG Issuer S.A.

**Statement of Financial Position**  
As at 31 December 2023

|                                                                    | Notes   | ('000 EUR)<br>2023 | ('000 EUR)<br>2022 |
|--------------------------------------------------------------------|---------|--------------------|--------------------|
| Cash and cash equivalents                                          | 3       | 42 010             | 36 176             |
| Financial assets at fair value through profit or loss              |         |                    |                    |
| - <i>Mandatorily measured at fair value through profit or loss</i> | 4.1     | 51 118 092         | 38 757 924         |
| - <i>Trading derivatives</i>                                       | 4.1     | 57 316             | 1 025 209          |
| Loans and receivables                                              | 5       | 50 035             | 50 023             |
| Other assets                                                       | 6       | 2 182 233          | 343 495            |
| <b>Total assets</b>                                                |         | <b>53 449 686</b>  | <b>40 212 827</b>  |
| Financial liabilities at amortized cost                            | 4.3     | 82 741             | 70 585             |
| Financial liabilities at fair value through profit or loss         |         |                    |                    |
| - <i>Designated at fair value through profit or loss</i>           | 4.2     | 51 112 066         | 38 754 129         |
| - <i>Trading derivatives</i>                                       | 4.2, 13 | 57 148             | 1 025 105          |
| Other liabilities                                                  | 6       | 2 195 502          | 360 231            |
| Tax liabilities                                                    | 7       | 13                 | 201                |
| <b>Total liabilities</b>                                           |         | <b>53 447 470</b>  | <b>40 210 251</b>  |
| Share capital                                                      | 8.1     | 2 000              | 2 000              |
| Share premium                                                      |         | -                  | -                  |
| Legal reserve                                                      | 8.2     | 200                | 200                |
| Other reserves                                                     | 8.2     | -                  | (214)              |
| Profit for the financial year                                      |         | 15                 | 590                |
| <b>Total equity</b>                                                |         | <b>2 216</b>       | <b>2 576</b>       |
| <b>Total liabilities and equity</b>                                |         | <b>53 449 686</b>  | <b>40 212 827</b>  |

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

SG Issuer S.A.

**Statement of Profit and Loss and Other Comprehensive Income**  
For the year ended 31 December 2023

|                                                                          | Notes | ('000 EUR)<br>2023 | ('000 EUR)<br>2022 |
|--------------------------------------------------------------------------|-------|--------------------|--------------------|
| Interest income                                                          | 9     | 2 685              | 248                |
| Commission income                                                        | 10    | 47 931             | 34 515             |
| <b>Total revenues</b>                                                    |       | <b>50 616</b>      | <b>34 763</b>      |
| Interest expenses                                                        | 9     | (36 384)           | (22 618)           |
| Net gain from financial instruments at fair value through profit or loss |       | (335)              | 541                |
| Personnel expenses                                                       | 11    | (303)              | (279)              |
| Other operating expenses                                                 | 12    | (13 563)           | (11 617)           |
| Cost of risk                                                             | 5     | -                  | 1                  |
| <b>Total expenses</b>                                                    |       | <b>(50 585)</b>    | <b>(33 972)</b>    |
| <b>Profit before tax</b>                                                 |       | <b>31</b>          | <b>791</b>         |
| Income tax                                                               | 7     | (16)               | (201)              |
| <b>Profit for the financial year</b>                                     |       | <b>15</b>          | <b>590</b>         |
| <b>Total comprehensive income for the financial year</b>                 |       | <b>15</b>          | <b>590</b>         |

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

## SG Issuer S.A.

## Statement of Changes in Equity

For the year ended 31 December 2023

|                                                                            | ('000 EUR)    | ('000 EUR)    | ('000 EUR)    | ('000 EUR)               | ('000 EUR)               | ('000 EUR)     | ('000 EUR)                    | ('000 EUR)   | ('000 EUR) |
|----------------------------------------------------------------------------|---------------|---------------|---------------|--------------------------|--------------------------|----------------|-------------------------------|--------------|------------|
|                                                                            | Share capital | Share premium | Legal reserve | Other available reserves | Other available reserves | Total reserves | Profit for the financial year | Total equity |            |
|                                                                            | 2 000         | -             | 200           | -                        | 1*                       | 201            | (215)                         | 1 986        |            |
| <b>As at 31 December 2021</b>                                              | <b>2 000</b>  | <b>-</b>      | <b>200</b>    | <b>-</b>                 | <b>1*</b>                | <b>201</b>     | <b>(215)</b>                  | <b>1 986</b> |            |
| Allocation of the result of the previous year before dividend distribution | -             | -             | -             | -                        | (215)                    | (215)          | 215                           | -            | -          |
| Dividend to the sole shareholder                                           | -             | -             | -             | -                        | -                        | -              | -                             | -            | -          |
| Capital increase/Allocation to the share premium account (Note 8.1)        | -             | 28 244        | -             | -                        | -                        | -              | -                             | 28 244       |            |
| Reimbursement of the share premium (Note 8.1)                              | -             | (28 244)      | -             | -                        | -                        | -              | -                             | (28 244)     |            |
| Profit for the financial year 2022                                         | -             | -             | -             | -                        | -                        | -              | 590                           | 590          |            |
| <b>As at 31 December 2022</b>                                              | <b>2 000</b>  | <b>-</b>      | <b>200</b>    | <b>-</b>                 | <b>(214)</b>             | <b>(14)</b>    | <b>590</b>                    | <b>2 576</b> |            |
| Allocation of the result of the previous year before dividend distribution | -             | -             | -             | -                        | 590                      | 590            | (590)                         | -            | -          |
| Dividend to the sole shareholder                                           | -             | -             | -             | -                        | (375)                    | (375)          | -                             | (375)        |            |
| Capital increase/Allocation to the share premium account (Note 8.1)        | -             | 22 050        | -             | -                        | -                        | -              | -                             | 22 050       |            |
| Reimbursement of the share premium (Note 8.1)                              | -             | (22 050)      | -             | -                        | -                        | -              | -                             | (22 050)     |            |
| Profit for the financial year 2023                                         | -             | -             | -             | -                        | -                        | -              | 15                            | 15           |            |
| <b>As at 31 December 2023</b>                                              | <b>2 000</b>  | <b>-</b>      | <b>200</b>    | <b>-</b>                 | <b>1</b>                 | <b>201</b>     | <b>15</b>                     | <b>2 216</b> |            |

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

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

SG Issuer S.A.

**Statement of Cash Flows**  
For the year ended 31 December 2023

|                                                                                     | Notes    | ('000 EUR)<br>2023 | ('000 EUR)<br>2022 |
|-------------------------------------------------------------------------------------|----------|--------------------|--------------------|
| <b>OPERATING ACTIVITIES</b>                                                         |          |                    |                    |
| Profit for the financial year                                                       |          | 15                 | 590                |
| Net(increase)/decrease in financial assets                                          | 4.1      | (6 280 576)        | 3 484 563          |
| Net increase/(decrease) in financial liabilities                                    | 4.2      | 6 740 308          | (3 880 733)        |
| (Increase)/decrease in other assets                                                 | 6        | (1 838 738)        | 153 772            |
| Increase/(decrease) in tax liabilities and other liabilities                        | 6, 7     | 1 834 880          | (143 376)          |
| Taxes paid                                                                          | 7        | 201                | -                  |
| <i>Non cash adjustments :</i>                                                       |          |                    |                    |
| Net change in fair value and foreign exchange difference                            | 4.1, 4.2 | (427 831)          | 413 221            |
| Change in cost of risk                                                              | 5        | 0                  | (1)                |
| <b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>                                     |          | <b>28 259</b>      | <b>28 036</b>      |
| <b>FINANCING ACTIVITIES</b>                                                         |          |                    |                    |
| Payment of capital surplus*                                                         | 8.1      | (22 050)           | (28 244)           |
| Dividend paid                                                                       |          | (375)              | -                  |
| <b>NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>                           |          | <b>(22 425)</b>    | <b>(28 244)</b>    |
| Cash and cash equivalents as at January 1 <sup>st</sup>                             | 3        | 36 176             | 36 384             |
| Net increase/(decrease) in cash and cash equivalents                                |          | 5 834              | (208)              |
| <b>Cash and cash equivalents as at December 31<sup>st</sup></b>                     |          | <b>42 010</b>      | <b>36 176</b>      |
| <b>Additional information on operational cash flows from interest and dividends</b> |          |                    |                    |
| Interest paid                                                                       |          | 24 735             | 28 492             |
| Interest received                                                                   | 9        | 2 685              | 248                |
| Dividend received                                                                   |          | -                  | -                  |

\* KEUR 22 050 for the year ended 31 December 2023 (and KEUR 28 244 for the year ended 31 December 2022) represent the share premium reimbursed by the Company to the shareholder (refer to Note 8.1).

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

SG Issuer S.A.

**Notes to the financial statements**

As at 31 December 2023

**NOTE 1 – CORPORATE INFORMATION**

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

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

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

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

The Company's capital is divided into 50 010 shares, of which 49 910 are held by SG Luxembourg and 100 are held by Société Générale.

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

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES****2.1 Basis of preparation****2.1.1 Statement of compliance**

The financial statements of the Company as at and for the year ended 31 December 2023 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and interpretations adopted by the International Accounting Standards Board ("IASB").

The financial statements as at and for the year ended 31 December 2023 were authorised for issue by the Supervisory Board on 25 April 2024.

**2.1.2 Functional and presentation currency**

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

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

SG Issuer S.A.

**Notes to the financial statements (continued)**

As at 31 December 2023

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)****2.1.3 Use of estimates and judgments**

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

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

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

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

- Fair value in the statement of financial position of financial instruments not quoted in an active market which are classified as financial assets and liabilities at fair value through profit or loss (see Notes 4.1 and 4.2);
- The analysis of the contractual cash flow characteristics of financial assets (see Note 2.3.3.1).

**2.1.4 Segment reporting**

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

**2.2 New accounting standards****2.2.1 New accounting standards applicable as at 1 January 2023****AMENDMENTS TO IAS 1 "DISCLOSURE OF ACCOUNTING POLICIES"**

The aim of these amendments is to help companies to clarify the concept of materiality of the information on accounting policies disclosed in the notes to the financial statements and the usefulness of that information to investors and financial statement users.

The Company takes into account these amendments for the preparation of its financial statements.

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



SG Issuer S.A.

**Notes to the financial statements (continued)**

As at 31 December 2023

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

**AMENDMENTS TO IAS 8 “DEFINITION OF ACCOUNTING ESTIMATES”**

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

The Company takes into account these amendments for the preparation of its financial statements.

**AMENDMENTS TO IAS 12 “INCOME TAX – DEFERRED TAX FOR ASSETS AND LIABILITIES RELATED TO THE SAME TRANSACTION”**

These amendments clarify and narrow the scope of the exemption provided by the IAS 12 standard allowing institutions to not recognise any deferred tax during the initial recognition of an asset and a liability. All leases and decommissioning obligations for which companies recognize both an asset and a liability and will now have to recognize deferred taxes are excluded from the scope of these amendments.

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

The Company does not apply IFRS 16 on its financial statements, as such, this amendment has no effect on the Company's financial statements..

**AMENDEMENTS TO IAS 12 INTERNATIONAL TAX REFORM - MODEL PILLAR RULES**

These amendments introduce a mandatory temporary exception to the recognition of deferred tax assets and liabilities relating to income taxes arising from OECD Pillar 2 rules, and apply retrospectively to fiscal years beginning on or after January 1, 2023.

The Société Générale Group has set up a project structure to identify the impact of these amendments and to comply with the new accounting requirements in line with the OECD's Pillar 2 international tax reform.

The impact of those amendments on SGIS has been considered at Société Générale Luxembourg level. To date, SGL Group does not anticipate any material impact of this reform in respect of its current tax . Because of the calculation complexity resulting from these rules, the effects of this reform are still being examined for a first application in SGL Group's consolidated accounts as at 30 June 2024.

**IFRS 17 “Insurance contracts” – Amendments to IFRS 17 published as at 25 June 2020 and Amendments to IFRS 17 and IFRS9 published as at 9 December 2021**

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

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

This amendment has no impact on the Company financial statements as the Company does not have any insurance contracts.

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

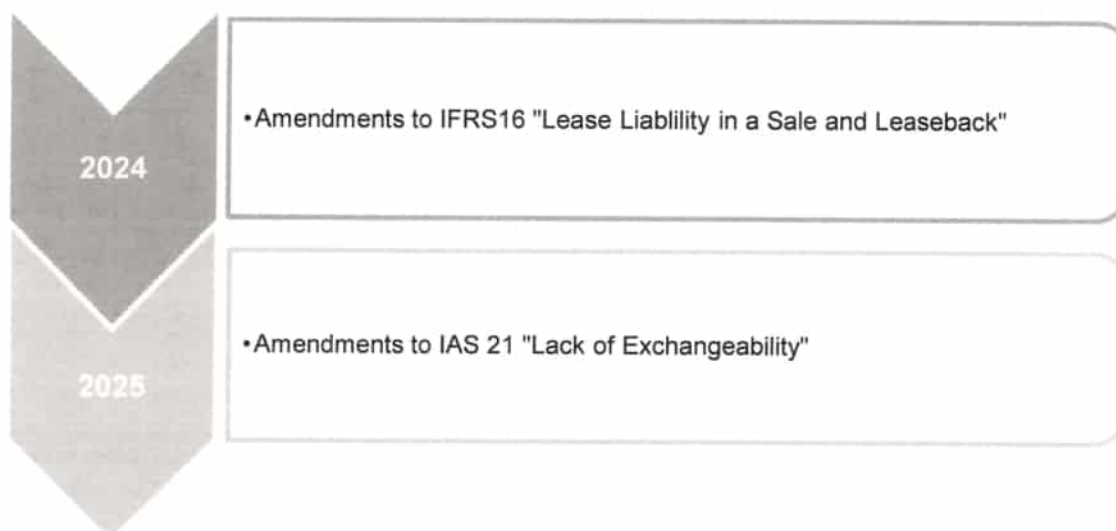
SG Issuer S.A.

**Notes to the financial statements (continued)**

As at 31 December 2023

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)****2.2.2 Accounting standards, amendments or interpretations to be applied by the Company in the future**

The IASB published accounting standards and amendments, some of which have not been adopted by the European Union as at 31 December 2023. Their application is required for the financial years beginning on or after 1 January 2024 at the earliest or on the date of their adoption by the European Union. They have thus not been applied to the Company as at 31 December 2023. These standards are expected to be applied according to the following schedule:

**AMENDMENTS TO IFRS 16 "Lease liability in a sale and leaseback"**

*Published on 22 September 2022.*

These amendments clarify the subsequent assessment of sale and leaseback transactions when the initial transfer of the property, plant or equipment meets the criteria of IFRS 15 for recognition as a sale. These amendments specify in particular how to subsequently assess the lease liability resulting from this sale and leaseback transactions, made of payments of variable leases that do not depend on an index or a rate.

This amendment has no impact on the Company financial statements as the Company does not have property, plant or equipment.

**Amendments to IFRS 21 "Lack of exchangeability"**

*Published on 15 August 2023*

These amendments specify the situations in which a currency is considered convertible, and the procedure for assessing the exchange rate of a non-convertible currency. They also detail the supplementary information to provide in the Notes to the financial statements for non-convertible currencies.

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

SG Issuer S.A.

**Notes to the financial statements (continued)**

As at 31 December 2023

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

These amendments will be consolidated in “IAS 21 — The Effects of Changes in Foreign Exchange Rates” and “IFRS 1 - First-time Adoption of International Financial Reporting Standards” in March 2024.

The impact of these amendments for the Company is currently being analysed.

**2.3 Summary of significant accounting policies****2.3.1 Foreign currency transactions**

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

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

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

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

|            | USD    | JPY      | GBP     | HKD    | CHF    |
|------------|--------|----------|---------|--------|--------|
| 31.12.2023 | 1.1050 | 156.3300 | 0.86905 | 8.6314 | 0.9260 |
| 31.12.2022 | 1.0666 | 140.6600 | 0.88693 | 8.3163 | 0.9847 |

**2.3.2 Cash and cash equivalents**

Cash and cash equivalents comprise only cash repayable on demand.

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

**2.3.3 Financial instruments****2.3.3.1 Classification of financial instruments**Classification of financial assets

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

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

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

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

SG Issuer S.A.

**Notes to the financial statements (continued)**

As at 31 December 2023

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

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

Classification of financial liabilities

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

- Financial liabilities at fair value through profit or loss:

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

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

- Financial liabilities at amortised cost:

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

**2.3.3.2 Valuation of financial instruments**Definition of fair value

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

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

Fair value hierarchy

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

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

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

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

SG Issuer S.A.

**Notes to the financial statements (continued)**

As at 31 December 2023

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

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

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

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

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

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

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

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

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

In the context of SGIS, this sales margin is not applicable and hence not recognised because there is a corresponding offsetting margin on the funded swap.

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

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

SG Issuer S.A.

**Notes to the financial statements (continued)**

As at 31 December 2023

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

The main L3 complex derivatives are:

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

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

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

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

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

- For Unsecured Notes and Fully Funded Swaps

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

- For Secured and Repack Notes

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

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

SG Issuer S.A.

**Notes to the financial statements (continued)**

As at 31 December 2023

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

The collateral assets are composed of eligible securities.

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

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

- For Warrants and Options

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

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

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

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

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

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

**Deferred margin related to main unobservable inputs**

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

**2.3.3.3 Impairments and provisions**

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

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

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

SG Issuer S.A.

**Notes to the financial statements (continued)**

As at 31 December 2023

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**Impairment and provisions for credit risk**

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

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

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

**Impairments / Reversal of impairments**

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

**2.3.3.4 Offsetting financial assets and financial liabilities**

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

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

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

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

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



SG Issuer S.A.

**Notes to the financial statements (continued)**

As at 31 December 2023

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

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

**2.3.4 Other assets and other liabilities**

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

**2.3.5 Shareholders' equity**

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

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

**2.3.6 Interest income and expense**

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

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

The effective interest rate is taken to be the rate used to net discount future cash inflows and outflows over the expected life of the instrument in order to establish the net book value of the financial asset or liability.

The calculation of this rate considers the future cash flows estimated on the basis of the contractual provisions of the financial instrument without taking account of possible future credit losses and also includes commissions paid or received between the parties where these may be assimilated to interest, directly linked transaction costs, and all types of premiums and discounts.

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

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

SG Issuer S.A.

**Notes to the financial statements (continued)**

As at 31 December 2023

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)****2.3.7 Fee income and expense**

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

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

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

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

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

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

**2.3.8 Other operating expenses**

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

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

**2.3.9 Income tax**

Income tax includes current taxes and deferred taxes:

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

**2.3.9.1 Current tax**

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

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

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

SG Issuer S.A.

**Notes to the financial statements (continued)**

As at 31 December 2023

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)****2.3.9.2 Deferred tax**

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

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

**2.3.10 Other commitments linked to secured notes**

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

The security granted under each pledge agreement is granted either in favour of:

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

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

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

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

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

SG Issuer S.A.

**Notes to the financial statements (continued)**

As at 31 December 2023

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)****2.4 Geopolitical Crises and Macroeconomic Context**

2023 was a year of cumulative uncertainties, with the war in Ukraine, the situation in the Middle-East at the very end of the year and also earlier, tensions in the banking sector in the United States of America and Europe. Monetary policies were clearly restrictive. Focusing on inflation control, central banks increased interest rates rapidly and significantly.

In the euro area:

- the slowdown in economic activity observed during the first half of 2023 continued and was accentuated during the second half of the year;
- inflation remained high in 2023; it is expected to drop down to around 3% in 2024 and fall back to the target in the mid-term.

In the U.S.A., the economy performed better than expected by most forecasters.

Warning signs point to a sharper slowdown already apparent towards the end of the year.

In this context, the Group Société Générale updated the macroeconomic scenarios chosen for the preparation of the consolidated financial statements and maintained some adjustments applied to its models.

These macroeconomic scenarios are taken into account in the credit loss measurement models including forward-looking data and are also used in tests of the recoverability of deferred tax assets.

The methodological framework defined by the Group Société Générale is applied at the level of the Company.

**NOTE 3 – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents amount to KEUR 42 010 as at 31 December 2023 (31 December 2022: KEUR 36 176) and are mainly composed of cash held with Société Générale Luxembourg and Société Générale.

As of 31 December 2023, and 2022, this caption only contained cash that was repayable on demand.

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

|                                                                         | <b>31.12.2023</b> | <b>31.12.2022</b> |
|-------------------------------------------------------------------------|-------------------|-------------------|
|                                                                         | <b>('000 EUR)</b> | <b>('000 EUR)</b> |
| <b>Financial assets at fair value through profit or loss</b>            |                   |                   |
| - Mandatorily at fair value through profit or loss (Fully Funded Swaps) | 51 118 092        | 38 757 924        |
| - Trading derivatives (Options)                                         | 57 316            | 1 025 209         |
| <b>Total</b>                                                            | <b>51 175 408</b> | <b>39 783 133</b> |

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

SG Issuer S.A.

**Notes to the financial statements (continued)**

As at 31 December 2023

**NOTE 4 – FINANCIAL INSTRUMENTS (continued)**

As at 31 December 2023, financial assets mandatorily at fair value through profit or loss (Fully Funded Swaps) amount to KEUR 51 118 092 (31 December 2022: KEUR 38 757 924) and replicate all the Notes issued by the Company (see Note 4.2). Differences between the fair value of Fully Funded Swaps and Notes arise due to late settlements.

As at 31 December 2023, Trading derivatives (Options) amount to KEUR 57 316 (31 December 2022: KEUR 1 025 209) and replicate all the Warrants issued by the Company (see Note 4.2). Differences between the fair value of Options and Warrants arise due to late settlements.

As at 31 December 2023, the impact of the offsetting of financial assets and financial liabilities (decrease in the balance sheet) is KEUR 27 385 976 for the non-sold Notes and the corresponding Fully Funded Swaps (31 December 2022: KEUR 28 592 180) and KEUR 4 020 277 for the non-sold Warrants and the corresponding Options (31 December 2022: KEUR 4 462 437) (see Note 4.2).

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

|                                                      | ('000 EUR)                                             | ('000 EUR)             | ('000 EUR)        |
|------------------------------------------------------|--------------------------------------------------------|------------------------|-------------------|
|                                                      | Mandatorily at<br>fair value through<br>profit or loss | Trading<br>derivatives | Total             |
| <b>As at 1 January 2023</b>                          | <b>38 757 924</b>                                      | <b>1 025 209</b>       | <b>39 783 133</b> |
| Acquisition                                          | 43 969 898                                             | 2 868 449              | 46 838 347        |
| Maturity/Disposal/Liquidation/Cancellation           | (38 218 082)                                           | (3 987 700)            | (42 205 782)      |
| Change in fair value and foreign exchange difference | 5 402 148                                              | (290 436)              | 5 111 712         |
| Offsetting of Assets and Liabilities (Change)        | 1 206 204                                              | 441 794                | 1 647 998         |
| <b>As at 31 December 2023</b>                        | <b>51 118 092</b>                                      | <b>57 316</b>          | <b>51 175 408</b> |
|                                                      | ('000 EUR)                                             | ('000 EUR)             | ('000 EUR)        |
|                                                      | Mandatorily at<br>fair value through<br>profit or loss | Trading<br>derivatives | Total             |
| <b>As at 1 January 2022</b>                          | <b>40 322 401</b>                                      | <b>714 838</b>         | <b>41 037 239</b> |
| Acquisition                                          | 40 385 254                                             | 35 456 241             | 75 841 495        |
| Maturity/Disposal/Liquidation/Cancellation           | (42 593 531)                                           | (36 732 528)           | (79 326 059)      |
| Change in fair value and foreign exchange difference | (5 675 247)                                            | 1 475 158              | (4 200 089)       |
| Offsetting of Assets and Liabilities (Change)        | 6 319 047                                              | 111 500                | 6 430 547         |
| <b>As at 31 December 2022</b>                        | <b>38 757 924</b>                                      | <b>1 025 209</b>       | <b>39 783 133</b> |

**4.2 Financial liabilities measured at fair value through profit or loss**

|                                                                         | 31.12.2023<br>('000 EUR) | 31.12.2022<br>('000 EUR) |
|-------------------------------------------------------------------------|--------------------------|--------------------------|
| <b>Financial liabilities at fair value through profit or loss</b>       |                          |                          |
| - Mandatorily at fair value through profit or loss (Fully Funded Swaps) | 51 112 066               | 38 754 129               |
| - Trading derivatives (Options)                                         | 57 148                   | 1 025 105                |
| <b>Total</b>                                                            | <b>51 169 214</b>        | <b>39 779 234</b>        |

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

SG Issuer S.A.

**Notes to the financial statements (continued)**

As at 31 December 2023

**NOTE 4 – FINANCIAL INSTRUMENTS (continued)**

As at 31 December 2023, the Company has issued secured and unsecured Notes for a total amount of KEUR 51 112 066 (31 December 2022: KEUR 38 754 129):

- 22 973 unsecured Notes were issued (stock) for a total amount of KEUR 51 112 066 (31 December 2022: 21 324 unsecured Notes were issued (stock) for a total amount of KEUR 34 578 193);
- 426 secured Notes were issued (stock) for a total amount of KEUR 5 865 142 (31 December 2022: 514 secured Notes were issued (stock) for a total amount of KEUR 4 171 467).

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

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

As at 31 December 2023, securities deposited at BNY Mellon Luxembourg as collateral for secured issuances amount to KEUR 5 865 142 (31 December 2022: KEUR 5 280 150).

As at 31 December 2023, the Company also issued Warrants for a total amount of KEUR 57 148 (31 December 2022: KEUR 1 025 105). Refer to Note 13 for further details on Off-balance sheet items related to the Warrants activity.

As at 31 December 2023, the impact of the offsetting of financial assets and financial liabilities (decrease in the balance sheet) is KEUR 27 385 976 for the non-sold Notes and the corresponding Fully Funded Swaps (31 December 2022: KEUR 28 592 180) and KEUR 4 020 587 for the non-sold Warrants and the corresponding Options (31 December 2022: KEUR 4 462 437) (see Note 4.1).

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

|                                                      | ('000 EUR)<br>Designated at fair<br>value through<br>profit or loss | ('000 EUR)<br>Trading<br>derivatives | ('000 EUR)<br>Total |
|------------------------------------------------------|---------------------------------------------------------------------|--------------------------------------|---------------------|
| <b>As at 1 January 2023</b>                          | <b>38 754 129</b>                                                   | <b>1 025 105</b>                     | <b>39 779 234</b>   |
| Acquisition                                          | 43 969 897                                                          | 2 868 449                            | 46 838 346          |
| Cancelled/Liquidation/Maturity Disposal              | (37 792 481)                                                        | (3 987 700)                          | (41 780 181)        |
| Change in fair value and foreign exchange difference | 4 974 318                                                           | (290 437)                            | 4 683 881           |
| Offsetting of Assets and Liabilities (Change)        | 1 206 203                                                           | 441 731                              | 1 647 934           |
| <b>As at 31 December 2023</b>                        | <b>51 112 066</b>                                                   | <b>57 148</b>                        | <b>51 169 214</b>   |

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

SG Issuer S.A.

**Notes to the financial statements (continued)**

As at 31 December 2023

**NOTE 4 – FINANCIAL INSTRUMENTS (continued)**

|                                                      | ('000 EUR)                                            | ('000 EUR)             | ('000 EUR)        |
|------------------------------------------------------|-------------------------------------------------------|------------------------|-------------------|
|                                                      | Designated at fair<br>value through<br>profit or loss | Trading<br>derivatives | Total             |
| <b>As at 1 January 2022</b>                          | <b>40 323 850</b>                                     | <b>714 854</b>         | <b>41 038 704</b> |
| Acquisition                                          | 40 391 104                                            | 35 350 594             | 75 741 697        |
| Cancelled/Liquidation/Maturity Disposal              | (42 594 180)                                          | (37 050 667)           | (79 644 846)      |
| Change in fair value and foreign exchange difference | (5 685 692)                                           | 1 898 824              | (3 786 868)       |
| Offsetting of Assets and Liabilities (Change)        | 6 319 047                                             | 111 500                | 6 430 547         |
| <b>As at 31 December 2022</b>                        | <b>38 754 129</b>                                     | <b>1 025 105</b>       | <b>39 779 234</b> |

**4.3 Financial liabilities measured at amortised cost**

As at 31 December 2023 and 2022, financial liabilities at amortised cost are mainly composed of a convertible bond of KEUR 48 000, issued by the Company and fully subscribed by Société Générale Luxembourg, with maturity in 2024. Conversion may occur each year.

On this convertible bond, the Company pays to Société Générale Luxembourg both variable interests calculated on Euribor 3M plus a margin of 0.34% (total rate of 4.304% as at 31 December 2023) and activity related interests. Activity related interests means an amount equal to 100% of the activity related profit generated by the Company.

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

As at 31 December 2023, the Company also has amounts due to banks related to the Company's overdrafts current accounts for KEUR 7 (31 December 2022: KEUR 517).

**NOTE 5 – LOANS AND RECEIVABLES**

As at 31 December 2023 and 2022, loans and receivables only consist in deposits with Société Générale Luxembourg, which represent the reinvestment of the Company's share capital, reserves and other available funds.

As at 31 December 2022, expected credit losses calculated on loans and receivables in accordance with IFRS 9 amounted to KEUR 1. As at 31 December 2023, the diminution of the expected credit losses resulted in a reversal of the IFRS9 impairment amounting to KEUR 0, as presented in the Caption reversal of Cost of Risk in the Statements of Profit and Loss.

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

SG Issuer S.A.

**Notes to the financial statements (continued)**

As at 31 December 2023

**NOTE 6 – OTHER ASSETS AND OTHER LIABILITIES**

As at 31 December 2023 and 2022, other assets and other liabilities are composed of settlement accounts, as presented below:

|                                                | ('000 EUR)<br>31.12.2023 | ('000 EUR)<br>31.12.2022 |
|------------------------------------------------|--------------------------|--------------------------|
| Settlement accounts on securities transactions | 1 926 198                | 159 410                  |
| Miscellaneous receivables                      | 256 035                  | 184 085                  |
| <b>Total other assets</b>                      | <b>2 182 233</b>         | <b>343 495</b>           |
|                                                | ('000 EUR)<br>31.12.2023 | ('000 EUR)<br>31.12.2022 |
| Settlement accounts on securities transactions | 1 931 936                | 164 000                  |
| Deferred income                                | 5 218                    | 2 950                    |
| Miscellaneous payables                         | 258 347                  | 193 281                  |
| <b>Total other liabilities</b>                 | <b>2 195 502</b>         | <b>360 231</b>           |

Miscellaneous payables and receivables mainly consist of premium payables on Warrants and receivables on financial instruments replicating the Warrants issued.

**NOTE 7 – TAXATION**

The Company is liable for all taxes applicable to Luxembourg commercial companies.

Since 2007, the Company has been part of a tax integration group led by SG Luxembourg, as authorised by the article 164 bis LIR and has concluded a Tax Sharing Agreement (the "Agreement") with SG Luxembourg. Under the Agreement, the Company pays to SG Luxembourg, with respect to each financial year, an amount equal to the tax which would be levied on the profits of the Company in the absence of any tax consolidation with the Parent.

The rate of current tax applied as of 31 December 2023 is 22.95 % (31 December 2022: 24.94%). The current tax rate includes the corporate tax and the municipal tax.

For the year ended 31 December 2023, tax expenses amount to KEUR 16 (31 December 2022: KEUR 201).

**NOTE 8 – SHAREHOLDERS' EQUITY****8.1 Share capital and share premium**

On 30 November 2020, 100 shares were sold by SG Luxembourg to Société Générale for a total amount of EUR 4 000. SG Luxembourg still held 49 907 shares amounting to EUR 1 996 280 for which it waived its entire voting rights. As at 31 December 2021, the subscribed and fully paid share capital amounted to EUR 2 000 320, divided into 50 008 shares with nominal value of EUR 40 each.

By resolution adopted on 14 January 2022, the Executive Board decided to increase the capital of the Company from EUR 2 000 320 to EUR 2 000 360 by the issue of a new share with a nominal value of EUR 40, subscribed by SG Luxembourg. In the context of the capital increase, the 2021 activity related interests amounting to KEUR 28 244 have been allocated to the Share premium. It was then paid to the shareholders in June 2022.

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



SG Issuer S.A.

**Notes to the financial statements (continued)**

As at 31 December 2023

**NOTE 8 – SHAREHOLDERS' EQUITY (continued)**

As at 31 December 2023, the subscribed and fully paid share capital is EUR 2 000 400, divided into 50 010 shares with nominal value of EUR 40 each.

The Company manages its capital to ensure it will be able to continue as a going concern. The capital amount may be increased, subject to the approval of the Shareholders, if the Company's activity evolves, incurring specific additional risks.

**8.2 Reserves****8.2.1 Legal reserve**

In accordance with the Luxembourg law, the Company is required to allocate a minimum of 5% of its annual net profit to a Legal reserve until this reserve equals 10% of the subscribed share capital. This reserve may not be distributed.

As at 31 December 2023 and 2022, the legal reserve amounts to KEUR 200.

**8.2.2 Other reserves**

Since 2013, the Company is fiscally integrated in its parent company Société Générale Luxembourg. Société Générale Luxembourg constitutes the Net Wealth Tax reserve for the Company. As a consequence, no additional Net Wealth Tax reserve has been constituted by the Company since 2013.

As at 31 December 2023, the amount of other reserves amounts is KEUR 0 (31 December 2022: KEUR (214) ) and is mainly composed of the profit brought forward of KEUR 590 generated during the year ending as at 31 December 2022.

**NOTE 9 – INTEREST INCOME AND EXPENSES**

|                                                                         | ('000 EUR)<br>31.12.2023 | ('000 EUR)<br>31.12.2022 |
|-------------------------------------------------------------------------|--------------------------|--------------------------|
| Interest income on cash and cash equivalents                            | 940                      | 203                      |
| Interest income on loans and receivables                                | 1 745                    | 45                       |
| <b>Total interest income</b>                                            | <b>2 685</b>             | <b>248</b>               |
| Interest expenses on financial liabilities at amortized cost (note 4.3) | (36 063)                 | (22 235)                 |
| Interest expenses on financial liabilities at fair value                | (321)                    | (383)                    |
| <b>Total interest expenses</b>                                          | <b>(36 384)</b>          | <b>(22 618)</b>          |
| <b>Net interest margin</b>                                              | <b>(33 699)</b>          | <b>(22 370)</b>          |

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

SG Issuer S.A.

**Notes to the financial statements (continued)**

As at 31 December 2023

**NOTE 10 – COMMISSION INCOME**

Commission income can be broken down as follows:

|                               | ('000 EUR)<br>31.12.2023 | ('000 EUR)<br>31.12.2022 |
|-------------------------------|--------------------------|--------------------------|
| Issuing upfront fees on Notes | 42 133                   | 27 048                   |
| Servicing fees on Notes       | 5 089                    | 6 728                    |
| Commission on Warrants        | 709                      | 739                      |
| <b>Commission income</b>      | <b>47 931</b>            | <b>34 515</b>            |

As at 31 December 2023, KEUR 5 218 are retained as deferred income under the caption "other liabilities" (2022: KEUR 2 950) (cf. Note 6).

**NOTE 11 – PERSONNEL EXPENSES**

|                                     | ('000 EUR)<br>31.12.2023 | ('000 EUR)<br>31.12.2022 |
|-------------------------------------|--------------------------|--------------------------|
| Wages and salaries                  | (252)                    | (234)                    |
| Social charges and associated costs | (26)                     | (29)                     |
| Pension related costs               | (25)                     | (16)                     |
| <b>Total</b>                        | <b>(303)</b>             | <b>(279)</b>             |

The Company had 3 full-time equivalents during the year ended 31 December 2023 (2022: 3).

The annual cost of pension is calculated and invoiced by Société Générale Luxembourg, based on SG Luxembourg's group total cost of pensions and according to the number of the Company's full time equivalent employees.

**NOTE 12 – OTHER OPERATING EXPENSES**

|                         | ('000 EUR)<br>31.12.2023 | ('000 EUR)<br>31.12.2022 |
|-------------------------|--------------------------|--------------------------|
| Issuance fees           | (11 109)                 | (9 536)                  |
| Other operating charges | (2 454)                  | (2 081)                  |
| <b>Total</b>            | <b>(13 563)</b>          | <b>(11 617)</b>          |

Issues fees mainly consist of listing fees, collateral monitoring agent fees, maintenance of registers fees and trading fees.

Other operating charges are mainly composed of operating costs related to the Company (including audit fees) as well as activities outsourced to Société Générale S.A. and Société Générale Luxembourg.

Remuneration of the Réviseur d'entreprises agréé

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

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**Notes to the financial statements (continued)**

As at 31 December 2023

**NOTE 12 – OTHER OPERATING EXPENSES (continued)**

The fees paid by the Company to its Réviseur d'entreprises agréé were as follows:

|                                             | ('000 EUR)<br>31.12.2023 | ('000 EUR)<br>31.12.2022 |
|---------------------------------------------|--------------------------|--------------------------|
| Statutory audit of the financial statements | 194                      | 210                      |
| Other assurance services                    | 39                       | 42                       |
| <b>Total</b>                                | <b>233</b>               | <b>252</b>               |

**NOTE 13 – OFF-BALANCE SHEET**

As at 31 December 2023, financial instruments to be issued (engagement taken before 31 December 2023 with value date after 31 December 2023) amount to KEUR 4 721 740 (31 December 2022: KEUR 3 383 129).

All the Warrants issued are fully hedged by concluding identically equipped OTC options with Société Générale.

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**Notes to the financial statements (continued)**

As at 31 December 2023

**NOTE 13 – OFF-BALANCE SHEET (continued)****Warrants issuance summary**

The Warrants issued as at 31 December 2023 and 2022 break down as follows:

| Warrant Type             | Category of Underlying | Type of Underlying | Option Type | 31 December 2023 |                     | 31 December 2022 |                     |
|--------------------------|------------------------|--------------------|-------------|------------------|---------------------|------------------|---------------------|
|                          |                        |                    |             | Quantity         | Notional ('000 EUR) | Quantity         | Notional ('000 EUR) |
| Basket warrant           | Basket                 | Index              | Call        | -                | -                   | -                | -                   |
| Commodity Future Warrant | Future                 | Mutual Fund        | Put         | -                | -                   | -                | -                   |
|                          |                        | Commodity Future   | Call        | -                | -                   | -                | -                   |
|                          |                        |                    | Put         | -                | -                   | 1                | 10 501              |
|                          |                        | Bruts              | Call        | -                | -                   | 6                | 502 194             |
|                          |                        | Index              | Call        | -                | -                   | -                | -                   |
| Commodity Warrant        | Commodity              | Mutual Fund        | Call        | -                | -                   | -                | -                   |
|                          |                        |                    | Put         | -                | -                   | -                | -                   |
|                          |                        | Precious metals    | Call        | -                | -                   | -                | -                   |
|                          |                        |                    | Put         | -                | -                   | -                | -                   |
|                          |                        | Future Contract    | Call        | -                | -                   | -                | -                   |
| Currency Warrant         | Currency               | Currency           | Call        | 42               | 317 609             | -                | -                   |
|                          |                        |                    | Put         | 47               | 271 723             | -                | -                   |
|                          |                        | American           | Call        | -                | -                   | -                | -                   |
|                          |                        | Depository Receipt | Put         | -                | -                   | -                | -                   |
|                          |                        | Mutual Fund        | Call        | 2                | 102 479             | 1                | 74 186              |
|                          |                        | Ordinary Share     | Call        | 522              | 9 474 493           | 11 691           | 269 708             |
|                          |                        |                    | Put         | 250              | 2 437 384           | 3 412            | 4 466 777           |
|                          | Equity                 | Own Share          | Call        | -                | -                   | -                | -                   |
|                          |                        |                    | Put         | -                | -                   | -                | -                   |
|                          |                        | Preference         | Call        | -                | -                   | -                | -                   |
|                          |                        |                    | Put         | -                | -                   | -                | -                   |
|                          |                        | REIT               | Call        | -                | -                   | -                | -                   |
|                          |                        | Mutual Fund        | Put         | 1                | 30 883              | 1                | 32 817              |
|                          | Fund                   |                    |             | -                | -                   | -                | -                   |

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

SG Issuer S.A.

## Notes to the financial statements (continued)

As at 31 December 2023

## NOTE 13 – OFF-BALANCE SHEET (continued)

| Warrant Type                 | Category of Underlying | Type of Underlying | Option Type | 31 December 2023 |                     | 31 December 2022 |                     |                       |                       |
|------------------------------|------------------------|--------------------|-------------|------------------|---------------------|------------------|---------------------|-----------------------|-----------------------|
|                              |                        |                    |             | Quantity         | Notional ('000 EUR) | Quantity         | Notional ('000 EUR) | Fair Value ('000 EUR) | Fair Value ('000 EUR) |
| Real Estate Investment Trust | REIT                   | REIT               | Call        | -                | -                   | -                | -                   | -                     | -                     |
| Funds                        | Fund                   | Fund               | Put         | -                | -                   | -                | -                   | -                     | -                     |
|                              |                        |                    | Call        | 9                | 37 467              | -                | -                   | -                     | -                     |
|                              |                        | Mutual Fund        | Call        | 2                | 22 274              | -                | -                   | -                     | -                     |
|                              | Equity                 | Ordinary Share     | Call        | 63               | 549 667             | -                | -                   | -                     | -                     |
|                              |                        |                    | Put         | 51               | 430 787             | -                | -                   | -                     | -                     |
| Index Warrant                | Fund                   | Equity Fund        | Call        | 1                | -                   | -                | -                   | -                     | -                     |
|                              |                        |                    | Call        | 1                | -                   | -                | -                   | -                     | -                     |
|                              | Index                  | Index              | Call        | 365              | 11 165 363          | 417              | 13 301 522          | 531 574               | -                     |
|                              |                        |                    | Put         | 337              | 13 234 333          | 250              | 9 706 138           | 69 953                | -                     |
| Fund Warrant                 | Fund                   | Mutual Fund        | Call        | -                | -                   | 5                | 165 377             | 12                    | -                     |
|                              |                        |                    | Put         | -                | -                   | -                | -                   | -                     | -                     |
|                              |                        | Fund               | Call        | 1                | -                   | 16               | 194 050             | 4 834                 | -                     |
| <b>Total Call</b>            |                        |                    |             | <b>1 008</b>     | <b>21 669 353</b>   | <b>1 252</b>     | <b>21 525 553</b>   | <b>806 335</b>        |                       |
| <b>Total Put</b>             |                        |                    |             | <b>686</b>       | <b>16 405 110</b>   | <b>592</b>       | <b>14 183 416</b>   | <b>218 770</b>        |                       |
| <b>Total Warrants</b>        |                        |                    |             | <b>1 694</b>     | <b>38 074 464</b>   | <b>1 844</b>     | <b>35 708 969</b>   | <b>1 025 105</b>      |                       |

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

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**Notes to the financial statements (continued)**

As at 31 December 2023

**NOTE 14 – RISK MANAGEMENT**

The Company and several of its service providers are subsidiaries of the Société Générale Group and therefore benefit from Société Générale's internal control systems.

**14.1 Market risk**

Market risk is the risk that changes in market prices, such as interest rates, securities prices, and foreign exchange rates will affect the Company's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

The Company issues Notes and Warrants. The Notes are systematically hedged with FFS concluded with Société Générale, with strictly identical characteristics. In the same way, the Warrants issued are hedged with Options concluded with Société Générale, with strictly identical characteristics.

The risks associated with the investment in the Notes and Warrants depend on several factors. Such factors vary depending on the characteristics of the Notes and Warrants issued, in particular depending on the underlying, the maturity of the Notes, the Secured / Unsecured status of the Notes, the interest rates incurred, the volatility of the underlying, etc.

The main risks in relation to investments in Notes and Warrants issued by the Company are described in the Base Prospectus under the section "Risk Factor".

Because of its structure (perfect match between the assets and the liabilities), the impact of an immediate change of a market parameter would have no consequence on the net profit of the Company.

The Company is also exposed to structural interest rate risk, namely through the following transactions: reinvestment of available equity by participating interests or loans to the Company's treasury (SG Luxembourg) with hedged interest rate risk. The structural interest rate risk is monitored via the sensitivity of the economic value of the positions measured through modified duration.

Modified duration is calculated based on the change in the net present value of positions subsequent to a 1% change in the rate curve. Exposure monitoring is based on the determination of modified duration over the short (up to one year), medium (one to five years) and long (more than five years) term.

**14.2 Credit risk**

Credit risk is the risk that a third party will not be able to meet its contractual obligation.

The Company only contracts financial instruments with SG Luxembourg and Société Générale. Therefore, the credit risk of the Company is limited to the credit risk on SG Luxembourg and Société Générale. Should this situation evolve, specific limits would be proposed to limit the credit risk incurred.

As at 31 December 2023 and 2022, no financial assets were past due nor impaired.

All the Notes and Warrants issued by the Company benefit from a guarantee provided by Société Générale, meaning that payments in respect of the instruments issued by the Company are unconditionally and irrevocably guaranteed by Société Générale (the Guarantor).

As at 31 December 2023, the rating of Société Générale is A from Standard & Poor's and A1 from Moody's.

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

SG Issuer S.A.

**Notes to the financial statements (continued)**

As at 31 December 2023

**NOTE 14 – RISK MANAGEMENT (continued)****14.3 Interest rate risk**

Interest rate risk is the risk that changes in market interest rates may adversely affect the value of the assets and liabilities of the Company. Due to the financial instruments contracted by the Company with Société Générale to hedge the financial instruments issued, the Company is not significantly exposed to interest rate risk.

**14.4 Liquidity risk**

Liquidity risk is the risk that the Company may be unable to meet the payment obligations associated with its financial liabilities when they fall due.

The Company does not face any material liquidity risk thanks to the perfect replication between the contractual obligations of:

- The financial instruments issued by the Company; and
- The financial assets replicating the financial instruments issued by the Company.

**Analysis per remaining contractual maturities**

As at 31 December 2023, analysis per remaining contractual maturities is as follows:

| <b>31.12.2023 - EUR' 000</b>                                      | <b>&lt; 3 months</b> | <b>From 3 months to 1 year</b> | <b>From 1 to 5 years</b> | <b>&gt; 5 years</b> | <b>Without fixed maturity</b> | <b>Total</b>      |
|-------------------------------------------------------------------|----------------------|--------------------------------|--------------------------|---------------------|-------------------------------|-------------------|
| Cash and cash equivalents                                         | 42 010               | -                              | -                        | -                   | -                             | 42 010            |
| <b>Financial assets at fair value through profit or loss</b>      |                      |                                |                          |                     |                               |                   |
| - <i>Mandatorily at fair value through profit or loss</i>         | 4 125 291            | 6 937 558                      | 19 617 291               | 20 437 952          | -                             | 51 118 092        |
| - <i>Trading derivatives</i>                                      | 7 211                | 25 313                         | 24 793                   | -                   | -                             | 57 316            |
| Loans and receivables                                             | 48 035               | 200                            | 800                      | 1 000               | -                             | 50 035            |
| Other assets                                                      | 2 182 233            | -                              | -                        | -                   | -                             | 2 182 233         |
| <b>Total assets</b>                                               | <b>6 404 779</b>     | <b>6 963 071</b>               | <b>19 642 884</b>        | <b>20 438 952</b>   | <b>-</b>                      | <b>53 449 686</b> |
| <b>Financial liabilities at amortised cost</b>                    | <b>331</b>           | <b>82 410</b>                  | <b>-</b>                 | <b>-</b>            | <b>-</b>                      | <b>82 741</b>     |
| <b>Financial liabilities at fair value through profit or loss</b> |                      |                                |                          |                     |                               |                   |
| - <i>Designated at fair value through profit or loss</i>          | 4 129 857            | 6 936 107                      | 19 615 243               | 20 430 859          | -                             | 51 112 066        |
| - <i>Trading derivatives</i>                                      | 6 902                | 25 246                         | 25 000                   | -                   | -                             | 57 148            |
| Other liabilities                                                 | 2 195 502            | -                              | -                        | -                   | -                             | 2 195 501         |
| Tax liabilities                                                   | 13                   | -                              | -                        | -                   | -                             | 13                |
| <b>Total liabilities</b>                                          | <b>6 332 604</b>     | <b>7 043 763</b>               | <b>19 640 244</b>        | <b>20 430 859</b>   | <b>-</b>                      | <b>53 447 470</b> |

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

SG Issuer S.A.

**Notes to the financial statements (continued)**

As at 31 December 2023

**NOTE 14 – RISK MANAGEMENT (continued)**

As at 31 December 2022 analysis per remaining contractual maturities is as follows:

| 31.12.2022 - EUR' 000                                             | < 3 months       | From 3 months to 1 year | From 1 to 5 years | > 5 years         | Without fixed maturity | Total             |
|-------------------------------------------------------------------|------------------|-------------------------|-------------------|-------------------|------------------------|-------------------|
| Cash and cash equivalents                                         | 36 176           | -                       | -                 | -                 | -                      | 36 176            |
| <b>Financial assets at fair value through profit or loss</b>      |                  |                         |                   |                   |                        |                   |
| - <i>Mandatorily at fair value through profit or loss</i>         | 3 359 065        | 5 269 282               | 16 320 598        | 13 808 979        | -                      | 38 757 924        |
| - <i>Trading derivatives</i>                                      | 441 726          | 357 417                 | 226 066           | -                 | -                      | 1 025 209         |
| Loans and receivables                                             | 48 023           | 200                     | 800               | 1 000             | -                      | 50 023            |
| Other assets                                                      | 343 495          | -                       | -                 | -                 | -                      | 343 495           |
| <b>Total assets</b>                                               | <b>4 228 485</b> | <b>5 626 899</b>        | <b>16 547 464</b> | <b>13 809 979</b> | <b>-</b>               | <b>40 212 827</b> |
| <b>Financial liabilities at amortised cost</b>                    | 517              | 70 068                  | -                 | -                 | -                      | 70 585            |
| <b>Financial liabilities at fair value through profit or loss</b> |                  |                         |                   |                   |                        |                   |
| - <i>Designated at fair value through profit or loss</i>          | 3 360 079        | 5 220 409               | 16 334 968        | 13 838 673        | -                      | 38 754 129        |
| - <i>Trading derivatives</i>                                      | 441 621          | 357 417                 | 226 067           | -                 | -                      | 1 025 105         |
| Other liabilities                                                 | 360 231          | -                       | -                 | -                 | -                      | 360 231           |
| Tax liabilities                                                   | -                | 201                     | -                 | -                 | -                      | 201               |
| <b>Total liabilities</b>                                          | <b>4 162 448</b> | <b>5 648 095</b>        | <b>16 561 035</b> | <b>13 838 673</b> | <b>-</b>               | <b>40 210 251</b> |

**14.5 Fair Value measurement**

According to the fair value hierarchy established by IFRS 13, Level 3 (L3) comprises products valued using inputs that are not based on observable market data (referred to as unobservable inputs).

For these products, fair value is determined using models based on valuation techniques commonly used by market participants to measure financial instruments, such as discounted future cash flows for Notes or the Black & Scholes formula for certain options and using valuation parameters that reflect current market conditions as at the statement of financial position date. These valuation models are validated independently by the experts from the Market Risk Department of the Group's Risk Division.

Furthermore, the parameters used in the valuation models, whether derived from observable market data or not, are checked by the Finance Division of Société Générale, in accordance with the methodologies defined by the Market Risk Department.

The Notes and the related FFS are classified as Level 3 when the valuation of the associated embedded derivatives (underlying of the Notes) is also based on unobservable market data.

On each element of an identified list of unobservable parameters, it comes to determining the uncertainty of marking, and cross sensitivities with this uncertainty for a confidence interval of the value of the positions.

In parallel, marking the levels of each of these parameters is collected and reported in the Note.

The methods for determining the level of uncertainty, as well as calculating the confidence interval from sensitivities depend on each parameter.

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



SG Issuer S.A.

**Notes to the financial statements (continued)**

As at 31 December 2023

**NOTE 14 – RISK MANAGEMENT (continued)**

Transfers from Level 2 to Level 3 are determined at the end of each month and occur in case of a modification within a parameter (e.g. no longer linked to the deal, modification of the observability rule of the parameter)

Estimates of Level 3 instruments and other most significant unobservable inputs as at 31 December 2023 (by type of underlyings):

| Type of underlyings | Assets         |                            | Main products                                                                                                | Valuation techniques used                                                | Significant unobservable inputs                    | Range of unobservable inputs Min & Max |
|---------------------|----------------|----------------------------|--------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------|----------------------------------------------------|----------------------------------------|
|                     | In million EUR | Liabilities In million EUR |                                                                                                              |                                                                          |                                                    |                                        |
| Equity / funds      | 17 159         | 17 154                     | Simple and complex derivatives on funds, equities or baskets on stocks                                       | Various option models on funds, equities or baskets on stocks            | Equity volatilities                                | [1.0% ; 623.3%]                        |
|                     |                |                            |                                                                                                              |                                                                          | Equity dividends                                   | [0.0% ; 16.0%]                         |
|                     |                |                            |                                                                                                              |                                                                          | Unobservable correlations                          | [-80.1% ; 99.9 %]                      |
|                     |                |                            |                                                                                                              |                                                                          | Hedge funds volatilities                           | [7.6% ; 7.6%]                          |
|                     |                |                            |                                                                                                              |                                                                          | Mutual funds volatilities                          | [1.7% ; 26.8%]                         |
| Rates and Forex     | 5 913          | 5 913                      | Hybrid forex / interest rate or credit / interest rate derivatives                                           | Hybrid forex interest rate or credit interest rate option pricing models | Correlations                                       | [-80.00% ; 85.0%]                      |
|                     |                |                            | Forex derivatives                                                                                            | Forex option pricing models                                              | Forex volatilities                                 | [1.0% ; 31.0%]                         |
|                     |                |                            | Interest rate derivatives whose notional is indexed on the prepayment behaviour on European collateral pools | Prepayment modeling                                                      | Constant prepayment rates                          | [0.0% ; 20.0%]                         |
|                     |                |                            | Inflation instruments and derivatives                                                                        | Inflation pricing models                                                 | Inflation/ inflation correlations                  | [72.0% ; 90.0%]                        |
| Credit              | 3 901          | 3 901                      | Collateralized Debt Obligations and index tranches                                                           | Recovery and base correlation projection models                          | Time to default correlations                       | [0% ; 100%]                            |
|                     |                |                            | Other credit derivatives                                                                                     | Credit default models                                                    | Recovery rate variance for single name underlyings | [0% ; 100%]                            |
|                     |                |                            |                                                                                                              |                                                                          | Time to default correlations                       | [0% ; 100%]                            |
|                     |                |                            |                                                                                                              |                                                                          | Quanto correlations                                | [0% ; 100%]                            |
| Commodity           | -              | -                          | Derivatives on commodities baskets                                                                           | Option models on commodities                                             | Unobservable credit spreads                        | [0.0 bps ; 82.4 bps]                   |
|                     |                |                            |                                                                                                              |                                                                          | Commodities correlations                           | 0                                      |
| <b>Total</b>        | <b>26 973</b>  | <b>26 968</b>              |                                                                                                              |                                                                          |                                                    |                                        |

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

SG Issuer S.A.

**Notes to the financial statements (continued)**

As at 31 December 2023

**NOTE 14 – RISK MANAGEMENT (continued)**

Unobservable inputs add a degree of uncertainty in the valuation of Level 3 instruments. However, by its very nature, and considering mirror transactions are concluded with Société Générale to hedge the financial liabilities issued by the Company, the Company has no market risk exposure. The impact of an immediate change in an unobservable parameter would have no consequence on the net profit or net equity of the Company. Moreover, changes in an unobservable parameter would have by underlying a minor effect on both assets and liabilities.

The fair values together with the carrying amounts shown in the statement of financial position are as follows:

| <b>31.12.2023 – EUR' 000</b>                                      | <b>Carrying amount</b> | <b>Fair value</b> |
|-------------------------------------------------------------------|------------------------|-------------------|
| Cash and cash equivalents                                         | 42 010                 | 42 010            |
| <b>Financial assets at fair value through profit or loss</b>      |                        |                   |
| - <i>Mandatorily at fair value through profit or loss</i>         | 51 118 092             | 51 118 092        |
| - <i>Trading derivatives</i>                                      | 57 316                 | 57 316            |
| Loans and receivables *                                           | 50 035                 | 49 915            |
| Other assets                                                      | 2 182 233              | 2 182 233         |
| <b>Total assets</b>                                               | <b>53 449 686</b>      | <b>53 449 566</b> |
| <b>Financial liabilities at amortised cost *</b>                  | 82 741                 | 82 744            |
| <b>Financial liabilities at fair value through profit or loss</b> |                        |                   |
| - <i>Designated at fair value through profit or loss</i>          | 51 112 066             | 51 112 066        |
| - <i>Trading derivatives</i>                                      | 57 148                 | 57 148            |
| Other liabilities                                                 | 2 195 501              | 2 195 501         |
| Tax liabilities                                                   | 13                     | 13                |
| <b>Total liabilities</b>                                          | <b>53 447 470</b>      | <b>53 447 473</b> |
| <b>31.12.2022 - EUR' 000</b>                                      | <b>Carrying amount</b> | <b>Fair value</b> |
| Cash and cash equivalents                                         | 36 176                 | 36 176            |
| <b>Financial assets at fair value through profit or loss</b>      |                        |                   |
| - <i>Mandatorily at fair value through profit or loss</i>         | 38 757 924             | 38 757 924        |
| - <i>Trading derivatives</i>                                      | 1 025 209              | 1 025 209         |
| Loans and receivables *                                           | 50 023                 | 49 873            |
| Other assets                                                      | 343 495                | 343 495           |
| <b>Total assets</b>                                               | <b>40 212 827</b>      | <b>40 212 677</b> |
| <b>Financial liabilities at amortised cost *</b>                  | 70 585                 | 70 602            |
| <b>Financial liabilities at fair value through profit or loss</b> |                        |                   |
| - <i>Designated at fair value through profit or loss</i>          | 38 754 129             | 38 754 128        |
| - <i>Trading derivatives</i>                                      | 1 025 105              | 1 025 105         |
| Other liabilities                                                 | 360 231                | 360 232           |
| Tax liabilities                                                   | 201                    | 201               |
| <b>Total liabilities</b>                                          | <b>40 210 251</b>      | <b>40 210 268</b> |

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

SG Issuer S.A.

**Notes to the financial statements (continued)**

As at 31 December 2023

**NOTE 14 – RISK MANAGEMENT (continued)**

\* For Loans and receivables and Financial liabilities at amortised cost, the fair values are calculated by discounting the expected future cash flows under a EUR risk free curve adjusted with Société Générale Group credit spread curve (EUR swap curve from Bloomberg and Société Générale credit spread curve provided by Risk department Paris). Determining fair value is dependent on many factors and can be an estimate of what value may be obtained in the open market at any point in time.

The fair value hierarchy of IFRS 13

As at 31 December 2023, the Company determined the fair values of its financial instruments on the basis of the following hierarchy:

| <b>31.12.2023 - EUR' 000</b>                                             | <b>Level 1</b> | <b>Level 2</b>    | <b>Level 3</b>    | <b>Total</b>      |
|--------------------------------------------------------------------------|----------------|-------------------|-------------------|-------------------|
| <b><i>Financial assets at fair value through profit or loss</i></b>      |                |                   |                   |                   |
| <b>- <i>Mandatorily at fair value through profit or loss</i></b>         |                | <b>24 163 037</b> | <b>26 955 055</b> | <b>51 118 092</b> |
| <i>Commodities instruments</i>                                           | -              | 5 139             | -                 | 5 139             |
| <i>Credit derivatives/securities</i>                                     | -              | 1 095 924         | 3 611 352         | 4 707 276         |
| <i>Equity and index securities</i>                                       | -              | 17 428 536        | 17 146 422        | 34 574 958        |
| <i>Foreign exchange instruments/securities</i>                           | -              | 847 056           | 330 314           | 1 177 370         |
| <i>Interest rate instruments/securities</i>                              | -              | 4 652 926         | 5 582 430         | 10 235 356        |
| <i>Other financial instruments</i>                                       | -              | 133 456           | 284 537           | 417 993           |
| <b>- <i>Trading derivatives</i></b>                                      |                | <b>39 589</b>     | <b>17 727</b>     | <b>57 316</b>     |
| <i>Equity and Index instruments</i>                                      | -              | 34 167            | 12 848            | 47 015            |
| <i>Foreign exchange instruments / securities</i>                         | -              | -                 | -                 | -                 |
| <i>Other financial instruments</i>                                       | -              | 5 422             | 4 879             | 10 301            |
| <b><i>Financial liabilities at fair value through profit or loss</i></b> |                |                   |                   |                   |
| <b>- <i>Designated at fair value through profit or loss</i></b>          |                | <b>24 163 037</b> | <b>26 949 029</b> | <b>51 112 066</b> |
| <i>Commodities instruments</i>                                           | -              | 5 139             | -                 | 5 139             |
| <i>Credit derivatives/securities</i>                                     | -              | 1 095 924         | 3 611 352         | 4 707 276         |
| <i>Equity and index securities</i>                                       | -              | 17 427 697        | 17 140 396        | 34 568 093        |
| <i>Foreign exchange instruments/securities</i>                           | -              | 847 056           | 330 314           | 1 177 370         |
| <i>Interest rate instruments/securities</i>                              | -              | 4 652 926         | 5 582 430         | 10 235 356        |
| <i>Other financial instrument</i>                                        | -              | 134 295           | 284 537           | 418 832           |
| <b>- <i>Trading derivatives</i></b>                                      |                | <b>39 024</b>     | <b>18 124</b>     | <b>57 148</b>     |
| <i>Equity and Index instruments</i>                                      | -              | 38 611            | 13 118            | 51 729            |
| <i>Foreign exchange instruments / securities</i>                         | -              | -                 | -                 | -                 |
| <i>Other financial instruments</i>                                       | -              | 413               | 5 006             | 5 419             |

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

SG Issuer S.A.

**Notes to the financial statements (continued)**

As at 31 December 2023

**NOTE 14 – RISK MANAGEMENT (continued)**

As at 31 December 2022, the Company determined the fair values of its financial instruments on the basis of the following hierarchy:

| <b>31.12.2022 - EUR' 000</b>                                      | <b>Level 1</b> | <b>Level 2</b>    | <b>Level 3</b>    | <b>Total</b>      |
|-------------------------------------------------------------------|----------------|-------------------|-------------------|-------------------|
| <b>Financial assets at fair value through profit or loss</b>      |                |                   |                   |                   |
| - <b>Mandatorily at fair value through profit or loss</b>         |                | <b>13 596 360</b> | <b>25 161 564</b> | <b>38 757 924</b> |
| <i>Commodities instruments</i>                                    | -              | 30 733            | -                 | 30 733            |
| <i>Credit derivatives/securities</i>                              | -              | 803 553           | 3 465 041         | 4 268 594         |
| <i>Equity and index securities</i>                                | -              | 8 793 626         | 17 551 097        | 26 344 723        |
| <i>Foreign exchange instruments/securities</i>                    | -              | 629 111           | 259 004           | 888 115           |
| <i>Interest rate instruments/securities</i>                       | -              | 3 212 257         | 3 643 974         | 6 856 231         |
| <i>Other financial instruments</i>                                | -              | 127 080           | 242 448           | 369 528           |
| - <b>Trading derivatives</b>                                      |                | <b>1 000 904</b>  | <b>24 306</b>     | <b>1 025 209</b>  |
| <i>Equity and Index instruments</i>                               | -              | 994 397           | 17 630            | 1 012 027         |
| <i>Foreign exchange instruments / securities</i>                  | -              | -                 | -                 | -                 |
| <i>Other financial instruments</i>                                | -              | 6 507             | 6 676             | 13 182            |
| <b>Financial liabilities at fair value through profit or loss</b> |                |                   |                   |                   |
| - <b>Designated at fair value through profit or loss</b>          |                | <b>13 592 564</b> | <b>25 161 564</b> | <b>38 754 129</b> |
| <i>Commodities instruments</i>                                    | -              | 30 733            | -                 | 30 733            |
| <i>Credit derivatives/securities</i>                              | -              | 803 734           | 3 465 041         | 4 268 775         |
| <i>Equity and index securities</i>                                | -              | 8 791 638         | 17 551 097        | 26 342 735        |
| <i>Foreign exchange instruments/securities</i>                    | -              | 629 220           | 259 004           | 888 224           |
| <i>Interest rate instruments/securities</i>                       | -              | 3 210 159         | 3 643 974         | 6 854 133         |
| <i>Other financial instrument</i>                                 | -              | 127 080           | 242 448           | 369 529           |
| - <b>Trading derivatives</b>                                      |                | <b>1 000 799</b>  | <b>24 306</b>     | <b>1 025 105</b>  |
| <i>Equity and Index instruments</i>                               | -              | 994 292           | 17 630            | 1 011 922         |
| <i>Foreign exchange instruments / securities</i>                  | -              | -                 | -                 | -                 |
| <i>Other financial instruments</i>                                | -              | 6 507             | 6 676             | 13 183            |

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

SG Issuer S.A.

**Notes to the financial statements (continued)**

As at 31 December 2023

**NOTE 14 – RISK MANAGEMENT (continued)**

The following table describes the variation in Level 3 by financial instruments (in KEUR):

| Financial liabilities at fair value through profit or loss | Balance at 01.01.2023 | Acquisitions (Issuance) | Change in fair value | Reimbursements     | Transfers from L2 to L3 | Transfers from L3 to L2 | Offsetting of the assets and liabilities | Balance 31.12.2023 |
|------------------------------------------------------------|-----------------------|-------------------------|----------------------|--------------------|-------------------------|-------------------------|------------------------------------------|--------------------|
| <b>Designated at fair value through P&amp;L</b>            | <b>25 161 564</b>     | <b>8 669 759</b>        | <b>(2 681 285)</b>   | <b>(2 791 786)</b> | <b>58 227</b>           | <b>(4 355 907)</b>      | <b>2 888 409</b>                         | <b>26 948 981</b>  |
| Equity and index instrument                                | 17 551 097            | 5 591 484               | 3 561 408            | (10 859 490)       | 35 592                  | (4 194 698)             | 5 454 954                                | 17 140 347         |
| Commodity instruments                                      | -                     | -                       | -                    | -                  | -                       | -                       | -                                        | -                  |
| Credit derivatives                                         | 3 465 041             | 921 363                 | (4 646 477)          | 3 917 299          | 23 466                  | (138 201)               | 68 863                                   | 3 611 354          |
| Foreign exchange instruments                               | 259 004               | 176 752                 | (103 001)            | (24 028)           | 1 003                   | (3 937)                 | 24 520                                   | 330 313            |
| Interest rate instruments                                  | 3 643 974             | 1 833 905               | (1 465 856)          | 4 264 285          | (1 834)                 | (13 175)                | (2 678 869)                              | 5 582 430          |
| Others financial instruments                               | 242 448               | 146 255                 | (27 359)             | (89 852)           | -                       | (5 896)                 | 18 941                                   | 284 537            |
| <b>Trading derivatives</b>                                 | <b>24 306</b>         | <b>18 124</b>           | <b>43 046</b>        | <b>(2 595 349)</b> | <b>-</b>                | <b>-</b>                | <b>2 527 997</b>                         | <b>18 124</b>      |
| Equity and index instruments                               | 17 630                | 13 118                  | 32 988               | (2 786 943)        | -                       | -                       | 2 736 325                                | 13 118             |
| Foreign exchange instruments                               | -                     | -                       | -                    | -                  | -                       | -                       | -                                        | -                  |
| Other financial instruments                                | 6 676                 | 5 006                   | 10 058               | 191 594            | -                       | -                       | (208 328)                                | 5 006              |

The above figures are valued on the liabilities side at fair value through profit or loss. Variations of Level 3 of financial instruments in assets are not presented because the figures are similar.

**Transfers from Level 3 to Level 2**

The consensus data provided by external counterparties are considered observable if the underlying market is liquid and if the prices provided are confirmed by actual transactions. For high maturities, these consensus data are not observable. This is the case for the implied volatility used for the valuation of options with maturities of more than five years. However, when the residual maturity of the instrument falls below five years, its fair value becomes sensitive to observable parameters.

**Transfers from Level 2 to Level 3**

Transfers from Level 2 to Level 3 can occur in case of a modification within a parameter (no longer linked to the deal, modification of the observability rule of the parameter, etc...).

**14.6 Operational risk**

Operational risk is the risk of loss or fraud caused by defects or failures in internal procedures or systems, human error or external events, including IT risk and management risk. Particular attention is paid to compliance risk, which receives enhanced monitoring.

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

SG Issuer S.A.

**Notes to the financial statements (continued)**

As at 31 December 2023

**NOTE 14 – RISK MANAGEMENT (continued)**

The Company participates in the effort to strengthen the management and monitoring of operational risk led by the Société Générale Group. This effort is guided by the Operational Risk Department, which reports to the Société Générale Group Risk Department, and is relayed by different Group operational risk monitoring units responsible for implementing the policies and directives issued by the Société Générale Group and monitoring and controlling operational risks.

The monitoring arrangement mainly relies on four processes supervised by the operational risk departments: periodic risk and control self-assessment (RCSA), collect of internal data on losses due to operational errors with exhaustive real-time reporting of incidents, pattern analyses, and permanent control system.

These procedures are supplemented by a crisis management unit and a business continuity plan.

**NOTE 15 – RELATED PARTIES**

During the year, the Company entered into transactions with related parties. Those transactions along with related balances as at 31 December 2023 and 2022 are presented below. Related parties are considered to be a party that has the ability to control the Company or exercise significant influence over the Company in making financial or operational decisions. The Company has a related party relationship with SG Luxembourg, its parent company (SG) and with its Executive Board Members, Supervisory Board Members and Executive Officers. As disclosed below in the table, the Company entered into transactions with SG Luxembourg, its parent company (SG) and other SG Group entities.

The issued Notes are sold to Société Générale as market maker, such Notes being expected to be subscribed *in fine* by third party investors, either for their own account or via distribution network. Moreover, all Notes are guaranteed by Société Générale.

Also, the Company borrows securities from Société Générale, which serve as collateral for the secured Notes issued by the Company.

SG Issuer S.A.

**Notes to the financial statements (continued)**

As at 31 December 2023

**NOTE 15 – RELATED PARTIES (continued)**

| As at 31 December 2023<br>EUR' 000                                | Société Générale<br>(Parent Company) | SG<br>Luxembourg | Other SG Group<br>entities |
|-------------------------------------------------------------------|--------------------------------------|------------------|----------------------------|
| Cash and cash equivalents                                         | 38 451                               | 2 002            | 704                        |
| <b>Financial assets at fair value through profit or loss</b>      |                                      |                  |                            |
| - <i>Mandatorily at fair value through profit or loss</i>         | 51 118 092                           | -                | -                          |
| - <i>Trading derivatives</i>                                      | 57 316                               | -                | -                          |
| Loans and receivables                                             | -                                    | 50 035           | -                          |
| Other assets                                                      | 2 182 232                            | -                | -                          |
| <b>Total assets</b>                                               | <b>53 396 091</b>                    | <b>52 037</b>    | <b>704</b>                 |
| Financial liabilities at amortised cost                           | 294 444                              | 84 679           | 314 875                    |
| <b>Financial liabilities at fair value through profit or loss</b> |                                      |                  |                            |
| - <i>Designated at fair value through profit or loss*</i>         | -                                    | -                | -                          |
| - <i>Trading derivatives*</i>                                     | -                                    | -                | -                          |
| Other liabilities                                                 | 256 240                              | 2 108            | -                          |
| Tax liabilities                                                   | -                                    | -                | -                          |
| <b>Total liabilities</b>                                          | <b>550 684</b>                       | <b>86 787</b>    | <b>314 875</b>             |
| Interest income                                                   | -                                    | 1 745            | -                          |
| Commission income                                                 | 47 931                               | -                | -                          |
| <b>Total revenues</b>                                             | <b>47 931</b>                        | <b>1 745</b>     | <b>-</b>                   |
| Interest expenses                                                 | -                                    | (38 331)         | -                          |
| Personnel expenses                                                | -                                    | (303)            | -                          |
| Other operating charges                                           | (1 049)                              | (5 468)          | -                          |
| <b>Total expenses</b>                                             | <b>(1 049)</b>                       | <b>(44 102)</b>  | <b>-</b>                   |
| <b>Total comprehensive income for the financial year</b>          | <b>46 882</b>                        | <b>(42 357)</b>  | <b>-</b>                   |
| <b>Financial commitments</b>                                      | <b>4 721 740</b>                     | <b>-</b>         | <b>-</b>                   |
| <b>Financial commitments-collateral to be returned</b>            | <b>5 865 142</b>                     | <b>-</b>         | <b>-</b>                   |

\*The financial liabilities at fair value through profit or loss appearing on the statement of financial position are the financial instruments issued by the Company and subscribed by investors, who are not related parties.

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

## SG Issuer S.A.

## Notes to the financial statements (continued)

As at 31 December 2023

## NOTE 15 – RELATED PARTIES (continued)

| As at 31 December 2022<br>EUR' 000                                | Société Générale<br>(Parent Company) | SG<br>Luxembourg | Other SG Group<br>entities |
|-------------------------------------------------------------------|--------------------------------------|------------------|----------------------------|
| Cash and cash equivalents                                         | 33 211                               | 1 363            | 20                         |
| <b>Financial assets at fair value through profit or loss</b>      |                                      |                  |                            |
| - <i>Mandatorily at fair value through profit or loss</i>         | 38 757 924                           | -                | -                          |
| - <i>Trading derivatives</i>                                      | 1 025 210                            | -                | -                          |
| Loans and receivables                                             | -                                    | 50 023           | -                          |
| Other assets                                                      | 343 495                              | -                | -                          |
| <b>Total assets</b>                                               | <b>40 159 840</b>                    | <b>51 386</b>    | <b>20</b>                  |
| Financial liabilities at amortised cost                           | 26                                   | 70 069           | 517                        |
| <b>Financial liabilities at fair value through profit or loss</b> |                                      |                  |                            |
| - <i>Designated at fair value through profit or loss*</i>         | -                                    | -                | -                          |
| - <i>Trading derivatives*</i>                                     | -                                    | -                | -                          |
| Other liabilities                                                 | 347 975                              | 5 616            | -                          |
| Tax liabilities                                                   | -                                    | -                | -                          |
| <b>Total liabilities</b>                                          | <b>348 001</b>                       | <b>75 685</b>    | <b>517</b>                 |
| Interest income                                                   | 5                                    | 255              | -                          |
| Commission income                                                 | 34 515                               | -                | -                          |
| <b>Total revenues</b>                                             | <b>34 520</b>                        | <b>255</b>       | <b>-</b>                   |
| Interest expenses                                                 | (107)                                | (20 280)         | -                          |
| Personnel expenses                                                | -                                    | (279)            | -                          |
| Other operating charges                                           | (836)                                | (6 014)          | (1 343)                    |
| <b>Total expenses</b>                                             | <b>(943)</b>                         | <b>(26 573)</b>  | <b>(1 343)</b>             |
| <b>Total comprehensive income for the financial year</b>          | <b>33 577</b>                        | <b>(26 318)</b>  | <b>(1 343)</b>             |
| <b>Financial commitments</b>                                      | <b>3 383 129</b>                     | <b>-</b>         | <b>-</b>                   |
| <b>Financial commitments-collateral to be returned</b>            | <b>5 280 150</b>                     | <b>-</b>         | <b>-</b>                   |

\* The financial liabilities at fair value through profit or loss appearing on the statement of financial position are the financial instruments issued by the Company and subscribed by investors, who are not related parties.



SG Issuer S.A.

**Notes to the financial statements (continued)**

As at 31 December 2023

**NOTE 16 – REMUNERATION, ADVANCES AND LOANS GRANTED TO MEMBERS OF THE ADMINISTRATIVE OR SUPERVISORY BODY**

The independent director of the Company, earned a remuneration of EUR 28 000 for his services related to the year ended 31 December 2023 (31 December 2022: EUR 28 000).

As at 31 December 2023 and 2022, no other payment, advance or loans were given to members of the administrative or supervisory body.

**NOTE 17 – INFORMATION ON LITIGATIONS**

During the year ended 31 December 2020, SG Issuer, as the Issuer of Notes linked to the credit risk of a French corporate, and Société Générale, as the Guarantor, were brought before the Courts of Paris (alongside other French financial institutions) by end investors to obtain compensation for the financial loss they suffered on their investment in these securities. The French corporate was the subject of a “safeguard procedure”, which constitutes a credit event under the terms of the Notes which had a strong impact on the value of the Notes. These investors rely on unfounded allegations according to which SG Issuer and Société Générale were aware of the difficulties of the French corporate when setting up and marketing these Notes and that in doing so, they failed to meet their regulatory obligations (to act in an honest, fair and professional manner, to provide information on the product risks and to determine the suitability of the Notes for retail investors).

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

For this litigation, along with any other litigation relating to securities issued by SG Issuer, SG Issuer is entitled to an indemnification by Société Générale in respect of any sum due by SG Issuer regarding potential damages or attorneys' fees. There are no decisions to be made in 2023 concerning the current litigation. Litigation is in progress with the courts.

**NOTE 18 – SUBSEQUENT EVENTS**

By resolution adopted on 15 January 2024, the Executive Board decided to increase the capital of the Company from EUR 2 000 400 to EUR 2 000 440 by the issue of a new share with a nominal value of EUR 40, subscribed by Société Générale Luxembourg S.A.. After this increase, the subscribed and fully paid share capital is EUR 2 000 440, divided into 50 011 shares with a nominal value of EUR 40 each. Such increase resulted in an allocation of EUR 34 360 868,70 to the share premium account.

**APPENDIX III**

**REPRODUCTION OF THE PRESS RELEASE DATED 3 MAY 2024  
CONTAINING THE GUARANTOR'S CONSOLIDATED FINANCIAL RESULTS  
FOR THE FIRST QUARTER ENDED 31 MARCH 2024**

The information set out below is a reproduction of the press release dated 3 May 2024 containing the Guarantor's consolidated financial results for the first quarter ended 31 March 2024.

## RESULTS AT 31 MARCH 2024

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### Press release

Paris, 3 May 2024

### QUARTERLY RESULTS

**Quarterly revenues of EUR 6.6 billion**, stable vs. Q1 23 (-0.4%), driven by very good performances of Global Banking and Investor Solutions, Private Banking and International Retail Banking, an increase in revenues and net interest income in France compared with Q4 23, despite a shift from sight deposits to remunerated savings, and a stabilisation of margins as well as the normalisation of used car sales' results at Ayvens

**Cost-to-income ratio at 74.9% in Q1 24**, operating expenses down -1.5% vs. Q1 23, transformation charges of around EUR 350 million

**Cost of risk at 27 basis points in Q1 24**, provision outstanding on performing loans of EUR 3.3<sup>1</sup> billion

**Group net income of EUR 680 million**

**Reported ROTE at 4.1%**

### SOLID CAPITAL AND LIQUIDITY PROFILE

**CET 1 ratio of 13.2%<sup>2</sup> at end-Q1 24**, around 300 basis points above the regulatory requirement

**Liquidity Coverage Ratio at 159% at end-Q1 24**

**Provision for distribution of EUR 0.32<sup>3</sup> per share**, at end-March 2024

**Launch after the AGM of the 2023 share buy-back programme** of around EUR 280 million

### ACHIEVEMENTS IN THE EXECUTION OF THE STRATEGIC ROADMAP

**Agreements for the disposals of Societe Generale Equipment Finance<sup>4</sup>, Société Générale Marocaine de Banques and La Marocaine Vie<sup>5</sup>**

**Streamlining project of the French head office** to simplify its operations and structurally improve its operating efficiency

**Launch of Bernstein**, a new leader in research and cash equities, allowing the Group to offer its clients a wide range of international services on the whole equity value chain

#### Slawomir Krupa, the Group's Chief Executive Officer, commented:

*"We are progressing in the execution of our strategic plan. Our operating performance improved thanks to a strong contribution from Global Banking and Investor Solutions and solid revenues from International Retail Banking. The rebound of retail banking in France is underway with an increase in the net interest income compared to last quarter, despite an increase in deposit beta in the French market. Similarly, the stabilisation of Ayvens's margins has already begun, in a context of normalisation of used car sales prices. Costs are under control, in line with the trajectory presented at our Capital Markets Day. Our capital position is stronger. In terms of strategic initiatives, we launched the Bernstein joint venture, creating a new leader in research and cash equity and we announced the planned disposals of Societe Generale Equipment Finance and subsidiaries in Morocco. These first positive results demonstrate the mobilisation of all the teams to shape a more synergetic and efficient model, a source of sustainable profitability."*

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<sup>1</sup> Excluding SG Equipment Finance, SG Marocaine de Banques and La Marocaine Vie in application of IFRS 5 accounting norm

<sup>2</sup> Phased-in ratio, proforma including Q1 24 results

<sup>3</sup> Based on a pay-out ratio of 50% of the Group net income, at the high-end of the 40%-50% payout ratio, as per regulation, restated from non-cash items and after deduction of interest on deeply subordinated notes and undated subordinated notes

<sup>4</sup> As announced in the press release dated 11 April 2024

<sup>5</sup> As announced in the press release dated 12 April 2024

## 1. GROUP CONSOLIDATED RESULTS

| In EURm                                 | Q1 24   | Q1 23   | Change |         |
|-----------------------------------------|---------|---------|--------|---------|
| Net banking income                      | 6,645   | 6,671   | -0.4%  | -4.8%*  |
| Operating expenses                      | (4,980) | (5,057) | -1.5%  | -6.3%*  |
| Gross operating income                  | 1,665   | 1,614   | +3.2%  | +0.0%*  |
| Net cost of risk                        | (400)   | (182)   | x 2.2  | x 2.1*  |
| Operating income                        | 1,265   | 1,432   | -11.7% | -15.1%* |
| Net profits or losses from other assets | (80)    | (17)    | n/s    | n/s     |
| Income tax                              | (274)   | (328)   | -16.4% | -12.2%* |
| Net income                              | 917     | 1,092   | -16.0% | -22.8%* |
| O.w. non-controlling interests          | 237     | 224     | +5.8%  | -12.8%* |
| Group net income                        | 680     | 868     | -21.7% | -25.5%* |
| ROE                                     | 3.6%    | 5.0%    |        |         |
| ROTE                                    | 4.1%    | 5.7%    |        |         |
| Cost to income                          | 74.9%   | 75.8%   |        |         |

Asterisks\* in the document refer to data at constant perimeter and exchange

Societe Generale's Board of Directors, which met on 2 May 2024 under the chairmanship of Lorenzo Bini Smaghi, examined the Societe Generale Group's results for Q1 24.

### Net banking income

**Net banking income stood at EUR 6.6 billion**, globally stable vs. Q1 23 (-0.4%).

Revenues of **French Retail, Private Banking and Insurance** were down by -3.5% vs. Q1 23 at EUR 2.0bn in Q1 24. The net interest income continued to be impacted by short-term hedges (around EUR -0.3 billion) and by the shift from sight deposits to financial savings and interest-bearing deposits which share continues to increase. Assets under management from **Private Banking and Insurance** strongly increased which contributed to higher financial fees for the pillar by around +10% in Q1 24 vs. same quarter of last year. Lastly, **BoursoBank** pursues its strong growth with 457k new clients in Q1 24 and a cost of acquisition which still weighs on service fees.

**Global Banking and Investor Solutions** posted a solid performance, with quarterly revenues of EUR 2.6 billion, down -5.1% relative to a historically high Q1 23 performance. Revenues **at Global Markets and Investor Services** were down by -8.8% vs. Q1 23 owing notably to Global Markets which posted however very solid revenues at EUR 1.6bn, down by -7.0% compared to a high Q1 23 base. This decline lies with fixed-income activities, down by -17% amid less conducive market conditions than last years, equity activities posting a higher performance by +3% thanks notably to strong results of equity derivatives. The **Financing and Advisory** business posted solid revenues of EUR 859 million, up by +3.5% in Q1 24 vs. Q1 23, with strong activity in Asset Finance, good commercial momentum in Natural Resources and a rebound in Debt Capital Markets, while volumes remain low in merger and acquisition activities as well as in Equity Capital Markets. **Global Transaction & Payment Services'** revenues were up by +7.8% relative to Q1 23, driven by a robust commercial performance and higher margins in Cash Management activities.

**International Retail, Mobility and Leasing Services'** revenues increased by +3.9% vs. Q1 23. Those of **International Retail Banking** stood at EUR 1.0 billion, which is stable compared to the Q1 23 performance, on the back of robust commercial activity in both regions. Revenues for the **Mobility and Leasing Services** businesses grew by +8.1%, mainly due to the EUR 417 million contribution

from LeasePlan, while Ayvens' margins continued to stabilise and the used car sale's market keeps on normalising.

The **Corporate Centre** recorded revenues of EUR -137 million in Q1 24.

### **Operating expenses**

**Operating expenses came to EUR 4,980 million in Q1 24, down -1.5% vs. Q1 23. The cost-to-income ratio stood at 74.9%, down relative to Q1 23 (75.8%) and Q4 23 (78.3%).**

They include EUR 254 million for the integration of LeasePlan and EUR 352 million in transformation costs, up EUR +106 million compared to Q1 23, notably due to transformation plan in the French head office, the transformation of Ayvens following the LeasePlan acquisition, as well as the ongoing projects in Global Banking and Investor Solutions. The Group recorded EUR 302 million in IFRIC 21 charges in Q1 24, down by EUR -608 million relative to Q1 23 as a result of the end of the contribution to the Single Resolution Fund. Restated from these items, the operating expenses increased moderately by EUR +171 million in Q1 24 vs. Q1 23 (by ~+3.4%, a level below inflation for the period).

### **Cost of risk**

**The cost of risk stood at 27 basis points in Q1 24**, or EUR 400 million, which is within the guidance of between 25 and 30 basis points for 2024. It breaks down as a EUR 499 million provision for doubtful loans (around 34 basis points) which includes the impact of the entry into defaults of several market-specific files in France and a EUR -99 million reversal of performing loan outstanding (around -7 basis points), notably related to reversals on the Russian offshore portfolio that is continuing to amortise.

The Group's provisions on performing loans amounted to EUR 3,286 million, down EUR -286 million relative to 31 December 2023, mainly due to the application of IFRS 5 accounting norms for activities under disposal.

The gross coverage ratio stood at 2.85%<sup>1</sup> at 31 March 2024. The net coverage ratio on the Group's non-performing loans stood at 82%<sup>2</sup> at 31 March 2024 (after netting of guarantees and collateral). At 31 March 2024, the Group again reduced its offshore exposure to Russia to around EUR 0.7 billion of EAD (Exposure at Default), compared with EUR 0.9 billion at end 2023 (-22%). The maximum risk exposure on this portfolio is estimated at around EUR 0.2 billion before provision. Total provisions stood at EUR 0.1 billion at end-March 2024. Furthermore, the Group divested the LeasePlan subsidiary in Russia in February 2024 and no longer operates any business locally in the country.

### **Net profits or losses from other assets**

Pursuant notably to IFRS 5, the Group recorded in Q1 24 a net loss from other assets of EUR 84 million in the Corporate Centre mainly following the announcement of the agreement for the disposals of Société Générale Marocaine de Banques, including its subsidiaries and La Marocaine Vie<sup>3</sup>.

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<sup>1</sup> Ratio calculated according to European Banking Authority (EBA) methodology published on 16 July 2019, excluding loans outstanding of companies currently being disposed of in compliance with IFRS 5 (in particular Société Générale Equipment Finance, SG Marocaine de Banques and La Marocaine Vie)

<sup>2</sup> Sum of S3 provisions guarantees and collateral divided by gross book value of NPL

<sup>3</sup> As announced in the press release dated 12 April 2024

## Group net income

Group net income stood at EUR 680 million in Q1 24<sup>1</sup>, i.e. Return on Tangible Equity (ROTE) of 4.1%.

## Financial structure

At 31 March 2024, the Group's **Common Equity Tier 1** ratio stood at 13.2%<sup>2</sup>, or around 300 basis points above the regulatory requirement. Likewise, the Liquidity Coverage Ratio (LCR) was well above regulatory requirements at 159% at end-March 2024 (an average of 167% for the quarter), while the Net Stable Funding Ratio (NSFR) stood at 117% at end-March 2024.

All liquidity and solvency ratios are well above the regulatory requirements.

|                                 | 31/03/2024 | 31/12/2023 | Requirements |
|---------------------------------|------------|------------|--------------|
| CET 1 <sup>(1)</sup>            | 13.2%      | 13.1%      | 10.22%       |
| CET 1 fully loaded              | 13.2%      | 13.0%      | 10.22%       |
| Tier 1 ratio <sup>(1)</sup>     | 15.8%      | 15.6%      | 12.14%       |
| Total Capital <sup>(1)</sup>    | 18.7%      | 18.2%      | 14.71%       |
| Leverage ratio                  | 4.2%       | 4.3%       | 3.6%         |
| TLAC (%RWA) <sup>(1)</sup>      | 32.5%      | 31.9%      | 22.28%       |
| TLAC (%leverage) <sup>(1)</sup> | 8.6%       | 8.7%       | 6.75%        |
| MREL (%RWA) <sup>(1)</sup>      | 34.2%      | 33.7%      | 27.24%       |
| MREL (%leverage) <sup>(1)</sup> | 9.1%       | 9.2%       | 6.08%        |
| End of period LCR               | 159%       | 160%       | >100%        |
| Period average LCR              | 167%       | 155%       | >100%        |
| NSFR                            | 117%       | 119%       | >100%        |

| In EURbn                                | 31/03/2024 | 31/12/2023 |
|-----------------------------------------|------------|------------|
| Total consolidated balance sheet        | 1,591      | 1,554      |
| Group shareholders' equity              | 67         | 66         |
| Risk-weighted assets                    | 388        | 389        |
| o.w credit risk                         | 326        | 326        |
| Total funded balance sheet <sup>3</sup> | 961        | 970        |
| Customer loans                          | 468        | 497        |
| Customer deposits                       | 606        | 618        |

As of 18 April 2024, the parent company had issued a total of EUR 28.5 billion in medium/long-term debt, of which EUR 17.4 billion of vanilla notes. The subsidiaries had issued EUR 3.3 billion. In all, the Group has issued a total of EUR 31.8 billion in medium/long-term notes.

The Group is rated by four rating agencies: (i) FitchRatings - long-term rating "A-", positive outlook, 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".

<sup>1</sup> After recognition of a quarterly income tax of EUR 274m, adjusted based on an estimated annual Effective Tax Rate of around 23%, in application of IFRS 34

<sup>2</sup> Phased-in ratio, proforma including Q1 24 results

<sup>3</sup> Items restated in application of IFRS 5 regarding the announced disposals of SG Equipment Finance and Moroccan activities have been netted in "Other assets" (EUR 22bn in customer loans and EUR 9bn in client deposits)

## ESG

Societe Generale has set itself a new alignment target on the aviation sector as part of its work with the Net Zero Banking Alliance (NZBA). The Group is targeting a -18% reduction in carbon emissions intensity by 2030 vs. 2019 (i.e., 775g of CO<sub>2</sub>e per RTK in 2030 vs. 943g CO<sub>2</sub>e per RTK in 2019), the base year selected to eliminate the effects of the Covid crisis on aviation transport, using the Pegasus Guidelines methodology<sup>12</sup>.

Societe Generale is a founding member of the Pegasus Guidelines, in partnership with RMI (Rocky Mountain Institute) and four other banks. This first-of-its-kind framework enables banks to measure and disclose their aviation lending portfolios' emissions in a consistent and comprehensive manner.

Furthermore, BRD and International Finance Corporation (IFC), a member of the World Bank Group, completed a landmark synthetic risk transfer (SRT) transaction: IFC will provide a risk guarantee on a portfolio of small and medium enterprises (SMEs) granted by BRD. This transaction is part of the agreement signed in early 2024 between Societe Generale and IFC to strengthen support for sustainable finance projects and contribute to the United Nations' Sustainable Development Goals (SDGs).

Evidence of its leadership, Societe Generale was again singled out for a number of prestigious awards, including IFR's "Bank for Sustainability" for having "successfully accelerated and embedded change across its businesses" and Global Finance's "World's Best Bank for Sustainable Finance 2024". These awards are recognition of the efforts made by the Group to transform, build, accelerate and embed ESG into all aspects of its operations.

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<sup>1</sup> This target corresponds to an alignment score lower than the Mission Possible Partnership Prudent (MPP PRU) scenario. An alignment of the portfolio with a 1.5°C trajectory would have led to an intensity target of 781 gCO<sub>2</sub>e/RTK

### 3. FRENCH RETAIL, PRIVATE BANKING AND INSURANCE

| In EURm                                 | Q1 24        | Q1 23        | Change       |
|-----------------------------------------|--------------|--------------|--------------|
| Net banking income                      | 2,010        | 2,083        | -3.5%        |
| <i>Net banking income excl. PEL/CEL</i> | <i>2,011</i> | <i>2,093</i> | <i>-3.9%</i> |
| Operating expenses                      | (1,728)      | (1,837)      | -5.9%        |
| Gross operating income                  | 282          | 246          | +14.6%       |
| Net cost of risk                        | (247)        | (89)         | x2.8         |
| Operating income                        | 35           | 157          | -77.7%       |
| Net profits or losses from other assets | 0            | 5            | -100.0%      |
| Group net income                        | 27           | 121          | -77.7%       |
| RONE                                    | 0.7%         | 3.1%         |              |
| Cost to income                          | 86.0%        | 88.2%        |              |

#### SG Network, Private Banking and Insurance

Average outstanding loans of SG Network decreased by -1.2% vs. Q4 23 (-5% vs. Q1 23) to EUR 199 billion. Outstanding loans to corporate and professional clients rose by +1.2% vs. Q1 23, excluding government-guaranteed PGE loans, driven by short-term lending (PGE loans being down by -33% vs. Q1 23). In line with a proactive recovery in home loan origination, home loan production grew sharply doubling vs. Q4 23, off a low point.

Average outstanding deposits, which include corporate and professional clients of the SG Network, amount to EUR 233 billion in Q1 24. Deposits are stable compared to Q4 23 despite a continued shift from sight deposits to interest-bearing deposits and financial savings (-5.0% vs. Q1 23).

As a result, the average loan to deposit ratio came to 85.4% in Q1 24, stable vs. Q1 23.

**Private Banking** activities, which include French and International activities, posted record assets under management (AuM) of EUR 149 billion in Q1 24. The net asset gathering pace (net new money divided by AuM) rose by an average of +6%, with net asset inflows totalling EUR 2.1 billion at Q1 24. Net banking income came at EUR 375 million in Q1 24, an increase of +2.5% vs. Q1 23.

**Insurance**, which includes French and international activities, posted solid commercial performances. Life insurance outstandings increased by +6% vs. Q1 23 to reach a record EUR 141 billion at end-March 2024. The unit-linked portion of 39% remains at a high level and rose by +2 percentage points vs. Q1 23. Gross savings life insurance inflows amounted to EUR 6.1 billion in Q1 24, up by +68% vs. Q1 23.

Protection insurance premiums were by +4% vs. Q1 23, with strong commercial momentum in property and casualty premiums.

#### BoursoBank

The number of clients at France's leading online bank reached 6.3 million at end-March 2024, representing an increase of 1.4 million net vs. Q1 23, thanks to the high onboarding (457 000 new clients in the first quarter of 2024). The churn rate stayed at a low level and continued to decrease this quarter.

For the fifth consecutive year, BoursoBank ranked No. 1 for client satisfaction in the French banking sector<sup>1</sup>.

<sup>1</sup> Jointly with another bank, Bain and Company March 2024



Whereas BoursoBank's average loan outstandings (EUR 15 billion in Q1 24) are down -2.5% vs. Q1 23, due to the selective origination policy endorsed until last year, home loans production began its rebound (+13% vs. Q4 23). Consumer loan outstandings were down -1.7% vs. Q4 23 (-11.9% vs. Q1 23).

Average outstanding savings, including deposits and financial savings, registered a sharp rise to EUR 58 billion (+14% vs. Q1 23). Deposits increased by +18% vs. Q1 23 on back of record deposit inflows, enabling gain in market share. Life insurance savings outstandings increased by +4.0% vs. Q1 23 to EUR 12 billion (with the unit-linked share accounting for 46%, +4.4 percentage points vs. Q1 23), and a sharp rebound in organic gross insurance inflows in Q1 24 (+20% vs. Q1 23).

At end-March 2024, BoursoBank posted an increase in revenues of +20% (excluding PEL/CEL and new client acquisition costs) compared with Q1 23.

### **Net banking income**

**In Q1 24**, revenues came to EUR 2,010 million, down -3.9% vs. Q1 23, excluding PEL/CEL.

Net interest income excluding PEL/CEL for French Retail, Private Banking and Insurance increased by +3.1% vs. Q4 23 at EUR 822 million (-2.9% vs. Q1 23). The pace of the increase is at the lower-end of the range of the projected scenarios notably following decreasing sight deposits outstanding due to the shift towards interest-bearing deposits and financial savings. Fees including insurance revenues were up by +1.6% relative to Q1 23 and +8.0% vs. Q4 23.

### **Operating expenses**

**In Q1 24**, operating expenses came to EUR 1,728 million, down -5.9% vs. Q1 23. Operating expenses include around 80 million euros of transformation costs. The cost-to-income ratio reached 86.0% in Q1 24 and improved by 2.2 percentage points vs. Q1 23.

### **Cost of risk**

**In Q1 24**, the cost of risk amounted to EUR 247 million or 41 basis points, which was higher than in Q4 23 (27 basis points) and Q1 23 (14 basis points), due notably to entry into default of specific market files in France.

### **Group net income**

**In Q1 24**, Group net income totalled EUR 27 million.

## 4. GLOBAL BANKING AND INVESTOR SOLUTIONS

| In EURm                | Q1 24   | Q1 23   | Change |         |
|------------------------|---------|---------|--------|---------|
| Net banking income     | 2,623   | 2,764   | -5.1%  | -5.0%*  |
| Operating expenses     | (1,757) | (2,072) | -15.2% | -15.0%* |
| Gross operating income | 866     | 692     | +25.1% | +24.9%* |
| Net cost of risk       | 19      | (5)     | n/s    | n/s     |
| Operating income       | 885     | 687     | +28.8% | +28.4%* |
| Group net income       | 690     | 546     | +26.4% | +25.9%* |
| RONE                   | 18.6%   | 13.8%   |        |         |
| Cost to income         | 67.0%   | 75.0%   |        |         |

### Net banking income

**Global Banking and Investor Solutions** continued to deliver a strong performance in the first quarter, posting revenues of EUR 2,623 million, down -5.1% with respect to a record Q1 23.

**Global Markets & Investor Services** recorded durably robust revenues of EUR 1,764 million in Q1 24, down -8.8% on a high Q1 23 owing to an unfavourable base effect notably following very strong market revenues and revaluations of equity participations in the Securities Services business in Q1 23.

**Global Market** posted a solid performance overall with revenues at EUR 1,603 million in Q1 24, down by -7.0% vs. Q1 23 amid a normalising market environment notably for Fixed income and Currencies.

**The Equities business** posted a very good performance, recording Q1 24 revenues of EUR 870 million, up +3.1% vs. Q1 23. The business was driven by the rise in equity indices and by strong commercial momentum in derivatives.

**Fixed Income and Currencies** registered a good performance with revenues of EUR 733 million, notably owing to supportive client activity in the investment solutions business. However, revenues contracted by -16.7% compared with Q1 23 owing to less conducive market conditions, with lower volatility on rates, which notably impacted flow activities.

**Securities Services' revenues** decreased by -23.3% at EUR 161 million due to a base effect in Q1 23 linked to revaluations and dividends of equity participations. Excluding the impact of these one-off items, revenues were down by -4.8% vs. Q1 23. Assets under Custody and Assets under Administration amounted to EUR 4,944 billion and EUR 582 billion, respectively.

**The Financing and Advisory business** posted robust revenues of EUR 859 million, up +3.5% vs. Q1 23.

The **Global Banking and Advisory business** continued to record solid revenues, up +2.1% relative to Q1 23. The business was notably driven by strong demand in the Asset-Backed Products platform and good commercial momentum in the Natural Resources platform. In the Investment Banking business, activity continued to rebound in the Debt Capital Markets business, but volumes remain low in the Merger & Acquisitions and Equity Capital Markets activities.

**Global Transaction & Payment Services** turned in a very robust performance compared with last year, posting a +7.8% increase in revenues driven by strong commercial momentum and still favourable market conditions.

## **Operating expenses**

**Operating expenses came to EUR 1,757 million in Q1 24 and included around EUR 150 million in transformation costs.** Operating expenses were down by a sharp -15.2% relative to Q1 23 notably due to the end of contribution to the Single Resolution Fund which weighed on operating expenses in the amount of EUR 491 million in Q1 23. Accordingly, the cost-to-income ratio came to 67.0% in Q1 24.

## **Cost of risk**

**In Q1 24,** the cost of risk recorded a net reversal of EUR 19 million, representing -5 basis points vs. 1 basis point in Q1 23 owing to the write backs of Stage 1 and 2 provisions on the Russian offshore portfolio.

## **Group net income**

Group net income was **EUR 690 million** in Q1 24, up by +26.4% vs. Q1 23.

Global Banking and Investor Solutions reported **RONE of 18.6% for the quarter.**

## 5. INTERNATIONAL RETAIL, MOBILITY AND LEASING SERVICES

| In EURm                                 | Q1 24   | Q1 23   | Change |         |
|-----------------------------------------|---------|---------|--------|---------|
| Net banking income                      | 2,149   | 2,068   | +3.9%  | -13.2%* |
| Operating expenses                      | (1,352) | (1,088) | +24.3% | +2.6%*  |
| Gross operating income                  | 797     | 980     | -18.7% | -30.9%* |
| Net cost of risk                        | (181)   | (91)    | +98.9% | +82.5%* |
| Operating income                        | 616     | 889     | -30.7% | -43.0%* |
| Net profits or losses from other assets | 4       | (1)     | n/s    | +19.2%* |
| Group net income                        | 272     | 476     | -42.9% | -52.2%* |
| RONE                                    | 10.4%   | 20.8%   |        |         |
| Cost to income                          | 62.9%   | 52.6%   |        |         |

**International Retail Banking**<sup>1</sup> recorded loan outstandings of EUR 66 billion, up +1.6% relative to Q1 23 (+5.8%\* vs. Q1 23). Outstanding deposits totalled EUR 81 billion, an increase of +2.5% compared with Q1 23 (+7.3%\* vs. Q1 23).

In **Europe**, outstanding loans totalled EUR 41 billion at end-March 2024, stable vs. Q1 23 but up +6.3%\* at constant perimeter and exchange rates. Loans were up across both client segments, individual and corporate clients, in both countries (+11.7%\* vs. Q1 23 in Romania and +4.9%\* vs. Q1 23 in the Czech Republic). Outstanding deposits rose by +2.3% vs. Q1 23 (+8.5%\* vs. Q1 23), to total EUR 54 billion at end-March 2024. The increase was driven by Romania (+13.6%\* vs. Q1 23) and corporate clients in the Czech Republic (+17.1%\* vs. Q1 23).

**Africa, Mediterranean Basin and French Overseas Territories**<sup>1</sup> recorded robust commercial performances. Loan outstandings were up by +5.1%\* and deposits +4.8%\* relative to end-March 2023, totalling EUR 25 billion and EUR 27 billion respectively.

**Mobility and Leasing Services** recorded a solid performance. **Ayvens**' earning assets grew by +12.5% to EUR 53 billion at end-March 2024 vs. EUR 47 billion at end-March 2023 (+1.4% vs. end-December 2023).

The **Consumer Finance** business posted loans outstanding of EUR 24 billion at end-March 2024. They were slightly down -2.3% relative to end-March 2023, due to a still uncertain economic and inflationary environment.

The **Equipment Finance** business showed solid commercial momentum with leasing outstandings continuing to increase by +2.7% vs. Q1 23 (to EUR 15 billion in Q1 24) and by +34.6% for deposits (to EUR 2 billion in Q1 24).

### Net banking income

In **Q1 24**, International Retail, Mobility and Leasing Services' revenues increased by +3.9% vs. Q1 23 to EUR 2,149 million, driven by a EUR 417 million contribution to revenues by LeasePlan during the quarter (as LeasePlan was only integrated from the end of May 2023, no revenue was recognised in Q1 23).

**International Retail Banking's** net banking income was stable for the quarter at EUR 1,033 million vs. Q1 23 and up by +3.4%\* at constant perimeter and exchange rate.

<sup>1</sup> Including outstandings in Morocco

**Europe** posted solid revenues of EUR 490 million during the first quarter of 2024, up by +1%\* vs. Q1 23 (-3.2% including FX impact). This performance demonstrates the ongoing increase in net interest income in Romania (up by +4.3%\* vs. Q1 23), and its normalisation in Czech Republic.

Net banking income in **Africa, Mediterranean Basin and French Overseas Territories** rose by +5.9%\* vs. Q1 23 to stand at EUR 543 million in Q1 24, driven by a +8.1%\* increase in net interest income vs. Q1 23 and +8.4%\* in fees.

**Mobility and Leasing Services' revenues** grew by +8.1% in Q1 24 vs. Q1 23, to EUR 1,116 million.

**Ayvens** recorded a +14.0% increase in net banking income in Q1 24 vs. Q1 23 with margins<sup>1</sup> at 522 basis points<sup>2</sup>, up by +3.7% vs. Q4 23 in euros. The average result for used car sales (UCS) was at a high level of EUR 1,661 per unit in Q1 24 (excluding the impact of reduction in depreciation costs and Purchase Price Allocation) amid a normalising used car market (compared with EUR 1,706 in Q4 23 and EUR 3,102 in Q1 23). In this context of normalisation, fleet revaluation and impact of reduction in depreciation costs were limited during the quarter (EUR 18 million in Q1 24 vs. EUR 174 million in Q1 23).

The integration of LeasePlan is on schedule, with first revenue synergies of EUR 20 million generated during the quarter, on track to achieve the EUR 120 million target for 2024.

Net banking income for the **Consumer Finance** business decreased by -5.2% in Q1 24 relative to Q1 23. Revenues from the **Equipment Finance** business were down by -2.0% vs. Q1 23.

## Operating expenses

In **Q1 24**, operating expenses came to EUR 1,352 million, up by +24.3% vs. Q1 23 (+2.6%\* at constant perimeter and exchange rates). They were impacted by LeasePlan costs of around EUR 250 million and by transformation costs of around EUR 70 million. The cost-to-income ratio stood at 62.9% in Q1 24.

**International Retail Banking's** operating expenses grew by +2.5% in Q1 24 to EUR 650 million vs. Q1 23 amid an inflationary environment.

Operating expenses for **Mobility and Leasing Services** rose by +54.6% over the quarter to EUR 702 million notably due to LeasePlan integration and associated transformation costs. They decreased by -4.2%\* vs. Q1 23 at constant exchange rates.

## Cost of risk

In **Q1 24**, the cost of risk at EUR 181 million increased to 43 basis points vs. a particularly low level of 27 basis points in Q1 23.

## Group net income

In **Q1 24**, Group net income came to EUR 272 million, a -42.9% contraction vs. Q1 23. RONE stood at 10.4% in Q1 24. RONE was 12.3% in International Retail Banking, and 9.2% in Mobility and Leasing Services in Q1 24.

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<sup>1</sup> Excluding non-recurring items and Purchase Price Allocation (impact of setting the financial components of the LeasePlan acquisition price)

<sup>2</sup> Annualised and as a percentage of average earning assets

## 6. CORPORATE CENTRE

| In EURm                                 | Q1 24        | Q1 23        |
|-----------------------------------------|--------------|--------------|
| Net banking income                      | (137)        | (244)        |
| Operating expenses                      | (143)        | (60)         |
| <b>Gross operating income</b>           | <b>(280)</b> | <b>(304)</b> |
| Net cost of risk                        | 9            | 3            |
| Net profits or losses from other assets | (84)         | (21)         |
| Impairment losses on goodwill           | -            | -            |
| Income tax                              | 83           | 73           |
| <b>Group net income</b>                 | <b>(309)</b> | <b>(275)</b> |

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 several costs incurred by the Group that are not re-invoiced to the businesses.

### Net banking income

**The Corporate Centre's net banking income totalled EUR -137 million** in Q1 24 vs. EUR -244 million in Q1 23.

### Operating expenses

**Operating expenses totalled EUR -143 million** in Q1 24 vs. EUR -60 million in Q1 23. They comprise in particular around EUR 50 million of transformation charges.

### Net losses from other assets

Pursuant to IFRS 5, the Group recognised a **EUR -84 million** expense notably due to the disposals of subsidiaries Société Générale Marocaine de Banques and La Marocaine Vie which were announced on 12 April 2024.

### Group net income

**The Corporate Centre's net income totalled EUR -309 million in Q1 24** vs. EUR -275 million in Q1 23.

## 7. 2024 AND 2025 FINANCIAL CALENDAR

### 2024 and 2025 Financial communication calendar

|                                 |                                            |
|---------------------------------|--------------------------------------------|
| May 22 <sup>nd</sup> , 2024     | Combined General Meeting                   |
| May 27, 2024                    | Dividend detachment                        |
| May 29, 2024                    | Dividend payment                           |
| August 1 <sup>st</sup> , 2024   | Second quarter and first half 2024 results |
| October 31 <sup>st</sup> , 2024 | Third quarter and nine month 2024 results  |
| February 6 <sup>th</sup> , 2025 | Fourth quarter and full year 2024 results  |

**The Alternative Performance Measures, notably the notions of net banking income for the pillars, operating expenses, 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 are presented in the methodology notes, as are the principles for the presentation of prudential ratios.**

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

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

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

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

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

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

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

## 8. APPENDIX 1: FINANCIAL DATA

### GROUP NET INCOME BY CORE BUSINESS

| In EURm                                             | Q1 24      | Q1 23        | Variation     |
|-----------------------------------------------------|------------|--------------|---------------|
| French Retail, Private Banking and Insurance        | 27         | 121          | -77.7%        |
| Global Banking and Investor Solutions               | 690        | 546          | +26.4%        |
| International Retail, Mobility and Leasing Services | 272        | 476          | -42.9%        |
| <b>Core Businesses</b>                              | <b>989</b> | <b>1,143</b> | <b>-13.5%</b> |
| Corporate Centre                                    | (309)      | (275)        | -12.4%        |
| <b>Group</b>                                        | <b>680</b> | <b>868</b>   | <b>-21.7%</b> |

### MAIN EXCEPTIONAL ITEMS

| In EURm                                                                    | Q1 24       | Q1 23      |
|----------------------------------------------------------------------------|-------------|------------|
| <b>Operating expenses - Total one-off items and transformation charges</b> | <b>352</b>  | <b>246</b> |
| Transformation charges                                                     | 352         | 246        |
| <i>Of which French Retail, Private Banking and Insurance</i>               | 81          | 150        |
| <i>Of which Global Banking &amp; Investor Solutions</i>                    | 154         | 29         |
| <i>Of which International Retail, Mobility and Leasing Services</i>        | 69          | 67         |
| <i>Of which Corporate Centre</i>                                           | 47          | 0          |
| <b>Other one-off items - Total</b>                                         | <b>(80)</b> | <b>0</b>   |
| Net profits or losses on other assets - Disposals                          | (80)        | 0          |



## CONSOLIDATED BALANCE SHEET

| In EUR m                                                                | 31.03.2024       | 31.12.2023       |
|-------------------------------------------------------------------------|------------------|------------------|
| Cash, due from central banks                                            | 217,727          | 223,048          |
| Financial assets at fair value through profit or loss                   | 531,406          | 495,882          |
| Hedging derivatives                                                     | 9,450            | 10,585           |
| Financial assets at fair value through other comprehensive income       | 89,666           | 90,894           |
| Securities at amortised cost                                            | 28,363           | 28,147           |
| Due from banks at amortised cost                                        | 82,980           | 77,879           |
| Customer loans at amortised cost                                        | 459,254          | 485,449          |
| Revaluation differences on portfolios hedged against interest rate risk | (973)            | (433)            |
| Insurance and reinsurance contracts assets                              | 400              | 459              |
| Tax assets                                                              | 4,545            | 4,717            |
| Other assets                                                            | 73,061           | 69,765           |
| Non-current assets held for sale                                        | 28,581           | 1,763            |
| Investments accounted for using the equity method                       | 228              | 227              |
| Tangible and intangible fixed assets                                    | 60,927           | 60,714           |
| Goodwill                                                                | 4,946            | 4,949            |
| <b>Total</b>                                                            | <b>1,590,561</b> | <b>1,554,045</b> |

| In EUR m                                                                | 31.03.2024       | 31.12.2023       |
|-------------------------------------------------------------------------|------------------|------------------|
| Due to central banks                                                    | 10,642           | 9,718            |
| Financial liabilities at fair value through profit or loss              | 399,512          | 375,584          |
| Hedging derivatives                                                     | 17,530           | 18,708           |
| Debt securities issued                                                  | 166,617          | 160,506          |
| Due to banks                                                            | 113,207          | 117,847          |
| Customer deposits                                                       | 530,947          | 541,677          |
| Revaluation differences on portfolios hedged against interest rate risk | (6,432)          | (5,857)          |
| Tax liabilities                                                         | 2,274            | 2,402            |
| Other liabilities                                                       | 95,428           | 93,658           |
| Non-current liabilities held for sale                                   | 18,151           | 1,703            |
| Insurance contracts related liabilities                                 | 144,868          | 141,723          |
| Provisions                                                              | 4,236            | 4,235            |
| Subordinated debts                                                      | 15,798           | 15,894           |
| <b>Total liabilities</b>                                                | <b>1,512,778</b> | <b>1,477,798</b> |
| <b>Shareholder's equity</b>                                             | -                | -                |
| <b>Shareholders' equity, Group share</b>                                | -                | -                |
| Issued common stocks and capital reserves                               | 21,277           | 21,186           |
| Other equity instruments                                                | 9,847            | 8,924            |
| Retained earnings                                                       | 35,196           | 32,891           |
| Net income                                                              | 680              | 2,493            |
| <b>Sub-total</b>                                                        | <b>67,000</b>    | <b>65,494</b>    |
| Unrealised or deferred capital gains and losses                         | 342              | 481              |
| <b>Sub-total equity, Group share</b>                                    | <b>67,342</b>    | <b>65,975</b>    |
| Non-controlling interests                                               | 10,441           | 10,272           |
| <b>Total equity</b>                                                     | <b>77,783</b>    | <b>76,247</b>    |
| <b>Total</b>                                                            | <b>1,590,561</b> | <b>1,554,045</b> |

## 9. APPENDIX 2: METHODOLOGY

**1 -The financial information presented for the first quarter 2024 was examined by the Board of Directors on May 2<sup>nd</sup>, 2024** and has been prepared in accordance with IFRS as adopted in the European Union and applicable at that date. This information has not been audited.

### 2 - Net banking income

The pillars' net banking income is defined on page 42 of Societe Generale's 2024 Universal Registration Document. The terms "Revenues" or "Net Banking Income" are used interchangeably. They provide a normalised measure of each pillar's net banking income taking into account the normative capital mobilised for its activity.

### 3 - Operating expenses

Operating expenses correspond to the "Operating Expenses" as presented in note 5 to the Group's consolidated financial statements as of December 31<sup>st</sup>, 2023. The term "costs" is also used to refer to Operating Expenses. The Cost/Income Ratio is defined on page 42 of Societe Generale's 2024 Universal Registration Document.

### 4 - Cost of risk in basis points, coverage ratio for doubtful outstandings

The cost of risk is defined on pages 43 and 770 of Societe Generale's 2024 Universal Registration Document. This indicator makes it possible to assess the level of risk of each of the pillars as a percentage of balance sheet loan commitments, including operating leases.

| In EURm                                               |                           | Q1 24       | Q1 23      |
|-------------------------------------------------------|---------------------------|-------------|------------|
| French Retail Banking                                 | Net Cost Of Risk          | 247         | 89         |
|                                                       | Gross loan Outstandings   | 238,394     | 252,689    |
|                                                       | <b>Cost of Risk in bp</b> | <b>41</b>   | <b>14</b>  |
| Global Banking and Investor Solutions                 | Net Cost Of Risk          | (19)        | 5          |
|                                                       | Gross loan Outstandings   | 162,457     | 177,590    |
|                                                       | <b>Cost of Risk in bp</b> | <b>(5)</b>  | <b>1</b>   |
| International Banking, Mobility and Leasing Solutions | Net Cost Of Risk          | 181         | 91         |
|                                                       | Gross loan Outstandings   | 167,892     | 134,988    |
|                                                       | <b>Cost of Risk in bp</b> | <b>43</b>   | <b>27</b>  |
| Corporate Centre                                      | Net Cost Of Risk          | (9)         | (3)        |
|                                                       | Gross loan Outstandings   | 23,365      | 16,537     |
|                                                       | <b>Cost of Risk in bp</b> | <b>(15)</b> | <b>(6)</b> |
| Societe Generale Group                                | Net Cost Of Risk          | 400         | 182        |
|                                                       | Gross loan Outstandings   | 592,108     | 581,804    |
|                                                       | <b>Cost of Risk in bp</b> | <b>27</b>   | <b>13</b>  |

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").

## 5 - ROE, ROTE, RONE

The notions of ROE (Return on Equity) and ROTE (Return on Tangible Equity), as well as their calculation methodology, are specified on pages 43 and 44 of Societe Generale's 2024 Universal Registration Document. This measure makes it possible to assess Societe Generale's return on equity and return on tangible equity.

RONE (Return on Normative Equity) determines the return on average normative equity allocated to the Group's businesses, according to the principles presented on page 44 of Societe Generale's 2024 Universal Registration Document.

Group net income used for the ratio numerator is book Group net income adjusted for "Interest paid and payable to holders of deeply subordinated notes and undated subordinated notes, issue premium amortisation". For ROTE, income is also restated for goodwill impairment.

Details of the corrections made to book equity in order to calculate ROE and ROTE for the period are given in the table below:

### ROTE calculation: calculation methodology

| End of period (in EURm)                                                                                                      | Q1 24         | Q1 23         |
|------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|
| Shareholders' equity Group share                                                                                             | 67,342        | 68,747        |
| Deeply subordinated and undated subordinated notes                                                                           | (10,166)      | (10,823)      |
| Interest payable to holders of deeply & undated subordinated notes, issue premium amortisation <sup>(1)</sup>                | (71)          | (102)         |
| OCI excluding conversion reserves                                                                                            | 696           | 640           |
| Distribution provision <sup>(2)</sup>                                                                                        | (256)         | (421)         |
| Distribution N-1 to be paid                                                                                                  | (999)         | (1,803)       |
| <b>ROE equity end-of-period</b>                                                                                              | <b>56,545</b> | <b>56,238</b> |
| <b>Average ROE equity</b>                                                                                                    | <b>56,522</b> | <b>56,072</b> |
| Average Goodwill <sup>(3)</sup>                                                                                              | (4,006)       | (3,652)       |
| Average Intangible Assets                                                                                                    | (2,956)       | (2,876)       |
| <b>Average ROTE equity</b>                                                                                                   | <b>49,560</b> | <b>49,544</b> |
| <b>Group net Income</b>                                                                                                      | <b>680</b>    | <b>868</b>    |
| Interest paid and payable to holders of deeply subordinated notes and undated subordinated notes, issue premium amortisation | (166)         | (163)         |
| Cancellation of goodwill impairment                                                                                          | -             | -             |
| <b>Adjusted Group net Income</b>                                                                                             | <b>514</b>    | <b>705</b>    |
| <b>ROTE</b>                                                                                                                  | <b>4.1%</b>   | <b>5.7%</b>   |

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

| In EURm                                             | Q1 24         | Q1 23         | Change       |
|-----------------------------------------------------|---------------|---------------|--------------|
| French Retail , Private Banking and Insurance       | 15,471        | 15,586        | -0.7%        |
| Global Banking and Investor Solutions               | 14,835        | 15,793        | -6.1%        |
| International Retail, Mobility and Leasing Services | 10,420        | 9,160         | +13.8%       |
| <b>Core Businesses</b>                              | <b>40,726</b> | <b>40,539</b> | <b>+0.5%</b> |
| Corporate Center                                    | 15,796        | 15,533        | +1.7%        |
| <b>Group</b>                                        | <b>56,522</b> | <b>56,072</b> | <b>+0.8%</b> |

<sup>1</sup> Interest net of tax

<sup>2</sup> The dividend to be paid is calculated based on a pay-out ratio of 50%, restated from non-cash items and after deduction of interest on deeply subordinated notes and on undated subordinated notes

<sup>3</sup> Excluding goodwill arising from non-controlling interests

## 6 - Net assets and tangible net assets

Net assets and tangible net assets are defined in the methodology, page 45 of the Group's 2024 Universal Registration Document. The items used to calculate them are presented below:

| End of period (in EURm)                                                                    | Q1 24         | 2023          | 2022          |
|--------------------------------------------------------------------------------------------|---------------|---------------|---------------|
| Shareholders' equity Group share                                                           | 67,342        | 65,975        | 66,970        |
| Deeply subordinated and undated subordinated notes                                         | (10,166)      | (9,095)       | (10,017)      |
| Interest of deeply & undated subordinated notes, issue premium amortisation <sup>(1)</sup> | (71)          | (21)          | (24)          |
| Book value of own shares in trading portfolio                                              | 54            | 36            | 67            |
| <b>Net Asset Value</b>                                                                     | <b>57,158</b> | <b>56,895</b> | <b>56,996</b> |
| Goodwill                                                                                   | (4,004)       | (4,008)       | (3,652)       |
| Intangible Assets                                                                          | (2,958)       | (2,954)       | (2,875)       |
| <b>Net Tangible Asset Value</b>                                                            | <b>50,196</b> | <b>49,933</b> | <b>50,469</b> |
|                                                                                            |               |               |               |
| Number of shares used to calculate NAPS <sup>(2)</sup>                                     | 799,161       | 796,244       | 801,147       |
| Net Asset Value per Share                                                                  | 71.5          | 71.5          | 71.1          |
| Net Tangible Asset Value per Share                                                         | 62.8          | 62.7          | 63.0          |

## 7 - 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 44 of Societe Generale's 2024 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.

The calculation of Earnings Per Share is described in the following table:

| Average number of shares (thousands)                                            | Q1 24          | 2023           | 2022           |
|---------------------------------------------------------------------------------|----------------|----------------|----------------|
| Existing shares                                                                 | 802,980        | 818,008        | 845,478        |
| <b>Deductions</b>                                                               |                |                |                |
| Shares allocated to cover stock option plans and free shares awarded to staff   | 5,277          | 6,802          | 6,252          |
| Other own shares and treasury shares                                            | 0              | 11,891         | 16,788         |
| <b>Number of shares used to calculate EPS<sup>(4)</sup></b>                     | <b>797,703</b> | <b>799,315</b> | <b>822,437</b> |
| Group net Income (in EUR m)                                                     | 680            | 2,493          | 1,825          |
| Interest on deeply subordinated notes and undated subordinated notes (in EUR m) | (166)          | (759)          | (596)          |
| <b>Adjusted Group net income (in EUR m)</b>                                     | <b>514</b>     | <b>1,735</b>   | <b>1,230</b>   |
| <b>EPS (in EUR)</b>                                                             | <b>0.64</b>    | <b>2.17</b>    | <b>1.50</b>    |

**8 - 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.

<sup>1</sup> Interest net of tax

<sup>2</sup> 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.

<sup>4</sup> 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.

## 9 – Funded balance sheet, loan to deposit ratio

The funded balance sheet is based on the Group financial statements. It is obtained in two steps:

- A first step aiming at reclassifying the items of the financial statements into aggregates allowing for a more economic reading of the balance sheet. Main reclassifications:
  - Insurance: grouping of the accounting items related to insurance within a single aggregate in both assets and liabilities.
  - Customer loans: include outstanding loans with customers (net of provisions and write-downs, including net lease financing outstanding and transactions at fair value through profit and loss); excludes financial assets reclassified under loans and receivables in accordance with the conditions stipulated by IFRS 9 (these positions have been reclassified in their original lines).
  - Wholesale funding: Includes interbank liabilities and debt securities issued.
  - Financing transactions have been allocated to medium/long-term resources and short-term resources based on the maturity of outstanding, more or less than one year.
  - Reclassification under customer deposits of the share of issues placed by French Retail Banking networks (recorded in medium/long-term financing), and certain transactions carried out with counterparties equivalent to customer deposits (previously included in short term financing).
  - Deduction from customer deposits and reintegration into short-term financing of certain transactions equivalent to market resources.
- A second step aiming at excluding the contribution of insurance subsidiaries, and netting derivatives, repurchase agreements, securities borrowing/lending, accruals and “due to central banks”.

The Group **loan/deposit ratio** is determined as the division of the customer loans by customer deposits as presented in the funded balance sheet.

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](http://www.societegenerale.com) in the “Investor” section.

### Societe Generale

Societe Generale is a top tier European Bank with more than 126,000 employees serving about 25 million clients in 65 countries across the world. We have been supporting the development of our economies for nearly 160 years, providing our corporate, institutional, and individual clients with a wide array of value-added advisory and financial solutions. Our long-lasting and trusted relationships with the clients, our cutting-edge expertise, our unique innovation, our ESG capabilities and leading franchises are part of our DNA and serve our most essential objective - to deliver sustainable value creation for all our stakeholders.

The Group runs three complementary sets of businesses, embedding ESG offerings for all its clients:

- **French Retail, Private Banking and Insurance**, with leading retail bank SG and insurance franchise, premium private banking services, and the leading digital bank BoursoBank.
- **Global Banking and Investor Solutions**, a top tier wholesale bank offering tailored-made solutions with distinctive global leadership in equity derivatives, structured finance and ESG.
- **International Retail, Mobility & Leasing Services**, comprising well-established universal banks (in Czech Republic, Romania and several African countries), Ayvens (the new ALD I LeasePlan brand), a global player in sustainable mobility, as well as specialized financing activities.

Committed to building together with its clients a better and sustainable future, Societe Generale aims to be a leading partner in the environmental transition and sustainability overall. The Group 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).

For more information, you can follow us on Twitter/X [@societegenerale](https://twitter.com/societegenerale) or visit our website [societegenerale.com](http://societegenerale.com).

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