

## **Supplemental Listing Document**

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

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

**8,000,000 European Style Cash Settled Short Certificates relating to  
the ordinary shares of AAC Technologies Holdings Inc.  
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\$0.50 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 19 June 2020 including such further base listing documents as may be issued from time to time (the “**Base Listing Document**”) for the purpose of giving information with regard to the Issuer, the Guarantor and the Certificates. Information relating to the Company (as defined below) is contained in this document.

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

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

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

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

The Certificates are classified as capital markets products other than prescribed capital markets products<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 and of no other person, and the guarantee dated 19 June 2020 (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 31 August 2020.

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.

28 August 2020

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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 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 and of no other person, and the Guarantee constitutes direct unconditional unsecured senior preferred obligations of the Guarantor and of no other person. In particular, it should be noted that the Issuer issues a large number of financial instruments, including Certificates, on a global basis and, at any given time, the financial instruments outstanding may be substantial. If you purchase the Certificates, you are relying upon the creditworthiness of the Issuer and the Guarantor and have no rights under the Certificates against any other person;
- (c) since the Certificates relate to the price of the Underlying Stock, certain events relating to the Underlying Stock may cause adverse movements in the value and the price of the Underlying Stock, as a result of which, the Certificate Holders (as defined in the Conditions of the Certificates) may, in extreme circumstances, sustain a significant loss of their investment if the price of the Underlying Stock has risen sharply;
- (d) due to their nature, the Certificates can be volatile instruments and may be subject to considerable fluctuations in value. The price of the Certificates may fall in value as rapidly as it may rise due to, including but not limited to, variations in the frequency and magnitude of the changes in the price of the Underlying Stock, the time remaining to expiry, the currency exchange rates and the creditworthiness of the Issuer and the Guarantor;
- (e) if, whilst any of the Certificates remain unexercised, trading in the Underlying Stock is suspended or halted on the relevant stock exchange, trading in the Certificates may be suspended for a similar period;
- (f) as indicated in the Conditions of the Certificates and herein, a Certificate Holder must tender a specified number of Certificates at any one time in order to exercise. Thus, Certificate Holders with fewer than the specified minimum number of Certificates in a particular series will either have to sell their Certificates or purchase additional Certificates, incurring transactions costs in each case, in order to realise their investment;
- (g) investors should note that in the event of there being a Market Disruption Event (as defined in the Conditions) determination or payment of the Cash Settlement Amount (as defined in the Conditions) may be delayed, all as more fully described in the Conditions;
- (h) certain events relating to the Underlying Stock require or, as the case may be, permit the Issuer to make certain adjustments or amendments to the Conditions. Investors may refer to the Conditions 4 and 6 on pages 29 to 33 and the examples and illustrations of adjustments set out in the "Information relating to the European Style Cash Settled Short Certificates on Single Equities" section of this document for more information;
- (i) the Certificates are only exercisable on the Expiry Date and may not be exercised by Certificate Holders prior to such Expiry Date. Accordingly, if on the Expiry Date the Cash

Settlement Amount is zero, a Certificate Holder will lose the value of his investment;

- (j) the total return on an investment in any Certificate may be affected by the Hedging Fee Factor (as defined below), Management Fee (as defined below) and Gap Premium (as defined below);
- (k) investors holding their position overnight should note that they would be required to bear the annualised cost which consists of the Management Fee and Gap Premium, which are calculated daily and applied to the value of the Certificates, as well as certain costs embedded within the Leverage Inverse Strategy (as described below) including the Stock Borrowing Cost (as defined below) and Rebalancing Cost (as defined below);
- (l) investors should note that there may be an exchange rate risk relating to the Certificates where the Cash Settlement Amount is converted from a foreign currency into Singapore dollars.

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

- (m) investors should note that there are leveraged risks because the Certificates integrate an inverse leverage mechanism and the Certificates will amplify the movements in the increase, and in the decrease, of the value of the Underlying Stock and if the investment results in a loss, any such loss will be increased by the leverage factor of the Certificates. As such, investors could lose more than they would if they had invested directly in the Underlying Stock;
- (n) when held for longer than a day, the performance of the Certificates could be more or less than the leverage factor that is embedded within the Certificates. The performance of the Certificates each day is locked in, and any subsequent returns are based on what was achieved the previous day. This process, referred to as compounding, may lead to a performance difference from 5 times the inverse performance of the Underlying Stock over a period longer than one day. This difference may be amplified in a volatile market with a sideways trend, where market movements are not clear in direction, whereby investors may sustain substantial losses;
- (o) investors should note that the Air Bag Mechanism (as defined below) 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;
- (p) there is no assurance that the Air Bag Mechanism will prevent investors from losing the entire value of their investment, in the event of (i) an overnight increase in the Underlying Stock, where there is a 20% or greater gap between the previous day closing price and the opening price of the Underlying Stock the following day, as the Air Bag Mechanism will only be triggered when market opens the following day or (ii) a sharp intraday increase in the price of the Underlying Stock of 20% or greater within the 15 minutes Observation Period compared to the reference price, being: (1) if air bag has not been previously triggered on the same day,

the previous closing price of the Underlying Stock, or (2) if one or more air bag have been previously triggered on the same day, the latest New Observed Price. Investors may refer to pages 48 to 49 of this document for more information;

- (q) certain events may, pursuant to the terms and conditions of the Certificates, trigger (i) the implementation of methods of adjustment or (ii) the early termination of the Certificates. The Issuer will give the investors reasonable notice of any early termination. If the Issuer terminates the Certificates early, then the Issuer will, if and to the extent permitted by applicable law, pay an amount to each Certificate Holder in respect of each Certificate held by such holder equal to the fair market value of the Certificate less the cost to the Issuer of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion. The performance of this commitment shall depend on (i) general market conditions and (ii) the liquidity conditions of the underlying instrument(s) and, as the case may be, of any other hedging transactions. Investors should note that the amount repaid by the Issuer may be less than the amount initially invested. Investors may refer to the Condition 13 on pages 35 to 37 of this document for more information;
- (r) 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;
- (s) 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;
- (t) 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;

- (u) 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;

- (v) 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;

- (w) 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;

- (x) 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;

- (y) 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;

- (z) 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;

(aa) 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 is subject to FATCA and, as a result, is 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 us with such certification, the Issuer and the Guarantor 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 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;

(bb) 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

(cc) risk factors relating to the BRRD

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

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

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

(“**SRM**”) and a Single Resolution Fund (the “**SRM Regulation**”) has established a centralised power of resolution entrusted to a Single Resolution Board (the “**SRB**”) in cooperation with the national resolution authorities.

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

Societe Generale has been designated as a significant supervised entity for the purposes of Article 49(1) of Regulation (EU) No 468/2014 of the ECB of 16 April 2014 establishing the framework for cooperation within the SSM between the ECB and national competent authorities and with national designated authorities (the “**SSM Regulation**”) and is consequently subject to the direct supervision of the ECB in the context of the SSM. This means that Societe Generale and SG Issuer (being covered by the consolidated prudential supervision of Societe Generale) are also subject to the SRM which came into force in 2015. The SRM Regulation mirrors the BRRD and, to a large part, refers to the BRRD so that the SRB is able to apply the same powers that would otherwise be available to the relevant national resolution authority.

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

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

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

The powers provided to the Resolution Authority in the BRRD and the SRM Regulation include write-down/conversion powers to ensure that capital instruments (including subordinated debt instruments) and eligible liabilities (including senior debt instruments if junior instruments prove insufficient to absorb all losses) absorb losses of the issuing institution that is subject to resolution in accordance with a set order of priority (the “**Bail-in Power**”). The conditions for resolution under the SRM Regulation are deemed to be met when: (i) the Resolution Authority determines that the institution is failing or is likely to fail, (ii)

there is no reasonable prospect that any measure other than a resolution measure would prevent the failure within a reasonable timeframe, and (iii) a resolution measure is necessary for the achievement of the resolution objectives (in particular, ensuring the continuity of critical functions, avoiding a significant adverse effect on the financial system, protecting public funds by minimizing reliance on extraordinary public financial support, and protecting client funds and assets) and winding up of the institution under normal insolvency proceedings would not meet those resolution objectives to the same extent.

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

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

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

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

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

Moreover, if the Issuer's or the Guarantor's financial condition deteriorates, the existence of the Bail-in Power, the exercise of write-down/conversion powers or any other resolution tools by the Resolution Authority independently of a resolution measure or in combination with a resolution measure when it determines that the Issuer, the Guarantor or the Group will no

longer be viable could cause the market price or value of the Certificates to decline more rapidly than would be the case in the absence of such powers.

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

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

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

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

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

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

Consequently, criteria for MREL-eligible liabilities will be closely aligned with those laid down in the CRR, as amended by the CRR II for the TLAC-eligible liabilities, but subject to the complementary adjustments and requirements introduced in the BRRD II. In particular, certain debt instruments with an embedded derivative component, such as certain structured notes,

will be eligible, subject to certain conditions, to meet the MREL requirements to the extent that they have a fixed or increasing principal amount repayable at maturity that is known in advance while only an additional return is linked to that derivative component and depends on the performance of a reference asset.

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

The scope of liabilities used to meet the MREL will include, in principle, all liabilities resulting from claims arising from ordinary unsecured creditors (non-subordinated liabilities) unless they do not meet specific eligibility criteria set out in the BRRD, as amended by the BRRD II. To enhance the resolvability of institutions and entities through an effective use of the bail-in tool, the SRB should be able to require that the MREL be met with own funds and other subordinated liabilities, in particular where there are clear indications that bailed-in creditors are likely to bear losses in resolution that would exceed the losses that they would incur under normal insolvency proceedings. Moreover the SRB should assess the need to require institutions and entities to meet the MREL with own funds and other subordinated liabilities where the amount of liabilities excluded from the application of the bail-in tool reaches a certain threshold within a class of liabilities that includes MREL-eligible liabilities. Any subordination of debt instruments requested by the SRB for the MREL shall be without prejudice to the possibility to partly meet the TLAC requirements with non-subordinated debt instruments in accordance with the CRR, as amended by the CRR II, as permitted by the TLAC standard. Specific requirements will apply to resolution groups with assets above EUR 100 billion (top-tier banks).

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

## TERMS AND CONDITIONS OF THE CERTIFICATES

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

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

Certificates:	8,000,000 European Style Cash Settled Short Certificates relating to the ordinary shares of AAC Technologies Holdings Inc. (the <b>“Underlying Stock”</b> )
ISIN:	LU1986500301
Company:	AAC Technologies Holdings Inc. (RIC: 2018.HK)
Underlying Price <sup>3</sup> and Source:	HK\$48.95 (Reuters)
Calculation Agent:	Société Générale
Strike Level:	Zero
Daily Leverage:	-5x (within the Leverage Inverse Strategy as described below)
Notional Amount per Certificate:	SGD 0.50
Management Fee (p.a.) <sup>4</sup> :	0.40%
Gap Premium (p.a.) <sup>5</sup> :	5.75%, 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:	24 August 2020
Closing Date:	28 August 2020

<sup>3</sup> These figures are calculated as at, and based on information available to the Issuer on or about 28 August 2020. 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 28 August 2020.

<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:	31 August 2020
Last Trading Date:	The date falling 5 Business Days immediately preceding the Expiry Date, currently being 18 August 2023
Expiry Date:	25 August 2023 (if the Expiry Date is not a Business Day, then the Expiry Date shall fall on the preceding Business Day and subject to adjustment of the Valuation Date upon the occurrence of Market Disruption Events as set out in the Conditions of the Certificates)
Board Lot:	100 Certificates
Valuation Date:	24 August 2023 or if such day is not an Exchange Business Day, the immediately preceding Exchange Business Day.
Exercise:	<p>The Certificates may only be exercised on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, in a Board Lot or integral multiples thereof. Certificate Holders shall not be required to deliver an exercise notice. Exercise of Certificates shall be determined by whether the Cash Settlement Amount (less any Exercise Expenses) is positive. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates shall be deemed to have been automatically exercised at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. The Cash Settlement Amount less the Exercise Expenses in respect of the Certificates shall be paid in the manner set out in Condition 4(c) of the Conditions. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, and Certificate Holders shall not be entitled to receive any payment from the Issuer in respect of the Certificates.</p>
Cash Settlement Amount:	<p>In respect of each Certificate, shall be an amount payable in the Settlement Currency equal to:</p> <p>Closing Level multiplied by the Notional Amount per Certificate</p> <p>Please refer to the “Information relating to the European Style Cash Settled Short Certificates on Single Equities” section on pages 40 to 54 of this document for examples and illustrations of the calculation of the Cash Settlement Amount.</p>
Hedging Fee Factor:	<p>In respect of each Certificate, shall be an amount calculated as: Product (for <math>t</math> from 2 to Valuation Date) of <math>(1 - \text{Management Fee } x (\text{ACT } (t-1;t) \div 360)) \times (1 - \text{Gap Premium } (t-1) \times (\text{ACT } (t-1;t) \div 360))</math>, where:</p> <p>“<math>t</math>” refers to “<b>Observation Date</b>” which means each Underlying Stock Business Day (subject to Market Disruption Event) from (and</p>



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 40 to 54 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 23 below.

Initial Exchange Rate<sup>3</sup>: 0.1755

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:	<p>The “<b>Air Bag Mechanism</b>” 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 (“<b>Air Bag Trigger Price</b>”) during the trading day (which represents approximately 75% loss after a 5 times inverse leverage), the Air Bag Mechanism is triggered and the Leverage Inverse Strategy is adjusted intra-day. The Air Bag Mechanism reduces the impact on the Leverage Inverse Strategy if the Underlying Stock rises further, but will also maintain a reduced exposure to the Underlying Stock in the event the Underlying Stock starts to fall after the Air Bag Mechanism is triggered, thereby reducing its ability to recoup losses.</p> <p>Trading of Certificates is suspended for at least 30 minutes after the Air Bag is triggered.</p> <p>The Leverage Inverse Strategy is floored at 0 and the Certificates cannot be valued below zero.</p> <p>Please refer to the “Extraordinary Strategy Adjustment for Performance Reasons (“Air Bag Mechanism”)” section on pages 21 to 23 below and the “Description of Air Bag Mechanism” section on pages 46 to 47 of this document for further information of the Air Bag Mechanism.</p>
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 (“ <b>HKD</b> ”)
Settlement Currency:	Singapore Dollar (“ <b>SGD</b> ”)
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 “ <b>SGX-ST</b> ”)
Relevant Stock Exchange for the Underlying Stock:	HKEX

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

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

**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 2%.

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

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

**TC** means the Transaction Costs applicable (including Stamp Duty) that are equal to :  
0.10%

**Leverage** -5

**S<sub>t</sub>** means, in respect of each Observation Date(t), the Closing Price of the Underlying Stock as of such Observation Date(t), subject to the adjustments and provisions of the Conditions.

**Rate<sub>t</sub>** 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.

**Rfactor<sub>t</sub>** means, in the event Observation Date (t) is an ex-dividend date of the Underlying Stock, an amount determined by the Calculation Agent, subject to the adjustments and provisions of the Conditions, according to the following formula :

$$Rfactor_t = 1 - \frac{Div_t}{S_{t-1}}$$

where

*Div<sub>t</sub>* is the dividend to be paid out in respect of the Underlying Stock and the relevant ex-dividend date which shall be considered gross of any applicable withholding taxes.

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

**DayCount** 365

**BasisRate**

### **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<sub>IRD</sub>**) should be computed as follows :

$$LSL_{IRD} = \text{Max}[\text{ILSL}_{IR(n)} \times (1 + \text{ILR}_{IR(n),IR(C)} - \text{IRC}_{IR(n),IR(C)}), 0]$$

(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<sub>IR(k)</sub>**

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<sub>IR(k-1),IR(k)</sub>**

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<sub>IR(k-1),IR(k)</sub>**

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<sub>IR(k)</sub>**

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

(1) for k=0

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

(2) for k=1 to n

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

(3) with respect to IR(C)

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

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

**IR(k)**

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

For k=1 to n, means the k<sup>th</sup> Intraday Restrike Event on the relevant Intraday Restrike Date.

**IR(C)**

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

**n**

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

<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 for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto).
<b>TimeReferenceClosing</b>	means the scheduled closing time 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 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 19 June 2020, made by SG Issuer (the “**Issuer**”) and Société Générale (the “**Guarantor**”); and
  - (ii) a warrant agent agreement (the “**Master Warrant Agent Agreement**” or “**Warrant Agent Agreement**”) dated any time before or on the Closing Date, made between the Issuer and the Warrant Agent for the Certificates.

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

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

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

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

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

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

- (i) *pari passu* with all other direct, unconditional, unsecured and unsubordinated obligations of the Guarantor outstanding as of the date of the entry into force



of the law no. 2016-1691 (the “**Law**”) on 11 December 2016;

- (ii) *pari passu* with all other present or future direct, unconditional, unsecured and senior preferred obligations (as provided for in Article L. 613-30-3 I 3° of the Code) of the Guarantor issued after the date of the entry into force of the Law on 11 December 2016;
- (iii) junior to all present or future claims of the Guarantor benefiting from the statutorily preferred exceptions; and
- (iv) senior to all present and future senior non-preferred obligations (as provided for in Article L.613-30-3 I 4° of the Code) of the Guarantor.

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

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

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

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

(the “**Statutory Bail-In**”);

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

- (A) ranking:

- (1) junior to liabilities of the Guarantor benefitting from statutorily preferred exceptions pursuant to Article L.613-30-3-I 1° and 2 of the M&F Code;
- (2) *pari passu* with liabilities of the Guarantor as defined in Article L.613-30-3-I-3 of the M&F Code; and
- (3) senior to liabilities of the Guarantor as defined in Article L.613-30-3-I-4 of the M&F Code; and

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

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

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

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

other members of its group.

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

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

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

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

For the purposes of this Condition:

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

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

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

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

**"Regulator"** means the European Central Bank and any successor or replacement thereto, or other authority having primary responsibility for the prudential oversight

and supervision of the Issuer.

## 2. Certificate Rights and Exercise Expenses

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

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

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

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

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

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

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

- (b) *Exercise Expenses.* Certificate Holders will be required to pay all charges which are incurred in respect of the exercise of the Certificates (the “**Exercise Expenses**”). An amount equivalent to the Exercise Expenses will be deducted by the Issuer from the Cash Settlement Amount in accordance with Condition 4. Notwithstanding the foregoing, the Certificate Holders shall account to the Issuer on demand for any

Exercise Expenses to the extent that they were not or could not be deducted from the Cash Settlement Amount prior to the date of payment of the Cash Settlement Amount to the Certificate Holders in accordance with Condition 4.

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

### **3. Expiry Date**

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

### **4. Exercise of Certificates**

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

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

## 5. Warrant Agent

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

## 6. Adjustments

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

- (v) a repurchase by the Company of the Underlying Stock whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise;
  - (vi) with respect to a Company an event that results in any shareholder rights pursuant to a shareholder rights agreement or other plan or arrangement of the type commonly referred to as a “poison pill” being distributed, or becoming separated from shares of common stock or other shares of the capital stock of such Company (provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights); or
  - (vii) any other event that may have, in the opinion of the Issuer, a dilutive or concentrative or other effect on the theoretical value of the Underlying Stock.
- (c) *Merger Event, Tender Offer, Nationalisation and Insolvency.* If a Merger Event, Tender Offer, Nationalisation or Insolvency occurs in relation to the Underlying Stock, the Issuer may take any action described below:
- (i) determine the appropriate adjustment, if any, to be made to any one or more of the Conditions to account for the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, and determine the effective date of that adjustment. The Issuer may, but need not, determine the appropriate adjustment by reference to the adjustment in respect of the Merger Event, Tender Offer, Nationalisation or Insolvency made by an options exchange to options on the Underlying Stock traded on that options exchange;
  - (ii) cancel the Certificates by giving notice to the Certificate Holders in accordance with Condition 9. If the Certificates are so cancelled, the Issuer will pay an amount to each Certificate Holder in respect of each Certificate held by such Certificate Holder which amount shall be the fair market value of a Certificate taking into account the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, less the cost to the Issuer and/or any of its affiliates of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its reasonable discretion. Payment will be made in such manner as shall be notified to the Certificate Holders in accordance with Condition 9; or
  - (iii) following any adjustment to the settlement terms of options on the Underlying Stock on such exchange(s) or trading system(s) or quotation system(s) as the Issuer in its reasonable discretion shall select (the “**Option Reference Source**”) make a corresponding adjustment to any one or more of the Conditions, which adjustment will be effective as of the date determined by the Issuer to be the effective date of the corresponding adjustment made by the Option Reference Source. If options on the Underlying Stock are not traded on the Option Reference Source, the Issuer will make such adjustment, if any, to any one or more of the Conditions as the Issuer determines appropriate, with reference to the rules and precedents (if any) set by the Option Reference Source, to account for the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, that in the determination of the Issuer would have given rise to an adjustment by the Option Reference Source if such options were so traded.

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

- (d) *Definitions.* “**Insolvency**” means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting a Company (i) all the Underlying Stock of that Company is required to be transferred to a trustee, liquidator or other similar official or (ii) holders of the Underlying Stock of that Company become legally prohibited from transferring them. “**Merger Date**” means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Issuer. “**Merger Event**” means, in respect of the Underlying Stock, any (i) reclassification or change of such Underlying Stock that results in a transfer of or an irrevocable commitment to transfer all of such Underlying Stock outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of a Company with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Company is the continuing entity and which does not result in reclassification or change of all of such Underlying Stock outstanding), (iii) takeover offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Underlying Stock of the Company that results in a transfer of or an irrevocable commitment to transfer all such Underlying Stock (other than such Underlying Stock owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the Company or its subsidiaries with or into another entity in which the Company is the continuing entity and which does not result in a reclassification or change of all such Underlying Stock outstanding but results in the outstanding Underlying Stock (other than Underlying Stock owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding Underlying Stock immediately following such event, in each case if the Merger Date is on or before the Valuation Date. “**Nationalisation**” means that all the Underlying Stock or all or substantially all of the assets of a Company are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof. “**Tender Offer**” means a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10 per cent. and less than 100 per cent. of the outstanding voting shares of the Company, as determined by the Issuer, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Issuer deems relevant.
- (e) *Other Adjustments.* Except as provided in this Condition 6 and Conditions 10 and 12, adjustments will not be made in any other circumstances, subject to the right reserved by the Issuer (such right to be exercised in the Issuer's sole discretion and



without any obligation whatsoever) to make such adjustments and amendments as it believes appropriate in circumstances where an event or events occur which it believes in its sole discretion (and notwithstanding any prior adjustment made pursuant to the above) should, in the context of the issue of the Certificates and the obligations of the Issuer, give rise to such adjustment or, as the case may be, amendment provided that such adjustment or, as the case may be, amendment is considered by the Issuer not to be materially prejudicial to the Certificate Holders generally (without considering the circumstances of any individual Certificate Holder or the tax or other consequences of such adjustment or amendment in any particular jurisdiction).

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

## **7. Purchases**

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

## **8. Meetings of Certificate Holders; Modification**

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

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

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

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

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

- (b) *Modification.* The Issuer may, without the consent of the Certificate Holders, effect (i) any modification of the provisions of the Certificates or the Master Instrument which is

not materially prejudicial to the interests of the Certificate Holders or (ii) any modification of the provisions of the Certificates or the Master Instrument which is of a formal, minor or technical nature, which is made to correct an obvious error or which is necessary in order to comply with mandatory provisions of Singapore law. Any such modification shall be binding on the Certificate Holders and shall be notified to them by the Warrant Agent before the date such modification becomes effective or as soon as practicable thereafter in accordance with Condition 9.

## **9. Notices**

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

## **10. Liquidation**

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

## **11. Further Issues**

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

## **12. Delisting**

- (a) *Delisting.* If at any time, the Underlying Stock ceases to be listed on the Relevant Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments and amendments to the rights attaching to the Certificates as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is

reasonably able to do so, that the interests of the Certificate Holders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Certificate Holder or the tax or other consequences that may result in any particular jurisdiction).

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

### 13. Early Termination

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

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

For the purposes of this Condition:

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

Issuer's obligations under the Certificates) or (d) to hold, acquire, maintain, increase, substitute or redeem all or a substantial part of its direct or indirect shareholding in the Issuer's capital or the capital of any Relevant Affiliate or to directly or indirectly sponsor the Issuer or any Relevant Affiliate, or (iii) there is or may be a material adverse effect on a Relevant Entity in connection with the issue of the Certificates.

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

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

For the purposes of this Condition:

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

- (c) *Early Termination for other reasons.* The Issuer reserves the right (such right to be exercised in the Issuer's sole and unfettered discretion and without any obligation whatsoever) to terminate the Certificates in accordance with Condition 13(d) where an event or events occur which it believes in its sole discretion should, in the context of the issue of the Certificates and the obligations of the Issuer, give rise to such termination provided that such termination (i) is considered by the Issuer not to be materially prejudicial to the interests of Certificate Holders generally (without considering the circumstances of any individual Certificate Holder or the tax or other consequences of such termination in any particular jurisdiction); or (ii) is otherwise considered by the Issuer to be appropriate and such termination is approved by the SGX-ST.
- (d) *Termination.* If the Issuer terminates the Certificates early, then the Issuer will give notice to the Certificate Holders in accordance with Condition 9. The Issuer will, if and

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

#### **14. 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.

#### **15. 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.

#### **16. Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore**

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

## SUMMARY OF THE ISSUE

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

Issuer:	SG Issuer
Company:	AAC Technologies Holdings Inc.
The Certificates:	European Style Cash Settled Short Certificates relating to the Underlying Stock
Number:	8,000,000 Certificates
Form:	The Certificates will be issued subject to, and with the benefit of, a master instrument by way of deed poll dated 19 June 2020 (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.
Cash Settlement Amount:	In respect of each Certificate, is the amount (if positive) equal to:  Notional Amount per Certificate x Closing Level
Denominations:	Certificates are represented by a global warrant in respect of all the Certificates.
Exercise:	The Certificates may only be exercised on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, in a Board Lot or integral multiples thereof. Certificate Holders will not be required to deliver an exercise notice. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates will be deemed to have been automatically exercised at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. The Cash Settlement Amount less the Exercise Expenses in respect of the Certificates shall be paid in the manner set out in Condition 4(c) of the Conditions. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, and Certificate Holders shall not be entitled to receive any payment from the Issuer in respect of the Certificates.
Exercise and Trading Currency:	SGD
Board Lot:	100 Certificates

Transfers of Certificates:	Certificates may only be transferred in Board Lots (or integral multiples thereof). All transfers in Certificates, in the open market or otherwise, must be effected through a securities account with CDP. Title will pass upon registration of the transfer in the records of CDP.
Listing:	Application has been made to the SGX-ST for permission to deal in and for quotation of the Certificates and the SGX-ST has agreed in principle to grant permission to deal in and for quotation of the Certificates. Issue of the Certificates is conditional on such listing being granted. It is expected that dealings in the Certificates on the SGX-ST will commence on or about 31 August 2020.
Governing Law:	The laws of Singapore
Warrant Agent:	The Central Depository (Pte) Limited 11 North Buona Vista Drive #06-07 The Metropolis Tower 2 Singapore 138589
Further Issues:	Further issues which will form a single series with the Certificates will be permitted, subject to the approval of the SGX-ST.

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

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

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

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

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

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

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

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

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

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

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

#### **B) Trading the Certificates before Expiry**

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

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



### Illustration of the Calculation of Hedging Fee Factor

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

Daily Fees	=	<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	=	$t^7=0$	x	$t=1$	x	$t=2$	x ...	$t=i$
		Notional Amount		Leverage Inverse Strategy daily performance <sup>8</sup> x Daily Fees		Leverage Inverse Strategy daily performance x Daily Fees		Leverage Inverse Strategy Daily performance x Daily Fees

Value of Certificates	=	$t=0$	x	<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 x Leverage Inverse Strategy daily performance		Daily Fees x Daily Fees

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

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

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

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

<sup>7</sup> “ $t^7$ ” 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:	Ordinary shares of AAC Technologies Holdings Inc.
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>0.50 SGD</b>
Notional Amount per Certificate:	<b>0.50 SGD</b>
Management Fee (p.a.):	<b>0.40%</b>
Gap Premium (p.a.):	<b>5.75%</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):

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

$$\text{HFF}(1) = 100\% \times \left(1 - 0.40\% \times \frac{1}{360}\right) \times \left(1 - 5.75\% \times \frac{1}{360}\right)$$

$$\text{HFF}(1) = 100\% \times 99.9989\% \times 99.9840\% \approx 99.9829\%$$

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

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

$$\text{HFF (2)} = 99.9829\% \times \left(1 - 0.40\% \times \frac{3}{360}\right) \times \left(1 - 5.75\% \times \frac{3}{360}\right)$$

$$\text{HFF (2)} = 99.9829\% \times 99.9967\% \times 99.9521\% \approx 99.9317\%$$

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 99.7441% as illustrated below:

Date	HFF
3/7/2018	100.0000%
4/7/2018	99.9829%
5/7/2018	99.9658%
6/7/2018	99.9488%
9/7/2018	99.8975%
10/7/2018	99.8805%
11/7/2018	99.8634%
12/7/2018	99.8464%
13/7/2018	99.8293%
16/7/2018	99.7781%
17/7/2018	99.7611%
18/7/2018	99.7441%

### Cash Settlement Amount

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

$$\begin{aligned} \text{Closing Level} &= [(\text{Final Reference Level} \times \text{Final Exchange Rate}) / (\text{Initial Reference Level} \times \text{Initial Exchange Rate}) - \text{Strike Level}] \times \text{Hedging Fee Factor} \\ &= [(1200 \times 1) / (1000 \times 1) - 0] \times 99.7441\% \\ &= 119.69\% \end{aligned}$$

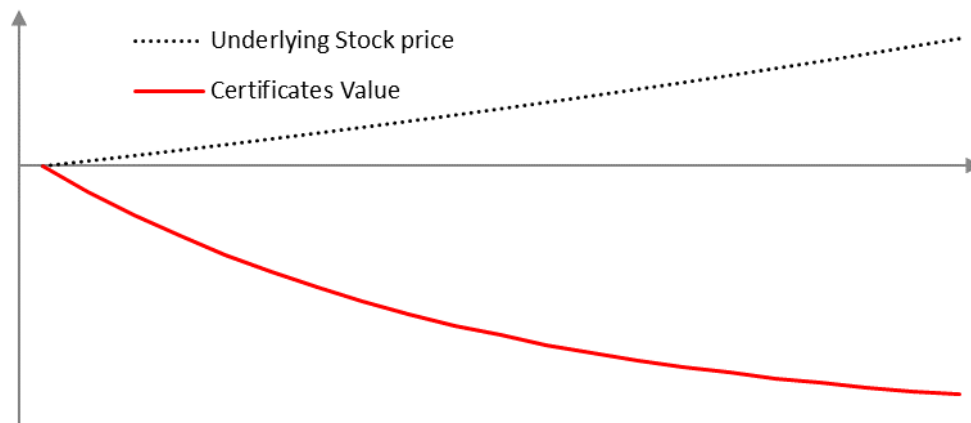
$$\begin{aligned} \text{Cash Settlement Amount} &= \text{Closing Level} \times \text{Notional Amount per Certificate} \\ &= 119.69\% \times 0.50 \text{ SGD} \\ &= \mathbf{0.598 \text{ SGD}} \end{aligned}$$

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

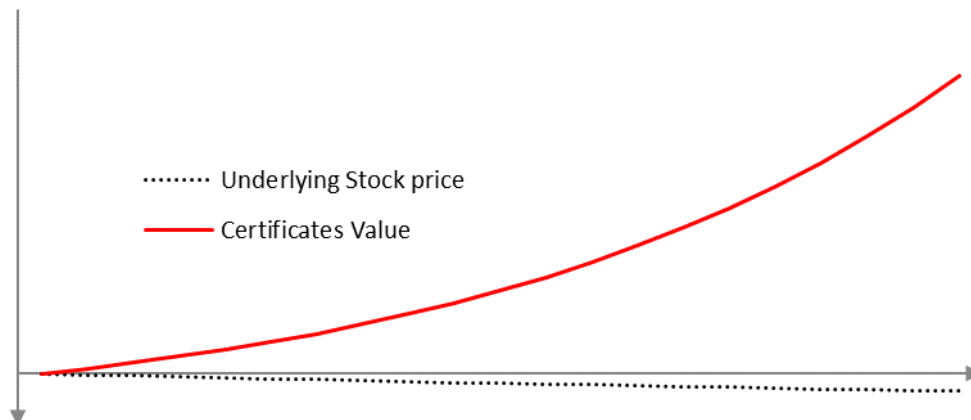
The examples are purely hypothetical and do not take fees and charges payable by investors into consideration. The examples highlight the effect of the Underlying Stock performance on the value of the Certificates and do not take into account the possible influence of fees, exchange rates, dividends,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

### 1. Illustrative examples

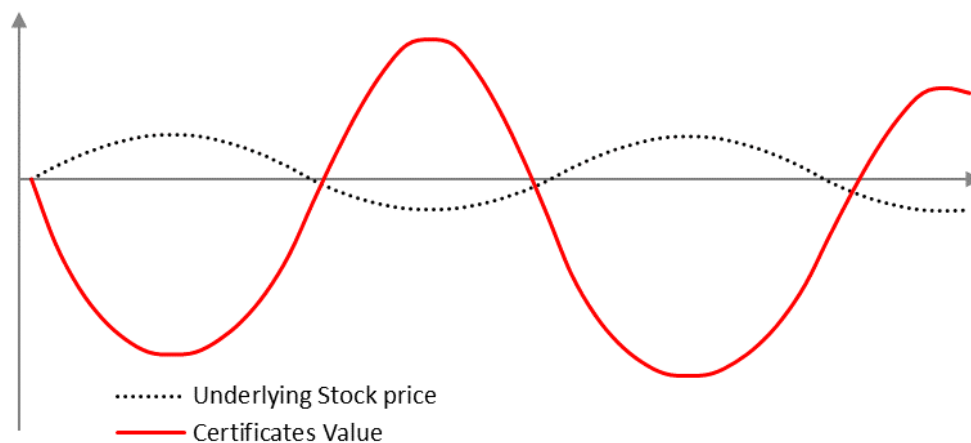
#### Scenario 1 – Upward Trend



#### Scenario 2 – Downward Trend



#### Scenario 3 – Volatile Market



## 2. Numerical Examples

### Scenario 1 – Upward Trend

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

Value of the Certificates						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		-10.0%	-10.0%	-10.0%	-10.0%	-10.0%
Price at end of day	0.50	0.45	0.40	0.36	0.33	0.30
Accumulated Return		-10.00%	-19.00%	-27.10%	-34.39%	-40.95%

### Scenario 2 – Downward Trend

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

Value of the Certificates						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		10.0%	10.0%	10.0%	10.0%	10.0%
Price at end of day	0.50	0.55	0.61	0.67	0.73	0.81
Accumulated Return		10.00%	21.00%	33.10%	46.41%	61.05%

### Scenario 3 – Volatile Market

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

Value of the Certificates						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		-10.0%	10.0%	-10.0%	10.0%	-10.0%
Price at end of day	0.50	0.45	0.50	0.45	0.49	0.44
Accumulated Return		-10.00%	-1.00%	-10.90%	-1.99%	-11.79%

## Description of Air Bag Mechanism

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

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

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

Trading of Certificates is suspended for at least 30 minutes after the Air Bag is triggered. Investors cannot sell or purchase any Certificates during this period.

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

### Air Bag Mechanism timeline

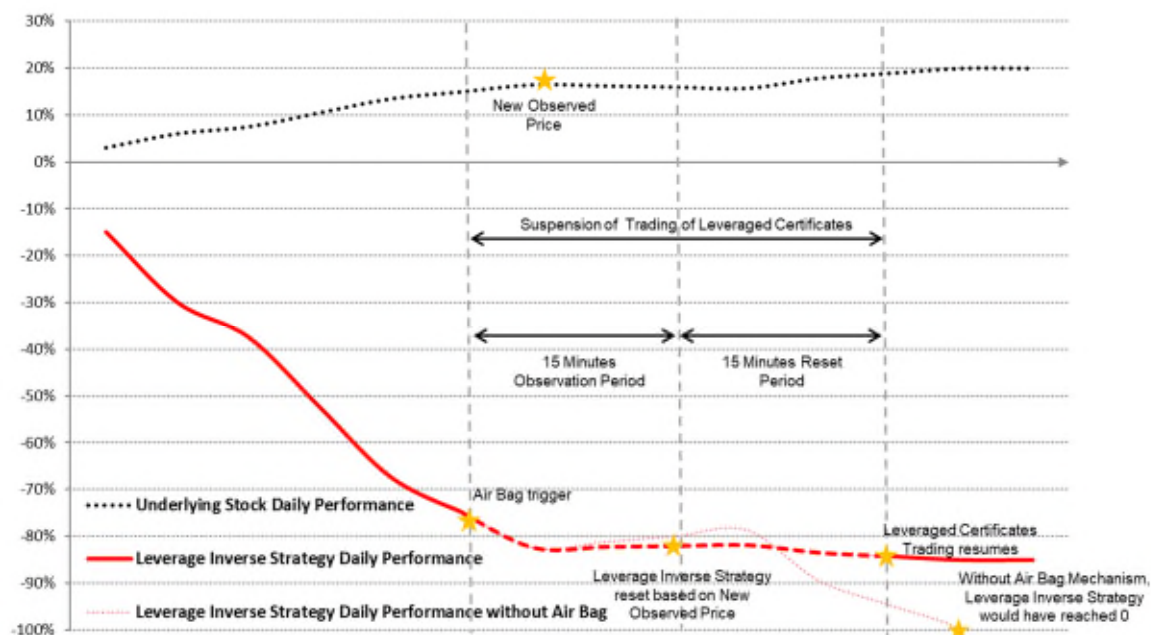
Air Bag Trigger	Observation Period	Resumption of Trading
More than 45 minutes before Market Close	First 15 minutes after Air Bag Trigger	Trading resumes the same day between 30 and 45 minutes after Air Bag Trigger
45 minutes before Market Close		Next trading day at Market Open
30 to 45 minutes before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

With **Market Close** defined as:

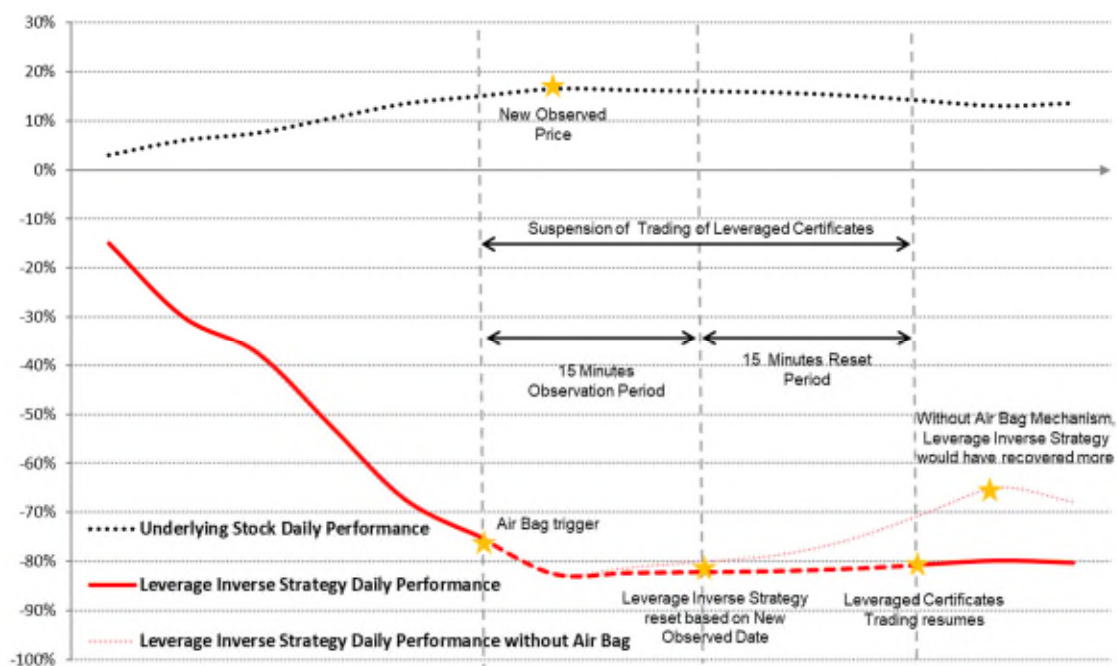
- Underlying Stock closing time with respect to the Observation Period
- The sooner between Underlying Stock closing time and SGX closing time with respect to the Resumption of Trading

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

### Scenario 1 – Upward Trend after Air Bag trigger



### Scenario 2 – Downward Trend after Air Bag trigger



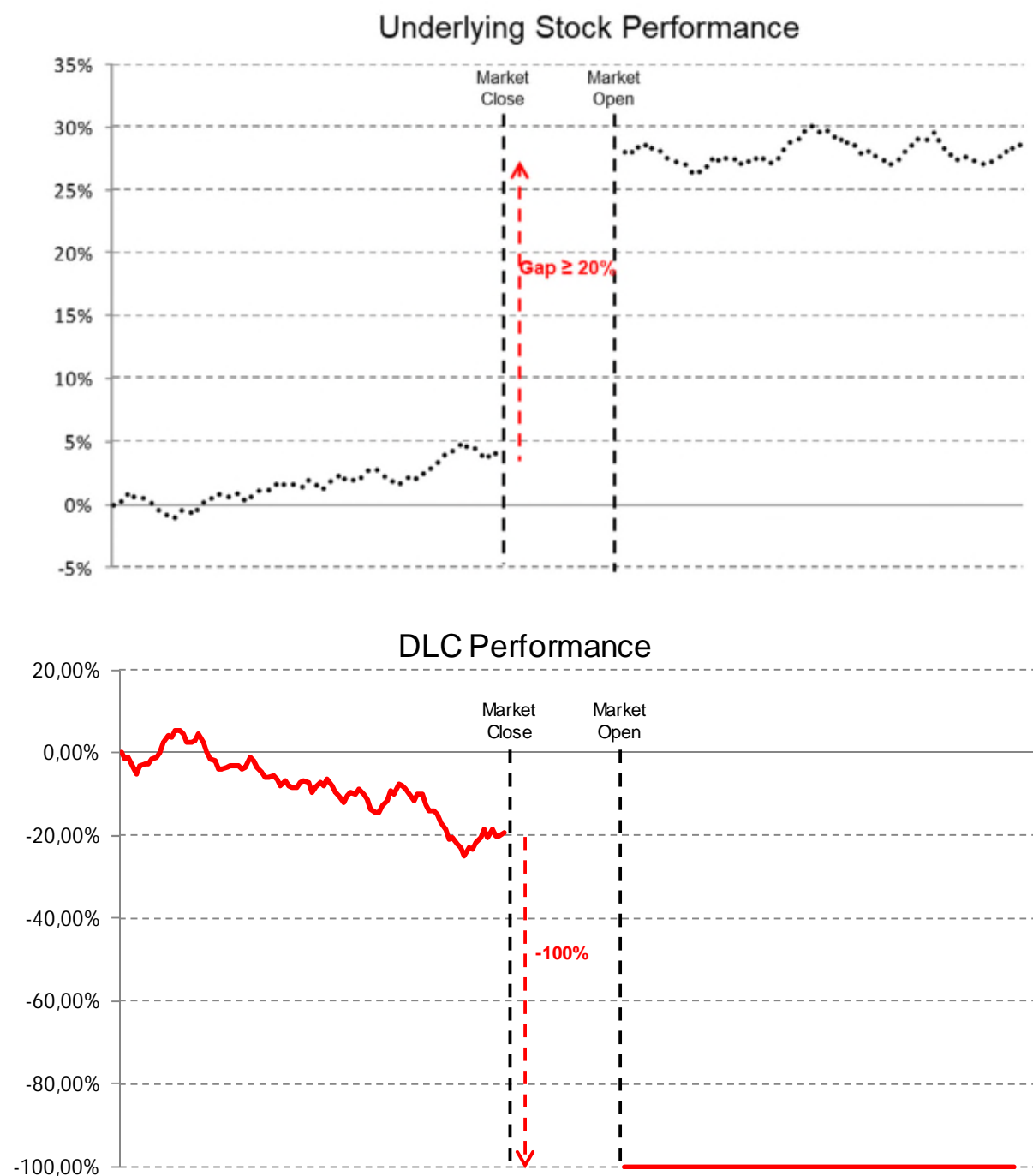
<sup>9</sup> The illustrative examples are not exhaustive.

## 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

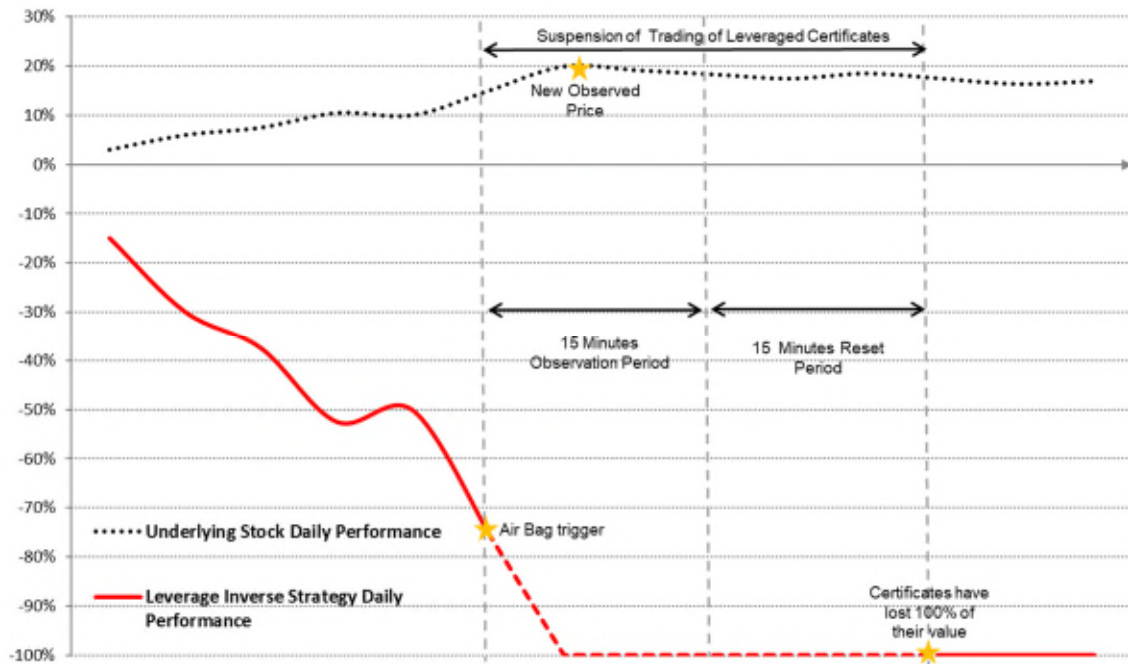
On any business day, the opening price of the Underlying Stock may be higher or lower than the closing price on the previous day. The difference between the previous closing price and the opening price of the Underlying Stock is termed a “gap”. If the opening price of the Underlying Stock is 20% or more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





### Scenario 2 – Sharp intraday rise of the Underlying Stock

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



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

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

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

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

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

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):

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

$$S_t = \$51$$

$$Div_t = \$0$$

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

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)
0.50	0.45	-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)
0.50	0.475	-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)
0.50	0.375	-25%

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

#### 4. Bonus Issues

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

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

$$S_t = \$85$$

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

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

$$R = \$0$$

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

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

As a consequence:

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

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

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
0.50	0.45	-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)
0.50	0.375	-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.aactechnologies.com/en/>. The Issuer has not independently verified any of such information.*

AAC Technologies Holdings Inc. (the “**Company**”) (SEHK stock code: 2018) is an investment holding company principally engaged in the manufacture and sale of miniaturized acoustic components. The Company’s main products include speaker boxes, speakers, receivers and Micro Electro-Mechanical System (MEMS) microphones. The Company’s products are applied in smart phones, tablets, wearables and notebooks. The Company also delivers integrated solutions, including haptics vibrators, Radio Frequency (RF) Mechanical and optical components. The Company distributes its products in domestic market and to overseas markets.

Founded in 1993 and listed on Hong Kong Stock Exchange in 2005, the Company delivered a record-breaking revenue of 21.1 billion RMB in 2017. The Company has over 52,000 employees worldwide, including over 1,500 R&D engineers. The Company’s global reach covers 28 offices in Asia-Pacific area, Europe and America, 9 production sites in China, Vietnam and the Philippines, and 15 R&D centers in China, USA, Finland, Denmark, South Korea, Japan and Singapore.

The information set out in Appendix I of this document relates to the unaudited interim results of the Company and its subsidiaries for the six months ended 30 June 2020 and has been extracted and reproduced from an announcement by the Company dated 24 August 2020 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 : 10 ticks or S\$0.20 whichever is greater
- (b) Minimum quantity subject to bid and offer spread : 10,000 Certificates
- (c) Last Trading Day for Market Making : The date falling 5 Exchange Business Days immediately preceding the Expiry Date

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

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

The last trading day on which the DMM will provide competitive quotations for the Certificates would



be the fifth Exchange Business Day immediately preceding the Expiry Date.

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

The information set out in Appendix II of this document is a reproduction of the press release dated 3 August 2020 containing the Guarantor's consolidated financial results for the second quarter ended 30 June 2020.

## SUPPLEMENTAL GENERAL INFORMATION

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

1. Save as disclosed in this document and the Base Listing Document, neither the Issuer nor the Guarantor is involved in any legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer or the Guarantor is aware) which may have or have had in the previous 12 months a significant effect on the financial position of the Issuer or the Guarantor in the context of the issuance of the Certificates.
2. Settlement of trades done on a normal “ready basis” on the SGX-ST generally take place on the second Business Day following the transaction. Dealing in the Certificates will take place in Board Lots in Singapore dollars. For further details on the transfer of Certificates and their exercise, please refer to the section headed “Summary of the Issue” above.
3. It is not the current intention of the Issuer to apply for a listing of the Certificates on any stock exchange other than the SGX-ST.
4. Save as disclosed in the Base Listing Document and herein, there has been no material adverse change in the financial position or prospects of the Issuer since 31 December 2019 or the Guarantor since 30 June 2020, in the context of the issuance of Certificates hereunder.
5. The following contracts, relating to the issue of the Certificates, have been or will be entered into by the Issuer and/or the Guarantor and may be material to the issue of the Certificates:
  - (a) the Guarantee;
  - (b) the Master Instrument; and
  - (c) the Master Warrant Agent Agreement.

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

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

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

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

weekday (Saturdays, Sundays and holidays excepted) at the offices of Société Générale, Singapore Branch at 8 Marina Boulevard, #12-01 Marina Bay Financial Centre Tower 1, Singapore 018981, during the period of 14 days from the date of this document:

- (a) the Memorandum and Articles of Association of the Issuer and the Constitutional Documents of the Guarantor;
- (b) the latest financial reports (including the notes thereto) of the Issuer;
- (c) the latest financial reports (including the notes thereto) of the Guarantor;
- (d) the consent letters from the Auditors to the Issuer and the Guarantor referred to in paragraph 6 above;
- (e) the Base Listing Document;
- (f) this document; and
- (g) the Guarantee.

## **PLACING AND SALE**

### **General**

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

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

### **Singapore**

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

### **Hong Kong**

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

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Certificates (except for Certificates which are a "structured product" as defined in the Securities and Futures Ordinance (Cap.571) of Hong Kong) other than (i) to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance; 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 that Ordinance; 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 Securities and Futures Ordinance and any rules made under that Ordinance.

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

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

## **United States**

The Certificates and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) or any state securities law, and trading in the Certificates has not been approved by the United States Commodity Futures Trading Commission (the “**CFTC**”) under the United States Commodity Exchange Act of 1936, as amended (the “**Commodity Exchange Act**”) and the Issuer will not be registered as an investment company under the United States Investment Company Act of 1940, as amended, and the rules and regulations thereunder. None of the Securities and Exchange Commission, any state securities commission or regulatory authority or any other United States, French or other regulatory authority has approved or

disapproved of the Certificates or the Guarantee or passed upon the accuracy or adequacy of this document. Accordingly, Certificates, or interests therein, may not at any time be offered, sold, resold, traded, pledged, exercised, redeemed, transferred or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, nor may any U.S. person at any time trade, own, hold or maintain a position in the Certificates or any interests therein. In addition, in the absence of relief from the CFTC, offers, sales, re-sales, trades, pledges, exercises, redemptions, transfers or deliveries of Certificates, or interests therein, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, may constitute a violation of United States law governing commodities trading and commodity pools. Consequently, any offer, sale, resale, trade, pledge, exercise, redemption, transfer or delivery made, directly or indirectly, within the United States or to, or for the account or benefit of, a U.S. person will not be recognised.

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

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

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

## **APPENDIX I**

### **REPRODUCTION OF THE UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020 OF AAC TECHNOLOGIES HOLDINGS INC. AND ITS SUBSIDIARIES**

The information set out below is a reproduction of the unaudited interim results of the Company and its subsidiaries for the six months ended 30 June 2020 and has been extracted and reproduced from an announcement by the Company dated 24 August 2020 in relation to the same.



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**瑞聲科技控股有限公司**  
**AAC TECHNOLOGIES HOLDINGS INC.**

(Incorporated in the Cayman Islands with limited liability)  
 (Stock code: 2018)

**INTERIM RESULTS ANNOUNCEMENT**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2020**

The board (the "**Board**") of directors (the "**Director(s)**") of AAC Technologies Holdings Inc. ("**AAC Technologies**" or the "**Company**") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2020 ("1H 2020") together with the comparative figures for the corresponding period in 2019 ("1H 2019").

These unaudited condensed consolidated financial statements have been reviewed by the Company's auditor, Deloitte Touche Tohmatsu and the Company's audit and risk committee and approved by the Board on 24 August 2020.

**2020 INTERIM RESULTS HIGHLIGHTS (UNAUDITED):**

(RMB Million)	1H 2020	1H 2019	YoY%	Q2 2020	Q2 2019	YoY%
Revenue	<b>7,837</b>	7,568	3.6%	<b>4,277</b>	3,815	12.1%
Gross Profit	<b>1,818</b>	2,084	-12.8%	<b>995</b>	955	4.2%
Gross Profit Margin	<b>23.2%</b>	27.5%	-4.3ppt	<b>23.3%</b>	25.0%	-1.7ppt
Net Profit	<b>320</b>	770	-58.4%	<b>268</b>	338	-20.8%
Net Profit Margin	<b>4.1%</b>	10.2%	-6.1ppt	<b>6.3%</b>	8.9%	-2.6ppt
Basic EPS (RMB)	<b>0.27</b>	0.64	-57.8%	<b>0.22</b>	0.28	-21.4%
Dividend per share (HK\$)	<b>0.10</b>	0.40	-75.0%	-	-	-
Share Numbers (Weighted average, million)	<b>1,209</b>	1,212		<b>1,209</b>	1,211	

## BUSINESS REVIEW

In the second quarter of 2020 ("Q2 2020"), as 2019 Novel Coronavirus ("COVID-19") outbreak eased in China, healthy improvements in all the business segments, coupled with sequential recovery of production efficiency and employee productivity from Q1 contributed to a solid Q2 2020 financial performance. Overall, Q2 revenue and gross profit increased 12.1% and 4.2% YoY to RMB4.28 billion and approximately RMB1.00 billion, respectively. Gross margin for this quarter on a YoY basis, slightly narrowed by 1.7 percentage points ("ppts") to 23.3%, as production efficiency improved gradually after the resumption of work. Q2 net profit declined by 20.8% to RMB0.27 billion, representing a YoY drop in net margin by 2.6 ppts to 6.3%, mainly due to the continual high spending in research and development ("R&D").

For the first half of 2020, Group revenue reported a YoY increase of 3.6% to RMB7.84 billion while gross profit and net profit declined YoY by 12.8% and 58.4%, respectively, to RMB1.82 billion and RMB320 million. For 1H 2020, net operating cash inflow amounted to RMB1.46 billion, with capital expenditure of RMB2.32 billion. As at the end of June, the Group's net gearing ratio remained at a healthy level of 10.4% with a cash position of RMB5.09 billion.

During the six-month period, the Group has continued to implement organizational changes under a transformation project conducted with a leading international management consultancy firm. This will enhance our organization structure and bring sustained management and operational efficiency to the Group. Recently, the Group has been included as a constituent in the FTSE4Good Index Series and the Hang Seng TECH Index, which demonstrated broad recognition of the Group's commitment to social responsibilities and its technological leadership in the industry. Going forward, the Group will strive to establish a more efficient and agile structure to achieve its mission and to establish a solid foundation for long-term sustainable growth.

During the period under review, despite the decline in global smartphone shipments due to the pandemic, the Group has achieved improvements in various business segments. The Group's competitiveness in optics has continued to improve with growing market share in plastic lens business. Gross margin of optics business has shown a continual improvement due to increasing average selling price ("ASP") fueled by higher proportion of high spec shipments. We are actively promoting our proprietary WLG hybrid lens design to the market, which exhibits superior optical performance to all-plastic lens design, and, has received positive feedbacks from customers. The Group is on track to expand WLG glass lens production capacity in this current second half to reach mass production scale by the end of this year. At the moment, we are working closely with customers on several WLG projects, targeting for shipment by the end of 2020. Our x-axis haptics motors have shown strong growth momentum in Android flagship models, leading to a steady increase of shipment volume this year. With further penetration into mid- and low-tier smartphone market, the growth momentum of shipment volume is expected to remain strong next year. Our acoustics business has also shown considerable recovery momentum, with increased blended ASP and stabilized profitability, due to changes in product portfolio.

The fast-growing potential of the optics business has been acknowledged by strategic investors, as per our recent Group's voluntary announcement. The successful introduction of strategic investors clearly demonstrated the market's recognition of our technology pathway and its business prospects. The strategic investment will help to promote positioning in the industry, diversification of shareholding structure, acceleration of business development and integrated optimization of business resources, enabling sustainable growth of optics business and enhancing the overall value of the Group.

## **DEVELOPMENT OF BUSINESS SEGMENTS**

### **Optics**

During Q2 2020, optics business continued its fast-growing trend. Revenue from optics business grew significantly by 55.4% QoQ and 43.1% YoY, respectively, to RMB380 million, and gross margin further increased to 13.8% from 9.8% of the previous quarter, demonstrating our improved profitability. For 1H 2020, optics revenue grew 49.8% to RMB0.63 billion. Both ASP and shipment volume have shown remarkable increases, due to higher penetration rate of high spec plastic lens market and improved capacity utilization rate.

Notwithstanding the decline in global smartphone shipment in the first half of the year, our monthly output of plastic lens has reached 60 million units with increasing market share, demonstrating our enhanced competitive edge. Steady progress has been made in new product development including tele-zoom, wide angle, small head, main camera and TOF (Time of Flight) depth sensing camera. The Group gradually has managed to mass produce 64M plastic lens with the next goal set to achieve mass production in higher image resolution standards including 108M. Meanwhile, 7P (7 plastic lenses) projects are scheduled for mass production in Q4 2020. In the second half of this year, the Group will continue to optimize manufacturing knowhow and increase output of plastic lens utilizing the current production resources to further increase profitability in optics business.

Cameras have become a main focus of smartphone upgrade. Recent upgrade trends of higher image resolution, larger aperture, and tele-zoom in various scenarios such as night mode, telephoto shot and backlighting selfie have presented bottlenecks for plastic lens in terms of image resolution and distortion. Our proprietary WLG hybrid lens, exhibiting a superior optical performance in lighting and image resolution, has been considered by the market to be one of the major future directions in optics upgrade. As the production capacity and yield continue to improve, issues associated with mass production and higher cost will be gradually resolved, and hybrid lens is expected to overcome the bottlenecks of optical properties for smartphone plastic lens. We are in close discussions with customers on WLG hybrid lens solutions and target for shipment by the end of this year.

Camera module business, as a strategic business position for the Group, is important to promote the optics lens business and provide a holistic optical solution to customers. Satisfactory progress has been made in preparation of mass production, and we expect to begin shipment in Q3 2020. The camera module business will allow the Group to further improve its capability for vertical integration and enhance value added service of our optics business. Meanwhile, the Group will collaborate with other module business partners to better understand customers' upgrade demands in optics and to jointly improve product performance and mass production capabilities for better consumer experience.

### **Acoustics Business**

Acoustics segment exhibited considerable recovery in Q2 with pandemic situation gradually came under control domestically. Q2 revenue from acoustics business significantly increased 34.2% QoQ and 7.9% YoY, respectively, to RMB1.91 billion. Our acoustics blended ASP maintained a year-on-year growth due to changes in product portfolio. As a result, Q2 gross margin of acoustics business remained at a healthy level of 26.4%, demonstrating a stable profitability compared to the previous quarter and a slight decrease of 0.7 ppts YoY. Overall, 1H 2020 revenue and gross profit margin declined by 8.7% and 3.8 ppts YoY, to RMB3.33 billion and 26.3%, respectively, under the adverse impact of declining global smartphone shipment amidst the pandemic.

As a global leader in miniaturized acoustics technology, the Group continues to invest in new acoustic product platforms and brings advanced acoustic experiences to end-consumers. Stereo acoustics has been widely adopted by high-tier models this year, with further penetration expected to take place to mid- and low-tier models next year. This will enhance end-consumers' experience for acoustics upgrades, allowing stereo acoustics to become a new standard feature for smartphones. In Q2, the penetration of SLS platform in terms of our total shipment volume of Android models has maintained at a high level of 70% and target to achieve 80% by the end of 2020. The classical SLS version has been adopted by various Android flagship models. With a higher proportion of classical SLS version in total shipment volume, alongside a more stable competitive landscape, we expect ASP for Android acoustics products to stabilize. Furthermore, the upgraded classical SLS speaker box, with diaphragm vibration amplitude of  $\pm 0.75\text{mm}$ , is scheduled for mass production and begins shipment by second half of 2020, which will enhance the technological barrier of acoustics outlook. Going forward, the Group will help customers to further reduce the acoustics module size and enhance auditory experiences.

### **Electromagnetic Drives and Precision Mechanics**

During Q2 2020, the combined revenue from electromagnetic drives and precision mechanics segments has steadily increased 11.4% YoY, on the back of increased shipment volume, mainly benefiting from the optimized product portfolio and market strategy of electromagnetic drive segment. Meanwhile, the blended gross margin was compressed by 4.1 ppts to 22.8%, due to higher sales contribution from precision mechanics changing revenue breakdown of the segment. For 1H 2020, the revenue of this combined segment increased 9.7% YoY to RMB3.42 billion, whereas blended margin declined by 6.3 ppts to 23.2%.

### **Electromagnetic Drives**

Tactile sensation plays an important role in human-machine interactions and vast upgrade opportunities upon consumers' demand for better audiovisual and gaming experience upon the advent of 5G era. The Group will gradually develop vertical integration capabilities to combine software and hardware, so as to provide consumers with better user experiences. Our proprietary x-axis haptic motors have advantages including optimized structure, agile screen tactile feedback and realization of complex three-dimensional vibration effects. These features enable our products to display a superior performance in various application scenarios such as User Interface interactive touch and 4D vibration in gaming, assisting the Group to maintain its leadership position in this area. Our x-axis haptics motors have been widely adopted by Android flagship models and we expect shipment to Android models to achieve solid growth as penetration rate further increases into mid- and low-tier smartphone market. Concurrently, the Group has various key technology platforms, and has achieved proficiency in related production processes, we anticipate gross margin to maintain at a healthy level brought upon by a growing production and shipment volume.

## **Precision Mechanics**

Precision mechanics business improved from the previous quarter. Higher proportion of 5G smartphone metal casing projects further enhanced the shipment volume and ASPs. Together with higher capacity utilization rate, gross margin of this segment has improved compared to Q1. Precision mechanics business has been playing a strategic role to help the Group better understand the smartphone upgrade trend. We will strive to outperform the first-tier peers to ensure satisfactory profitability performance in this segment on the back of improved capacity utilization rate.

## **MEMS**

During Q2 2020, revenue from MEMS components grew steadily by 14.5% YoY, while the gross margin narrowed by 10.9 ppts to 16.1%. For 1H 2020, revenue increased 20.4% to RMB0.46 billion whereas gross margin declined by 7.3 ppts to 16.2%.

The strong demand for MEMS microphones was fueled by the improvement of intelligent speech interaction in the past two years. Increasing numbers of MEMS microphones installed per handset, alongside the popularity of wearables and smart home appliances, also helps promote market expansion of this segment. The Group's high-end miniaturized microphone product with higher signal-to-noise ratio, and low energy consumption, has gradually been adopted by laptop market. We plan to expand our production capacity and increase market share via deploying a distribution model. In terms of costs, since MEMS microphones are highly standardized, the Group is to increase the proportion of in-house production of MEMS chip and digital ASIC chip, which will improve profitability of this business segment.

## **INTERIM DIVIDEND**

After careful review of the Group's financial liquidity and business development requirements, the Board of Directors has declared an interim dividend of HK\$0.10 per share for 2020 (2019:HK\$0.40), to pay in cash on 25 September 2020, to shareholders whose names appear in the register of members on 16 September 2020. Amidst the uncertain macroeconomic environment, the Group will remain prudent in financial management and strong in cash flow for business development, so as to create long-term value for shareholders. This interim declared dividend should not be taken as an indication of the level of profit or dividend for the full year of the Group.

## **PROSPECTS**

In the first half of 2020, global smartphone shipment has declined due to economic impact from lockdown by the pandemic and global trading relationships, according to IDC (International Data Corporation). Nevertheless, 5G continued its growth trend globally. With higher penetration rate of 5G smartphones, smartphone shipment is expected to grow steadily. Meanwhile, popularity of innovative applications in the advent of 5G era will lead to new upgrade trends in hardware. Leveraging on the leadership position in miniaturized technology and precision manufacturing, the Group will optimize its product portfolio to further enhance production efficiency and maximize returns for shareholders.

## **FINANCIAL REVIEW**

### **Revenue**

1H 2020 Group revenue increased YoY by 4%, to RMB7.8 billion. Owing to factors discussed under "Business Review" above, revenue from the Electromagnetic Drives & Precision Mechanics and Optics increased by RMB302 million and RMB208 million respectively, whilst Acoustics revenue decreased by RMB317 million, compared with 1H 2019.

### **Gross Profit and Gross Profit Margin**

1H 2020 gross profit was RMB1.8 billion, representing a decrease by 12.8%, from the gross profit of RMB2.1 billion in 1H 2019. The drop in gross profit was primarily due to the reduction in gross profit margin. Gross profit margin decreased to 23.2% in 1H 2020 as compared with 27.5% in 1H 2019. Although the overall yield and efficiency were improved, the gross profit margin was decreased owing to ASP pressures on legacy products and unfavorable product mix due to slow-down in innovation and specs upgrade.

### **Administrative Expenses**

Administrative expenses in 1H 2020 were RMB344 million, 18% higher, compared with RMB291 million in 1H 2019.

### **Distribution and Selling Expenses**

Distribution and selling expenses of RMB134 million in 1H 2020, along with the increase in revenue, increased by 11%, compared with RMB121 million in 1H 2019.

### **Research and Development Expenses**

R&D expenses in 1H 2020 were RMB983 million, 18% higher than RMB831 million in 1H 2019. The increase was primarily attributable to the higher R&D related to optics business, in line with the Group's plan for a significant growth in production and shipments in the next 12 months and optics as a key growth driver in the future.

### **Finance Costs**

Finance costs in 1H 2020 amounted to RMB169 million, representing an increase of 48% compared with RMB114 million in 1H 2019. Such increase in finance costs was mainly due to the additional interest on unsecured notes accompany with the issuance of unsecured notes USD388 million in November 2019 at annual interest rate 3%.



## Taxation

Taxation expenses of the Group were calculated based on the assessable profits of the subsidiaries at the rates prevailing in the relevant jurisdictions. Taxation expenses in 1H 2020 amounted to RMB117 million, representing a decreased of 1% from RMB118 million in 1H 2019. While the effective tax rate have increased 13.4 percentage points compared with that of 1H 2019, the increase was temporary due to the different taxation status of our Chinese operating subsidiaries.

## Net Profit and Net Profit Margin

Reported net profit for 1H 2020 was RMB320 million, a decline by 58% compared with RMB770 million in 1H 2019. The decline was due to decline of gross profit margin, together with higher R&D costs incurred during the period contributed to the adverse 6.1 percentage points decrease in net profit margin to 4.1%.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group has always emphasized financial discipline and continues to maintain a strong liquidity position. Cash flows from (used in) our operating, investing and financing activities, are as below:

	For the six months ended 30 June	
	2020	2019
	<i>RMB million</i>	<i>RMB million</i>
Net cash from operating activities	<b>1,458.1</b>	1,785.0
Net cash used in investing activities	<b>(1,139.2)</b>	(1,218.8)
Net cash used in financing activities	<b>(56.7)</b>	(1,452.0)

## Operating Activities

Cash inflow from operating activities was mainly generated from cash receipts from the Group's sales. Cash outflows were related to raw materials purchases, payroll, distribution and selling expenses, expenses incurred in R&D, administrative items and taxation charges. Net cash generated from operating activities was RMB1,458.1 million for 1H 2020 (1H 2019: RMB1,785.0 million).



*i. Trade Receivables and Payables*

As at 30 June 2020, turnover days of trade receivables increased by 12 days to 91 days as compared to 31 December 2019. Trade receivables decreased by RMB762 million to RMB3.6 billion. Aging of trade receivables (net of allowance for doubtful debts) based on invoice dates between 0–90 days, 91–180 days and over 180 days were RMB3,383.7 million (31 December 2019: RMB4,204.5 million), RMB199.1 million (31 December 2019: RMB140.4 million) and RMB0.4 million (31 December 2019: RMB0.4 million) respectively. The Company has received subsequent settlement totaling RMB1,490.7 million up to 31 July 2020, representing 41.6% of the total amount outstanding, net of allowances, as at the end of the reporting period.

The Group's trade payables turnover days increased by 9 days to 112 days as compared to 31 December 2019. Aging of trade payables based on invoice dates between 0–90 days, 91–180 days and over 180 days were RMB2,805.9 million (31 December 2019: RMB3,346.9 million), RMB671.0 million (31 December 2019: RMB599.6 million) and RMB22.7 million (31 December 2019: RMB14.4 million) respectively.

*ii. Inventory Turnover*

As at 30 June 2020, the inventories have increased by RMB29.7 million compared to 31 December 2019. The inventory turnover days increased to 110 days as at 30 June 2020 from 100 days for 31 December 2019.

**Investing Activities**

Net cash invested in 1H 2020 and 1H 2019, amounted to RMB1,139.2 million and RMB1,218.8 million, respectively. CAPEX will include acquisition of land use rights, additional production plant and property, and, latest automation machinery and equipment for modifications and upgrades as well as capacity expansion. For 1H 2020 and 1H 2019, total CAPEX incurred were RMB2,316.0 million and RMB1,319.0 million respectively. Investing activities are focused on sustained CAPEX programs in building technology platform per the Group's business progress to capture new market opportunities and support its long-term business strategies. CAPEX are funded by internal resources and bank loans, and are subject to annual CAPEX budgeting and approval by the Board.

**Financing Activities**

The Group recorded net cash used in financing activities of approximately RMB56.7 million for 1H 2020. For 1H 2020, the Group recorded net inflow from bank borrowings, new bank borrowings raised of RMB1,349.7 million (1H 2019: RMB2,230.5 million) and repayment of bank loans of 1,178.6 million (1H 2019: RMB2,157.2 million).

### **Cash and Cash Equivalents**

As at 30 June 2020, the unencumbered cash and cash equivalents of the Group amounted to RMB5,093.7 million (31 December 2019: RMB4,814.4 million), of which 53.4% (31 December 2019: 18.4%) in RMB, 42.4% (31 December 2019: 76.7%) was denominated in US dollar, 1.2% (31 December 2019: 2.0%) in Hong Kong dollar, 1.1% (31 December 2019: 1.2%) in Euros, 0.6% (31 December 2019: 0.4%) in Japanese Yen, 0.3% (31 December 2019: 0.3%) in Vietnamese Dong, 0.3% (31 December 2019: 0.2%) in Singapore dollar, and 0.7% (31 December 2019: 0.8%) in other currencies.

### **Gearing Ratio and Indebtedness**

As at 30 June 2020, the Group's gearing ratio, defined as total loans and unsecured notes divided by total assets, was 25.2% (31 December 2019: 24.6%). Netting off cash and cash equivalents, net gearing ratio was 10.4% (31 December 2019: 10.5%).

As at 30 June 2020, the unsecured notes of the Group was RMB2,725.2 million (31 December 2019: RMB2,685.5 million), the short-term bank loans and long-term bank loans of the Group amounted to RMB2,492.3 million (31 December 2019: RMB1,876.1 million) and RMB3,462.7 million (31 December 2019: RMB3,849.6 million) respectively.

Management believes that the Group's current cash and cash equivalents, together with available credit facilities and expected cash flow from operations, will be sufficient to satisfy the current operational requirements and CAPEX of the Group.

### **Charges on Group Assets**

Apart from bank deposits amounting to RMB24.9 million that were pledged to banks mainly in relation to construction work as at 30 June 2020 (31 December 2019: RMB11.1 million), no other Group assets were charged to any financial institutions.

### **OFF-BALANCE SHEET TRANSACTIONS**

As at 30 June 2020, the Group had not entered into any material off-balance sheet transactions.

## **KEY RISK FACTORS**

The Company has structured risk management and internal control systems for the management of strategic, market, operational, financial and compliance risks. In our pursuit of technology innovation, the Company is committed to building sustainable risk management and operational information systems. Since 2018, we have adopted a co-sourcing internal audit model, by engaging a professional accounting firm to work alongside our internal audit department, to help the Group systematically review and upgrade our risk and control measures in chosen business processes, benchmarking against international best practices. Such systems are designed to manage the risk of failure to achieve business objectives, and can only provide reasonable assurance against material misstatement or loss. Certain key risk factors affecting the Group are outlined below. The list is non-exhaustive and there may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may be immaterial now but could become material in the future. Besides, this announcement does not constitute a recommendation or an advice for anyone to invest in the securities of the Company and investors are advised to make their own judgment or consult their own investment advisors before making any investment in the securities of the Company.

### **Risks Pertaining to the Smartphones Market**

A substantial part of the Group's revenue is derived in the smartphone sector of the consumer electronics market. The overall global market for smartphones contracted in 2020 due to the global pandemic and the ensuing dampened consumer sentiment and weaker demand. A continual contraction in the global smartphones market may adversely affect our operating results and financial condition. Additional geopolitical tensions may further affect logistics, trading activities etc., impacting the financial performance of the Group. To tackle this, the Company is continuously widening its product and technologies platforms to extend its reach to different end applications, so as to diversify the sources of revenue and profit to reduce its dependency on any single segment. Our on-going and substantial investments in R&D, leading to an expanded suite of 5,078 patents in total across acoustics and new technology platforms, should also help to protect our business against competition within the smartphone market segment.

### **Reliance on a Number of Key Customers**

The Group's five largest customers, which accounted for 82.9% of the Group's total revenue, are all related to the consumer electronics industry, characterized by innovation-driven and user experience-oriented business growth. Loss of or changes in market position of any of these customers may materially and adversely affect the Group's business, financial condition and results of operations. Nevertheless, the Group has focused on technology innovation to continuously enhance user experience meeting customers' spec upgrade needs. We have also implemented standardized procedures for handling all forms of customer information to ensure it is not improperly or inadvertently disclosed to third parties. The Group has strong established relationships with these major customers; all of them have been our customers for over 8 years. The credit terms granted to them are in the range of 60- to 90-day periods and are generally in line with those granted to other customers.

## **Operational and Obsolescence Risks**

The Group's operation is subject to a number of risk factors specific to designing and providing new technology solutions. Our business continues to focus on miniature components and develop new products and technologies platforms. In meeting future design specifications and production quality requirements, our successful track record would not guarantee continual success. Changes in technological design and performance specifications or other external factors may have various levels of negative impact on the results of operations. Additionally, production, data security and quality issues may happen despite internal systems and policies set up for their prevention, which may lead to financial loss, litigation, or damage in reputation.

We believe that the Company has a seasoned process in ensuring that we meet design specifications and quality requirements and there are many overlapping core design and production competencies that the Company possesses. This will put the Company in a strong competitive position in terms of design capacity and manufacturability, time-to-market delivery and continuous enhancement of user experience. Also, the Company continuously treats information security as a priority strategic topic, and has implemented a comprehensive range of measures to safeguard its data assets from breaches, leaks and hacks. In addition, the Company constantly reviews competition and market trends. The Company is committed to strive for innovation and maintain a competitive position with a wide lead in knowledge. The Company has reinvested significant resources on research and development to build broad sustainable technology roadmaps and intellectual property portfolios.

The Company has put in place a quality management system. All products are subject to thorough and comprehensive testing to meet customers' requirements and international standards. The Company will continue to improve internal process capability, including live surveillance management of production stations and evaluation of "big data" systems in our operation, and set up a solid base for continual improvement in product reliability.

## **Liquidity and Interest Rate Risks**

The Group manages liquidity risk by maintaining an adequate level of cash and cash equivalents through continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group is exposed to interest rate risks on its bank loans for working capital and CAPEX that are associated with the expansion of the Group. The Group focuses on mitigating the liquidity and interest rate risks, with an appropriate mix of RMB/USD/HKD borrowings that are constantly reviewed and adjusted. The Group's USD deposits served as a natural hedge to the risk of interest rate volatilities to some extent. The Group also maintains an appropriate mix of fixed/floating rate debts, an even debt repayment profile and a diversified source of funding, by having secured long-term five-year bank loans and entered into interest rate swap contracts.

The Group's financial assets include bank balances and cash, pledged bank deposits, trade and other receivables, amounts due from related companies, derivative financial instruments, financial assets at fair value through profit or loss and equity instruments at fair value through other comprehensive income, which represent the Group's maximum exposure to credit risk in relation to financial assets. The credit risk on liquidity is limited because the counterparties are established banks with good credit-ratings.

### **Foreign Exchange Risks**

Given our international operations and presence, the Group faces foreign exchange exposures including transaction and translation exposures, and is exposed to exchange rate risks that could impact financial reporting results. The Group's reporting currency is RMB and our sales to overseas customers are predominantly denominated in USD.

It is the Group's consistent policy to centralize foreign exchange management to monitor total foreign currency exposure, to net off affiliate positions, and, if necessary, to consolidate hedging transactions with banks. The cash inflow to the Group in denominations of the two currencies, namely RMB and USD, are mostly, over time, in balanced proportions. In addition, various bank facilities have been arranged in these two currencies, to meet our daily operating expenses and capital investment requirements. Hence, in our operating business model, the Group's revenue is mostly matched to the currencies of the outlay. As far as possible, the Group aims to achieve natural hedging by investing and borrowing in the functional currencies. Where a natural hedge is not possible, the Group will mitigate foreign exchange risks via appropriate foreign exchange contracts.

### **Intensifying Global Trade Frictions**

Prolonged and intensified trade frictions might lead to a slowdown on global consumer electronic market and a decline of the orders by the key customers of the Group, which might have an adverse impact on the Group's results of operations and financial conditions. Such impact might be exacerbated by the current softness in the smartphone industry including slow spec upgrades by customers. The Group will closely monitor any new developments to assess adverse and material business implications that might arise.

The Group is not aware of any of its key raw materials and products being included in the latest target lists and its products are also not directly exported to the US. So far, the Group's business operations have not experienced any significant immediate impact arising from the trade frictions.

The Group's dedication to R&D to develop proprietary innovative technologies, and the Group's strategy in integrating R&D all over the world with our diversified manufacturing bases should help to continue to provide the best solutions to customers and mitigate some of the adverse business impact of the trade frictions.

## **PAST PERFORMANCE AND FORWARD-LOOKING STATEMENTS**

The performance and the results of operation of the Group as set out in this announcement are historical in nature and past performance is not a guarantee of future performance. This announcement may contain certain statements that are forward-looking or which use certain forward-looking terminologies. These forward-looking statements are based on the current beliefs, assumptions and expectations of the Board regarding the industry and markets in which it operates. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions. The Group, the Directors, employees and agents of the Group assume (a) no obligation to correct or update the forward-looking statements or opinions contained in this document; and (b) no liability in the event that any of the forward-looking statements or opinions do not materialise or turn out to be incorrect.

Since listing, the Company has been making quarterly results announcements. The Company has experienced, and expected to continue to experience, fluctuations in sales and results of operations from one quarter to the next. We believe that quarter-on-quarter and year-on-year comparisons of our periodic results of operations are, to some extent, meaningful to reflect cyclical nature of the industry the Company operates in. However, such comparisons should not be relied upon as sole indicators of the longer term performance such as annual results.

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	NOTES	1.1.2020 to 30.6.2020 (Unaudited) RMB'000	1.1.2019 to 30.6.2019 (Unaudited) RMB'000
Revenue	3	7,837,054	7,567,523
Cost of goods sold		(6,018,930)	(5,483,162)
Gross profit		1,818,124	2,084,361
Other income, gains and losses	4	254,724	115,992
Fair value gain on financial assets at fair value through profit or loss	10	–	15,179
Distribution and selling expenses		(134,320)	(120,731)
Administrative expenses		(343,971)	(291,342)
Research and development costs		(982,939)	(830,796)
Exchange (loss) gain		(5,430)	29,519
Finance costs		(169,057)	(114,360)
Profit before taxation	5	437,131	887,822
Taxation	6	(116,840)	(118,013)
Profit for the period		320,291	769,809
Other comprehensive (expense) income:			
<i>Item that will not be subsequently reclassified to profit or loss:</i>			
Fair value changes on equity instruments at fair value through other comprehensive income		(12,010)	13,890
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising from translation of foreign operations		(21,325)	(33,817)
Fair value changes on derivative financial instruments		(27,714)	(25,218)
Loss (gain) reclassified to profit or loss on hedged items		7,490	(1,811)
		(53,559)	(46,956)
Total comprehensive income for the period		266,732	722,853
Profit (loss) for the period attributable to:			
Owners of the Company		320,465	769,809
Non-controlling interests		(174)	–
		320,291	769,809
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		266,906	722,853
Non-controlling interests		(174)	–
		266,732	722,853
Earnings per share – Basic	8	RMB0.27	RMB0.64

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2020

	NOTES	30.6.2020 (Unaudited) RMB'000	31.12.2019 (Audited) RMB'000
Non-current assets			
Property, plant and equipment	9	17,501,971	16,910,713
Right-of-use assets	9	1,154,460	1,071,912
Goodwill		164,350	164,350
Deposits made for acquisition of property, plant and equipment		946,576	454,527
Investment properties	9	13,063	13,660
Equity instruments at fair value through other comprehensive income	10	340,343	350,740
Intangible assets		417,927	433,884
		<b>20,538,690</b>	<b>19,399,786</b>
Current assets			
Inventories		3,693,763	3,664,056
Trade and other receivables	12	5,067,747	5,576,036
Amounts due from related companies		6,739	3,622
Taxation recoverable		53,178	40,718
Pledged bank deposits		24,874	11,100
Bank and other balances and cash		5,093,735	5,511,974
		<b>13,940,036</b>	<b>14,807,506</b>
Current liabilities			
Trade and other payables	13	4,775,394	5,474,116
Contract liabilities		13,253	10,271
Lease liabilities		137,090	96,742
Amounts due to related companies		68,692	75,354
Taxation payable		200,423	178,169
Bank loans	14	2,492,303	1,876,094
Derivative financial instruments	11	22,856	—
		<b>7,710,011</b>	<b>7,710,746</b>
Net current assets		<b>6,230,025</b>	<b>7,096,760</b>
Total assets less current liabilities		<b>26,768,715</b>	<b>26,496,546</b>
Non-current liabilities			
Bank loans	14	3,462,686	3,849,605
Unsecured notes		2,725,240	2,685,475
Government grants		511,164	208,938
Lease liabilities		364,059	310,332
Deferred tax liabilities		64,296	65,392
Derivative financial instruments	11	13,546	15,812
		<b>7,140,991</b>	<b>7,135,554</b>
Net assets		<b>19,627,724</b>	<b>19,360,992</b>
Capital and reserves			
Share capital	15	98,135	98,135
Reserves		19,519,964	19,253,058
Equity attributable to owners of the Company		<b>19,618,099</b>	<b>19,351,193</b>
Non-controlling interests		9,625	9,799
Total equity		<b>19,627,724</b>	<b>19,360,992</b>



# **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

## **FOR THE SIX MONTHS ENDED 30 JUNE 2020**

### **1. GENERAL**

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands with its shares listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 (IAS 34) "Interim financial reporting" issued by the International Accounting Standards Board as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

The condensed consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

Despite a challenging operating environment due to COVID-19 outbreak since late last year, the Group has acted efficiently and responsibly to achieve full resumption of operation and production activities in China by Mid-March, and has shown healthy improvements across various business segments in the second quarter. However, existing global restrictions and the uncertain outlook related to business operations, logistics, social and trading activities may extend till year end or even beyond. Such macroeconomic environment may continue to weaken consumer sentiment and dampen smartphones demand, and may adversely impact short to medium-term financial performance of the Group.

### **2. PRINCIPAL ACCOUNTING POLICIES**

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Other than changes in accounting policies resulting from application of amendments to International Financial Reporting Standards ("IFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the preparation of the annual financial statements of the Company and its subsidiaries (collectively referred as the "Group") for the year ended 31 December 2019.

## 2. PRINCIPAL ACCOUNTING POLICIES - continued

### Application of amendments to IFRSs

In the current interim period, the Group has applied the Amendment to References to the Conceptual Framework in IFRS Standards and the following amendments to IFRSs, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation the Group's condensed consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

Except as described below the application of the Amendments to References to the Conceptual Framework in IFRS standards and amendments to IFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

#### ***2.1 Impacts of application on Amendments to IAS 1 and IAS 8 "Definition of Material"***

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ended 31 December 2020.

#### ***2.2 Impacts and accounting policies on application of Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"***

##### ***2.2.1 Accounting policies***

##### **Hedge accounting**

For the purpose of determining whether a forecast transaction (or a component thereon) in a cash flow hedge is highly probable, the Group assumes that the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

## 2. PRINCIPAL ACCOUNTING POLICIES - continued

### 2.2 *Impacts and accounting policies on application of Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform" - continued*

#### 2.2.1 *Accounting policies - continued*

##### **Hedge accounting - continued**

Assessment of hedging relationship and effectiveness

In assessing the economic relationship between the hedged item and the hedging instrument, the Group assumes that the interest rate benchmark on which the hedged cash flows and/or the hedged risk (contractually or non-contractually specified) are based, or the interest rate benchmark on which the cash flows of the hedging instrument are based, is not altered as a result of interest rate benchmark reform.

Cash flow hedges

For the purpose of reclassifying the amount of accumulated in the cash flow hedge reserve in order to determine whether the hedged future cash flows are expected to occur, the Group assumes the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

#### 2.2.2 *Transition and summary of effects*

The amendments had no impact on the condensed consolidated financial statements of the Group as the Group's designated hedged items and assessment of hedge effectiveness is not affected by the interest rate benchmark reform.

## 3. SEGMENT INFORMATION

Operating and reportable segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segments and assess their performance. The chief operating decision maker of the Group has been identified as the Chief Executive Officer ("CEO").

Information reported to the CEO for the purposes of resource allocation and assessment of performance focuses specifically on the type of products sold. This is also the basis upon which the Group is organised and managed. The Group's operating and reportable segments under IFRS 8 are dynamic components (including acoustic modules and acoustic unit), electromagnetic drives and precision mechanics, MEMS components and other products (mainly including optics), which represent the major types of products manufactured and sold by the Group. Revenues from these products is recognised at the point in time when controls of the products has been transferred.

No operating segments have been aggregated in arriving at the reportable segments of the Group.

All sales contract are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

### 3. SEGMENT INFORMATION - continued

An analysis of the Group's revenue and results by operating and reportable segments is as follows:

	<b>1.1.2020 to 30.6.2020 RMB'000 (Unaudited)</b>	<b>1.1.2019 to 30.6.2019 RMB'000 (Unaudited)</b>
Operating and reportable segments		
Segment revenue – recognised at a point in time		
Dynamic components	<b>3,329,191</b>	3,645,851
Electromagnetic drives and precision mechanics	<b>3,415,721</b>	3,113,530
MEMS components	<b>457,732</b>	380,105
Other products	<b>634,410</b>	428,037
	<b><u>7,837,054</u></b>	<b><u>7,567,523</u></b>
Segment results		
Dynamic components	<b>874,604</b>	1,097,438
Electromagnetic drives and precision mechanics	<b>792,451</b>	917,227
MEMS components	<b>74,344</b>	89,316
Other products	<b>76,725</b>	(19,620)
Total profit for operating and reportable segments		
– gross profit	<b>1,818,124</b>	2,084,361
Unallocated amounts:		
Interest income	<b>27,406</b>	31,618
Other income, gains and losses	<b>227,318</b>	84,374
Fair value gain on financial assets at fair value through profit or loss	<b>–</b>	15,179
Distribution and selling expenses	<b>(134,320)</b>	(120,731)
Administrative expenses	<b>(343,971)</b>	(291,342)
Research and development costs	<b>(982,939)</b>	(830,796)
Exchange (loss) gain	<b>(5,430)</b>	29,519
Finance costs	<b>(169,057)</b>	(114,360)
Profit before taxation	<b><u>437,131</u></b>	<b><u>887,822</u></b>

No analysis of the Group's assets and liabilities by operating and reportable segments is disclosed as such information is not regularly provided to the CEO for review.

Segment profit represents the profit earned by each segment without allocation of finance costs, interest income, administrative expenses, research and development costs, distribution and selling expenses, other income, gains and losses, fair value gain on financial assets at fair value through profit or loss and exchange (loss) gain.

### 3. SEGMENT INFORMATION - continued

The Group's revenue from external customers analysed by location of end customers is detailed below:

	<b>1.1.2020 to 30.6.2020 RMB'000 (Unaudited)</b>	<b>1.1.2019 to 30.6.2019 RMB'000 (Unaudited)</b>
Greater China* (country of domicile)	<b>3,444,432</b>	3,252,295
Other foreign countries:		
America	<b>4,018,612</b>	3,512,903
Other Asian countries	<b>372,559</b>	789,225
Europe	<b>1,451</b>	13,100
	<b><u>7,837,054</u></b>	<b><u>7,567,523</u></b>

\* Greater China comprises the Mainland China, Hong Kong SAR and Taiwan. Majority of the revenue from Greater China were derived from the Mainland China.

The geographical information of the Group's revenue from external end customer by individual countries in America, Europe and other Asian countries is not disclosed. In the opinion of management, such disclosure is harmful to the Group's business.

During the period, the aggregate amount of revenue derived from the Group's top customers which individually has contributed to over 10% of the Group's revenue and included in all of the Group's segments, amounted to RMB5,159,668,000 (six months ended 30 June 2019: RMB4,556,126,000). No disclosure of the total amount of revenue by each customer and number of customers is disclosed, as in the opinion of the management of the Company such disclosure is harmful to the Group's business.

### 4. OTHER INCOME, GAINS AND LOSSES

	<b>1.1.2020 to 30.6.2020 RMB'000 (Unaudited)</b>	<b>1.1.2019 to 30.6.2019 RMB'000 (Unaudited)</b>
Government subsidy income	<b>176,564</b>	86,781
Gain (loss) on disposal of property, plant and equipment	<b>17,077</b>	(694)
Interest income	<b>27,406</b>	31,618
Others	<b>33,677</b>	(1,713)
	<b><u>254,724</u></b>	<b><u>115,992</u></b>

## 5. PROFIT BEFORE TAXATION

	<b>1.1.2020 to 30.6.2020 RMB'000 (Unaudited)</b>	<b>1.1.2019 to 30.6.2019 RMB'000 (Unaudited)</b>
Profit before taxation has been arrived at after charging:		
Amortisation of intangible assets	<b>25,464</b>	20,920
Allowance for obsolete inventories, included in cost of goods sold	<b>37,180</b>	48,594
Depreciation of property, plant and equipment	<b>1,044,573</b>	980,611
Depreciation of right-of-use assets	<b>71,344</b>	38,467
	<b><u>1,178,561</u></b>	<b><u>1,088,592</u></b>

## 6. TAXATION

	<b>1.1.2020 to 30.6.2020 RMB'000 (Unaudited)</b>	<b>1.1.2019 to 30.6.2019 RMB'000 (Unaudited)</b>
The tax charge (credit) comprises:		
PRC Enterprise Income Tax	<b>80,573</b>	98,958
Other jurisdictions	<b>40,695</b>	47,877
Hong Kong Profits Tax	—	—
Overprovision of taxation in prior years	<b>(3,881)</b>	(29,906)
	<b>117,387</b>	116,929
PRC withholding tax	<b>1,944</b>	3,344
Deferred tax	<b>(2,491)</b>	(2,260)
	<b><u>116,840</u></b>	<b><u>118,013</u></b>

Under the law of PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

The PRC dividend withholding tax is calculated at the applicable rate in accordance with the relevant laws and regulations in the PRC.

According to a joint circular of Ministry of Finance and the State Taxation Administration of the PRC, Cai Shui 2008 No. 1, the accumulated undistributed profits earned by foreign invested enterprise prior to 1 January 2008 can be exempted from EIT when they are distributed to foreign investor after 2008. Whereas, dividend distributed out of the profits generated thereafter, shall be subject to EIT at 10% and withheld by the PRC subsidiary, pursuant to Articles 3 and 27 of the EIT Law and Article 91 of its Implementation Regulation. According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to the Taxes on Income, the withholding tax rate on dividend paid by a PRC resident enterprise to a Hong Kong resident enterprise is further reduced to 5% if the Hong Kong resident enterprise holds at least 25% equity interests in the PRC resident enterprise and it is considered as the beneficial owner of the dividend, and remains at 10% otherwise.

## **6. TAXATION - continued**

In addition, certain PRC subsidiaries were officially endorsed as High-New Technology Enterprises ("HNTE") till the dates ranging from 31 October 2020 to 22 November 2022. Pursuant to the EIT Law, those PRC subsidiaries entitled as HNTE shall be entitled to a preferential tax rate of 15% till the expiry of the HNTE status for the respective PRC subsidiaries.

Pursuant to relevant laws and regulations in Singapore, one of the Group's subsidiaries is entitled to a concessionary tax rate under Development and Expansion Incentive which is granted based on the fulfillment of carrying out qualifying business activities. This incentive program has expired in 2018. Agreement for its extension on similar terms for another 10-year period after expiry has been signed, and is effective from 1 January 2019.

Pursuant to the relevant laws and regulations in Vietnam, one of the Group's subsidiaries is entitled to concessionary tax rate which is granted based on the fulfilment of carrying qualifying business activities. This tax holiday for the subsidiary will expire in 2027.

Taxation in other jurisdiction is calculated at the rates prevailing in the respective jurisdictions.

## **7. DIVIDENDS**

During the current interim period, no final dividend in respect of the year ended 31 December 2019 (six months ended 30 June 2019: final dividend of HK\$1.03 per share in respect of the year ended 31 December 2018) was paid to shareholders of the Company. No final dividend was declared in the interim period (six months ended 30 June 2019: HK\$1,244,755,000 (equivalent to RMB1,094,264,000)).

Subsequent to the end of the interim period, the Directors have resolved that an interim dividend of HK\$0.10 per share (2019 interim dividend declared: HK\$0.40 per share) will be paid to the shareholders of the Company.

## **8. EARNINGS PER SHARE**

The calculation of the basic earnings per share for the six months ended 30 June 2020 is based on the profit for the period attributable to owners of the Company of RMB320,465,000 (six months ended 30 June 2019: RMB769,809,000) and on the weighted average of 1,208,500,000 (six months ended 30 June 2019: 1,211,874,000) shares in issue during the period.

No diluted earnings per share is presented as the Group does not have any potential dilutive ordinary shares outstanding.

## **9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INVESTMENT PROPERTIES**

### **(i) Property, plant and equipment**

During the period, the Group acquired property, plant and equipment of RMB1,782,060,000 (six months ended 30 June 2019: RMB1,716,734,000). Part of the consideration of RMB454,527,000 (six months ended 30 June 2019: RMB1,085,904,000) was paid up in advance in prior year.

Also, during the period, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of RMB159,150,000 (six months ended 30 June 2019: RMB17,862,000) for proceeds of RMB176,227,000 (six months ended 30 June 2019: RMB17,168,000) and resulting in a gain on disposal of RMB17,077,000 (six months ended 30 June 2019: loss on disposal of RMB694,000).

### **(ii) Right-of-use assets**

During the current interim period, the Group entered into a number of new lease agreements for the use of land and buildings ranging from 1 to 15 years. The Group is required to make fixed future payment and, in certain cases, is required to make prepayments. On lease commencement, the Group recognised RMB203,064,000 (six months ended 30 June 2019: RMB35,829,000) of right-of-use assets of which RMB41,893,000 (six months ended 30 June 2019: RMB18,244,000) represents prepaid lease payments, and RMB160,718,000 (six months ended 30 June 2019: RMB17,505,000) of lease liabilities.

### **(iii) Investment properties**

During the period, depreciation on the investment properties amounted to RMB597,000 (six months ended 30 June 2019: RMB597,000) was charged to the profit or loss.



# **10. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

- (i) Equity instruments at fair value through other comprehensive income ("FVTOCI")

	<b>30.6.2020</b>	31.12.2019
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Unlisted shares	<b>280,927</b>	281,181
Listed shares	<b>59,416</b>	69,559
	<b><u>340,343</u></b>	<u>350,740</u>

## *Unlisted shares*

Included in the Group's investment in unlisted shares is an investment in a holding company, holding equity interests in a company engaged in producing semiconductor components in integrated circuits and development of intellectual properties. As at 30 June 2020, the fair value of the investment determined by market approach was RMB118,475,000 (31 December 2019: RMB120,983,000). Other investments in unlisted shares mainly represent the Group's equity interests in third party companies engaged in research, development and manufacturing of MEMS business. As at 30 June 2020, the fair value of these investments determined by market approach was RMB61,479,000 (31 December 2019: RMB60,582,000).

In the prior year, the Group acquired certain equity interests in a company engaged in producing high technology products, at a consideration of RMB92,696,000. As at 30 June 2020, the fair value of the investment determined by income approach was RMB94,069,000.

## *Listed shares*

The amount represents the Group's investment in a company listed in Japan. As at 30 June 2020, the fair value of the investment determined by reference to the quoted market bid prices available was RMB59,416,000 (31 December 2019: RMB69,559,000).

- (ii) Financial assets at fair value through profit or loss ("FVTPL")

During the prior period, a gain on changes in fair value on AMS AG ("AMS") shares of RMB15,179,000 had been recognised in the profit or loss. Subsequent to 30 June 2019, all the AMS shares were disposed in the market.

## 11. DERIVATIVE FINANCIAL INSTRUMENTS

	Current		Non-current	
	30.6.2020	31.12.2019	30.6.2020	31.12.2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
<b>Derivatives financial liabilities</b>				
<b>– under hedge accounting</b>				
Interest rate swap contracts	<b>22,856</b>	–	<b>13,546</b>	15,812

The Group entered into the interest rate swap contracts with commercial banks to minimise its exposure to cash flow changes of its floating-rate United States dollars bank loans by swapping floating interest rates to fixed interest rates. The terms of these contracts were negotiated to match with those of the hedged bank loans with the same notional amounts to principal amounts of bank loans, currency and interest rate index.

The management consider that the interest rate swap contracts are highly effective hedging instruments and have designated them as cash flow hedging instruments for hedge accounting purpose. Net adjustments on cash flow hedges of loss of RMB20,224,000 for the six months ended 30 June 2020 (six months ended 30 June 2019: loss of RMB27,029,000) have been recognised in other comprehensive income and accumulated in equity. The management expected the accumulated sum is to be released to profit or loss at various dates in the coming maturity periods after the reporting period.

## 12. TRADE AND OTHER RECEIVABLES

Payment terms with customers are mainly on credit. Invoices are normally payable within 30 days to 120 days of issuance. The Group may accept bank acceptance bills with maturities ranging from 30 days to 180 days at the end of the credit terms in lieu of cash payment. As at 30 June 2020, included in trade and other receivables, the Group has bank acceptance and commercial bills amounting to RMB131,866,000 (31 December 2019: RMB167,339,000). The following is an aged analysis of trade and bills receivables presented based on the invoice date, which approximates the revenue recognition dates. The analysis below is net of allowance for doubtful debts.

	30.6.2020	31.12.2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Age		
0 – 90 days	<b>3,383,703</b>	4,204,458
91 – 180 days	<b>199,062</b>	140,388
Over 180 days	<b>443</b>	460
	<b>3,583,208</b>	4,345,306

## 12. TRADE AND OTHER RECEIVABLES - continued

The management of the Group assessed the expected credit loss on trade receivables with significant balances individually. Based on historical experience of the management, these trade receivables are generally recoverable due to the long term/on-going relationship and good repayment record. For the remaining trade receivables, the expected credit loss rate is assessed to be insignificant.

In addition, the management of the Group is of the opinion that those trade receivables aged over 180 days are still fully recoverable due to long-term/on-going relationship and good repayment record from these customers.

## 13. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	<b>30.6.2020</b> <b>RMB'000</b> <b>(Unaudited)</b>	<b>31.12.2019</b> <b>RMB'000</b> <b>(Audited)</b>
Age		
0 – 90 days	<b>2,805,876</b>	3,346,891
91 – 180 days	<b>671,038</b>	599,632
Over 180 days	<b>22,728</b>	14,423
	<b><u>3,499,642</u></b>	<b><u>3,960,946</u></b>

## 14. BANK LOANS

The variable rate bank loans carry interest ranging from 1.18% to 1.94% (31 December 2019: 3.61% to 4.21%) per annum. The fixed rate bank loans carry interest ranging from 1.98% to 4.90% (31 December 2019: 3.20% to 4.90%) per annum. The Company has issued guarantees to respective banks to secure the borrowings.

## 15. SHARE CAPITAL

	Number of shares	Amount US\$'000
Shares of US\$0.01 each		
Authorised:		
Ordinary shares at 1 January 2019, 1 January 2020 and 30 June 2020	<b><u>5,000,000,000</u></b>	<b><u>50,000</u></b>
Issued and fully paid:		
Ordinary shares at 1 January 2019	1,218,000,000	12,180
Shares repurchased and cancelled	<u>(9,500,000)</u>	<u>(95)</u>
Ordinary shares at 30 June 2019, 31 December 2019, 1 January 2020 and 30 June 2020	<b><u>1,208,500,000</u></b>	<b><u>12,085</u></b>

## 15. SHARE CAPITAL - continued

RMB'000

Presented in the condensed consolidated statement of financial position

As at 1 January 2019	98,906
Shares repurchased and cancelled	<u>(771)</u>

As at 31 December 2019, 1 January 2020 and 30 June 2020	<u>98,135</u>
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In the prior period, the Company repurchased a total of 7,500,000 issued ordinary shares of the Company in the market for a consideration of HK\$319,854,000 (equivalent to RMB277,456,000). 9,500,000 ordinary shares were cancelled during the prior period, including 2,000,000 ordinary shares which were repurchased during the year ended 31 December 2018.

## 16. CAPITAL COMMITMENTS

	30.6.2020	31.12.2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
– acquisition of property, plant and equipment	<u>1,232,970</u>	<u>399,694</u>

## 17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial instruments that are measured at fair value on a recurring basis

In estimating the fair value of an asset or a liability, the management uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the management may consider to engage third party qualified valuers to perform the valuation.

Some of the Group's financial instruments are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial instruments are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## 17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS – continued

Fair value of the Group's financial instruments that are measured at fair value on a recurring basis - continued

Financial assets	Fair value as at <b>30.6.2020</b> <i>RMB'000</i> (Unaudited)	31.12.2019 <i>RMB'000</i> (Audited)	Fair value hierarchy	Valuation technique (s) and key input (s)
Equity instruments at FVTOCI – Listed shares	<b>59,416</b>	69,559	Level 1	Quoted bid prices in an active market
Equity instruments at FVTOCI – Unquoted equity investments	<b>100,973</b>	6,920	Level 3	Income approach. The discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of these investees.
Equity instruments at FVTOCI – Unquoted equity instruments	-	92,696	N/A (Note)	
Equity instruments at FVTOCI – Unquoted equity instruments	<b>179,954</b>	181,565	Level 3	Market approach. The market approach was used to determined the valuation using trailing-twelve-month Price-to-Sales multiples of selected comparable listed companies in a similar business and similar business model and adjusted for the lack of marketability.
Financial liabilities	Fair value as at <b>30.6.2020</b> <i>RMB'000</i> (Unaudited)	31.12.2019 <i>RMB'000</i> (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)
Interest rate swap contracts	<b>36,402</b> <b>Liabilities</b> <b>(under hedge</b> <b>accounting)</b>	15,812 Liabilities (under hedge accounting)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at an applicable discount rate taking into account the credit risk of the counter-parties and of the Group as appropriate.

Note: The investment was made near the end of 2019, the management was of the opinion that the fair value of the investment as at 31 December 2019 approximately to the acquisition cost.

The management consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

## 17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS - continued

Reconciliation of Level 3 fair value measurements

	Equity instruments at FVTOCI RMB'000
At 1 January 2019 (audited)	141,255
Disposals	(5,537)
Currency realignment	(6)
	<hr/>
At 30 June 2019 (unaudited)	<b>135,712</b>
	<hr/>
At 1 January 2020 (audited)	<b>281,181</b>
Currency realignment	<b>2,254</b>
Return of capital	<b>(2,508)</b>
	<hr/>
At 30 June 2020 (unaudited)	<b>280,927</b>
	<hr/>

## 18. EVENTS AFTER REPORTING PERIOD

On 22 July 2020, an indirectly wholly owned subsidiary of the Company, AAC Communication Technologies (Changzhou) Co., Ltd. (瑞聲通訊科技(常州)有限公司) (the "Target Company") and its existing shareholders (namely AAC Technologies Limited (瑞聲科技(香港)有限公司) and AAC Technology Information Consultancy (Changzhou) Co., Ltd. (瑞聲科技信息諮詢(常州)有限公司), both being wholly owned subsidiaries of the Company) have successfully entered into the capital increase agreements with four strategic investors, pursuant to which, the strategic investors have agreed to invest RMB1,150,000,000 in aggregate into the Target Company, and the Target Company's registered capital is to be increased from RMB5,440,948,331 to RMB6,017,638,706 (the "Capital Increase").

On 30 July 2020, the Capital Increase was duly completed. The relevant conditions precedent as set forth in the capital increase agreements, and industrial and commercial registration procedures have been completed.

## **CORPORATE GOVERNANCE**

### **Highlights for 1H 2020**

The following changes to the composition of the Board have taken place at the conclusion of the 2020 annual general meeting on 15 May 2020:

- a) Messrs. Koh Boon Hwee ("Mr. Koh") and Poon Chung Yin Joseph ("Mr. Poon") respectively retired from the Board as independent non-executive Directors ("INEDs"), thus Mr. Koh ceasing to act as the chairman of the Board, and Mr. Poon ceasing to act as the chairman of the remuneration committee and as a member of the audit and risk committee;
- b) Mr. Zhang Hongjiang, INED, was appointed as the chairman of the Board; and
- c) Mr. Peng Zhiyuan, INED, was appointed as the chairman of the remuneration committee.

### **Corporate Governance Practices**

The Board and the Company consider effective corporate governance not only a safeguard of the interests and confidence of our stakeholders, but also a key component in the Group's sustainable long term development and value creation. Our Board, which is at the centre of our corporate governance structure, has regularly reviewed and refined principles, policies and practices on the conduct with an aim to support the growth of the Group's operations. Our sound corporate governance structure includes a quality Board, high standards of corporate responsibility and sustainability awareness, a high degree of transparency, accountability and independence, and an effective design, implementation and enforcement of risk management as well as internal controls systems. Based on regular reviews of the Company's actual performance against the Corporate Governance Code in Appendix 14 of the Listing Rules, the Board is satisfied that for 1H 2020, the Company has complied with all the code provisions. Furthermore, the Company strives to go beyond code provisions compliance by embracing the latest and the best corporate governance practices, such as correlating a significant proportion of the executive Directors' remuneration with the corporate and individual performance, the Board and its committees conducting annual evaluation of the Board and committees performance, and putting effective whistleblowing policy in place. A more comprehensive corporate governance overview relating to the Board, the Board committees, Corporate Compliance, Internal Audit, Risk Management and Internal Control, Shareholders' rights and policies of the Company's governance are available on the Company's website: [www.aactechnologies.com](http://www.aactechnologies.com).

## **SHARE AWARD SCHEME**

As announced by the Company on 23 March 2016, the Board resolved to adopt a share award scheme (the "Scheme") in which Employees (other than Excluded Employees) may be selected by the Board to participate. The purpose of the Scheme is to permit the Company to grant Awards to Selected Employees as incentives for their contributions to the Group and to attract suitable personnel for further development of the Group. The maximum number of shares that may be awarded under the Scheme during its term is limited to 1.65% (i.e. 19,940,250 shares as at 24 August 2020) of the issued share capital of the Company from time to time. The maximum number of Awarded Shares that may be granted to any one Selected Employee shall not exceed 0.5% (i.e. 6,042,500 shares as at 24 August 2020) of the issued share capital of the Company from time to time. Pursuant to the Scheme, shares will be subscribed for at a subscription price as determined by the Board, or purchased on the Stock Exchange, by Bank of Communications Trustee Limited (the "Trustee") at the cost of the Company and will be held by the Trustee on trust for Selected Employee(s) under the Scheme before vesting. The Scheme does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules, and is a discretionary scheme of the Company.

Since the date of adoption of the Scheme and up to 30 June 2020, no shares had been subscribed or purchased by the Trustee pursuant to the rules and trust deed of the Scheme and no shares had been granted to Selected Employee(s) under the Scheme.

The capitalised terms referred in this section shall have the same meanings as those defined in the announcement made by the Company on 23 March 2016 relating to the adoption of the Scheme.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.



## **HUMAN RESOURCES**

As at 30 June 2020, the Group employed 34,729 permanent employees, 12% decrease from 39,385 employees as at 31 December 2019, mainly due to optimized productivity per employee driven by the Group's past and continuous effort on implementation of automation.

Employees of the Group are remunerated based on their individual performance, professional qualifications, experience in the industry and relevant market trends. Management from time to time reviews the Group's remuneration policy and appraises the work performance of its employees. In addition to basic salaries, allowances, social insurance and mandatory pension fund contribution, certain employees and employee groups are also eligible for the Group's bonus plan and share award scheme.

As required by the relevant regulations, the Group participates in the social insurance schemes operated by the relevant local government authorities in the PRC. The Group also participates in the mandatory pension fund and social insurance schemes for its employees in Hong Kong, Taiwan, Singapore, South Korea, Japan, India, Vietnam, the United Kingdom, the Philippines, the US, Denmark, Finland and the Czech Republic.

The Company is committed to invest in talents to develop innovative products for next generation designs. The Company has already established and continues to expand its various R&D centers in Asia, Europe and North America, including a long-established collaboration with universities, and others, on many different projects. The R&D center in Hong Kong Science Park is in operation.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted codes of conduct regarding securities transactions by Directors and by relevant employees (as defined in the CG Code) on terms not less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as mentioned in Appendix 10 to the Listing Rules.

On specific enquiries made, all the Directors have confirmed that they have complied with the required standards as set out in the Model Code and the Company's code of conduct regarding the Directors' securities transactions during the period ended 30 June 2020.

## **INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS**

The Board has resolved to declare an interim dividend of HK\$0.10 (2019: HK\$0.40) per ordinary share for 1H 2020 to the shareholders of the Company whose names appear on the register of members on Wednesday, 16 September 2020 which will be paid on Friday, 25 September 2020.

For the purpose of determining shareholders' entitlement to the interim dividend, the register of members of the Company will be closed from Friday, 11 September 2020 to Wednesday, 16 September 2020, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 pm on Thursday, 10 September 2020. Shares of the Company will be traded ex-dividend as from Wednesday, 9 September 2020.

## **DESPATCH OF INTERIM REPORT**

The interim report of the Company will be published on the Company's website at [www.aactechnologies.com](http://www.aactechnologies.com) and the website of the Stock Exchange on or around Wednesday, 16 September 2020.

The interim report will be dispatched to shareholders on or around Thursday, 17 September 2020. All of these will be made available on the Company's website.

## **IMPORTANT NOTE**

The Company will have an investors' webcast and media conference for these unaudited interim results after trading hours of the Stock Exchange on the date of this announcement. Please visit the Company's website [www.aactechnologies.com](http://www.aactechnologies.com) for the Company's regular investor relations update.

Shareholders and potential investors should be advised that these unaudited interim results relate only to selected unaudited key performance indicators of the Group and are based on the Group's internal records and management accounts. The unaudited interim results have been reviewed by independent auditors but are not a forecast of the annual performance of the Group as a whole.

Investors and shareholders of the Company are advised to exercise extreme caution when dealing in the shares of the Company.

By order of the Board  
**AAC Technologies Holdings Inc.**  
**Zhang Hongjiang**  
*Chairman*

Hong Kong, 24 August 2020



**瑞聲科技控股有限公司**  
**AAC TECHNOLOGIES HOLDINGS INC.**

*(Incorporated in the Cayman Islands with limited liability)*  
(Stock code: 2018)

The Directors of AAC Technologies as at the date of this announcement are:

**Executive Directors:**

Mr. Pan Benjamin Zhengmin  
Mr. Mok Joe Kuen Richard

**Independent Non-executive Directors:**

Mr. Zhang Hongjiang  
Mr. Au Siu Cheung Albert  
Mr. Peng Zhiyuan  
Mr. Kwok Lam Kwong Larry

**Non-executive Director:**

Ms. Wu Ingrid Chun Yuan

## **APPENDIX II**

### **REPRODUCTION OF THE PRESS RELEASE DATED 3 AUGUST 2020 CONTAINING THE GUARANTOR'S CONSOLIDATED FINANCIAL RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020**

The information set out below is a reproduction of the press release dated 3 August 2020 containing the Guarantor's consolidated financial results for the second quarter ended 30 June 2020.

## RESULTS AT JUNE 30<sup>TH</sup> 2020

### Press release

Paris, August 3<sup>rd</sup> 2020

### Q2 20 AND H1 20 PERFORMANCE MARKED BY THE COVID CRISIS; REBOUND FROM MID-MAY

French Retail Banking and International Retail Banking activities impacted in the first half of Q2 20; rebound from mid-May

Resilient activities in Insurance, Private Banking and Transaction Banking

Good performance in Financing & Advisory and Fixed Income & Currencies; ongoing unfavourable market conditions for structured products in April and May and gradual recovery from mid-May

Non-cash exceptional items related to the review of the trajectory of Global Markets & Investor Services:

impairment of goodwill for EUR -684m and deferred tax assets for EUR -650m

Group net income of EUR -1,264m in Q2 20 (EUR -1,590m in H1 20) and Group net income restated for non-cash exceptional items of EUR +70m in Q2 20

### SHARP DECLINE IN COSTS

Decline in operating expenses of -9.6% in Q2 20 and -5.8% in H1 20, reinforcing the objective of **underlying operating expenses of EUR 16.5bn in 2020**

**Objective to decrease costs in the medium term**

### HALF OF THE COST OF RISK IMPACTED BY IFRS9 EFFECTS AND COUNTERPARTY RATING DOWNGRADES

Net cost of risk of EUR 1,279m in Q2 20 (x4 vs. Q2 19), including EUR 653m related to provisions for expected credit losses in Stage 1 and Stage 2; Cost of risk at 81 basis points in H1 20

**2020 cost of risk expected to be at the low end of the 70 to 100 basis points range**

### SOLID CAPITAL AND LIQUIDITY POSITION

CET1 ratio of 12.5%<sup>(1)</sup> (12.6% pro-forma<sup>(2)</sup>) at June 30<sup>th</sup> 2020, i.e. nearly 350 basis points above the regulatory requirement

81% of the financing programme achieved; LCR of 167%<sup>(3)</sup>

**CET1 ratio expected to be at the high-end of the 11.5% to 12% range at end-2020**

### FINALISATION OF THE STRATEGIC REVIEW OF STRUCTURED PRODUCTS

Maintain a global leadership position in Equity structured products, recognised by our clients, and reduce the associated risk profile; improving the profitability of Global Markets through a reduction in costs of around EUR 450 million by 2022-2023

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

*"During the first half of 2020, Societe Generale successfully adapted to the consequences of the health crisis and was therefore able to effectively support its customers and employees, thereby strengthening its position as a trusted partner. While April and May were heavily impacted by the reduction in activity of numerous economies around the world, the rebound in activities from mid-May is very encouraging. Drawing on a very solid capital base and a loan portfolio confirming its intrinsic quality, the Group will continue to adapt its activities to the new post-COVID crisis environment, extending in particular the efforts to reduce costs. The Group is already working on new initiatives to build its next strategic stage (2021-2023) focused around three priority objectives, customer centricity, corporate social responsibility and operational efficiency based on digital technologies."*

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

<sup>(1)</sup> including 20 basis points for IFRS9 phasing

<sup>(2)</sup> pro-forma for the announced disposal of SG Finans (+10 basis points)

<sup>(3)</sup> quarterly average

## 1. GROUP CONSOLIDATED RESULTS

<i>In EURm</i>	Q2 20	Q2 19	Change		H1 20	H1 19	Change	
<b>Net banking income</b>	<b>5,296</b>	<b>6,284</b>	<b>-15.7%</b>	<b>-13.5%*</b>	<b>10,466</b>	<b>12,475</b>	<b>-16.1%</b>	<b>-14.2%*</b>
<b>Operating expenses</b>	<b>(3,860)</b>	<b>(4,270)</b>	<b>-9.6%</b>	<b>-7.7%*</b>	<b>(8,538)</b>	<b>(9,059)</b>	<b>-5.8%</b>	<b>-4.0%*</b>
<i>Underlying operating expenses(2)</i>	<i>(3,984)</i>	<i>(4,152)</i>	<i>-4.0%</i>	<i>-2.0%</i>	<i>(8,185)</i>	<i>(8,500)</i>	<i>-3.7%</i>	<i>-1.8%</i>
<b>Gross operating income</b>	<b>1,436</b>	<b>2,014</b>	<b>-28.7%</b>	<b>-25.9%*</b>	<b>1,928</b>	<b>3,416</b>	<b>-43.6%</b>	<b>-41.6%*</b>
<i>Underlying gross operating income(1)</i>	<i>1,312</i>	<i>2,132</i>	<i>-38.5%</i>	<i>-36.2%</i>	<i>2,281</i>	<i>3,975</i>	<i>-42.6%</i>	<i>-40.9%</i>
<b>Net cost of risk</b>	<b>(1,279)</b>	<b>(314)</b>	<b>x 4.1</b>	<b>x 4.1*</b>	<b>(2,099)</b>	<b>(578)</b>	<b>x 3.6</b>	<b>x 3.7*</b>
<b>Operating income</b>	<b>157</b>	<b>1,700</b>	<b>-90.8%</b>	<b>-90.4%*</b>	<b>(171)</b>	<b>2,838</b>	<b>n/s</b>	<b>n/s</b>
<i>Underlying operating income(1)</i>	<i>33</i>	<i>1,836</i>	<i>-98.2%</i>	<i>-98.2%</i>	<i>182</i>	<i>3,415</i>	<i>-94.7%</i>	<i>-94.6%</i>
<b>Net profits or losses from other assets</b>	<b>4</b>	<b>(80)</b>	<b>n/s</b>	<b>n/s</b>	<b>84</b>	<b>(131)</b>	<b>n/s</b>	<b>n/s</b>
<i>Underlying net profits or losses from other assets(1)</i>	<i>4</i>	<i>4</i>	<i>+0.0%</i>	<i>-0.8%</i>	<i>161</i>	<i>6</i>	<i>x 26</i>	<i>x 80.3</i>
<b>Impairment losses on goodwill</b>	<b>(684)</b>	<b>0</b>	<b>n/s</b>	<b>n/s</b>	<b>(684)</b>	<b>0</b>	<b>n/s</b>	<b>n/s</b>
Income tax	(658)	(390)	<b>+68.7%</b>	<b>-69.4%*</b>	(612)	(645)	<b>-5.1%</b>	<b>+3.0%*</b>
<b>Reported Group net income</b>	<b>(1,264)</b>	<b>1,054</b>	<b>n/s</b>	<b>n/s</b>	<b>(1,590)</b>	<b>1,740</b>	<b>n/s</b>	<b>n/s</b>
<b>Underlying Group net income(1)</b>	<b>8</b>	<b>1,247</b>	<b>-99.3%</b>	<b>-99.4%</b>	<b>0</b>	<b>2,332</b>	<b>-100.0%</b>	<b>n/s</b>
ROE	-10.9%	6.9%			-7.2%	5.5%		
ROTE	-6.5%	8.3%			-5.3%	6.9%		
<i>Underlying ROTE (1)</i>	<i>-1.3%</i>	<i>9.7%</i>			<i>-1.3%</i>	<i>9.1%</i>		

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

Societe Generale's Board of Directors, which met on July 31<sup>st</sup>, 2020 under the chairmanship of Lorenzo Bini Smaghi, examined the Societe Generale Group's results for Q2 and H1 2020.

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

### Net banking income

Q2 2020 was heavily impacted by the Covid-19 global health crisis and its economic consequences. As a result, the Group's net banking income was down -15.7% vs. Q2 19. It was down -16.1% in H1 20 vs. H1 19.

Marked by the lockdown in April and May and the recovery in activity from mid-May, French Retail Banking's net banking income (excluding PEL/CEL provision) was down -13.5% vs. Q2 19 (-10.8% excluding adjustment for tax related to commissions of EUR +61 million in Q2 19) and -7.5% vs. H1 19.

International Retail Banking & Financial Services saw revenues fall by -10.8%\* vs. Q2 19 and -4.7%\* vs. H1 19. International Retail Banking revenues were 8.9%\* lower in Q2 20, reflecting a significant decline in activity in April and May and a rebound in June. Insurance revenues were down -7.9% (-7.1%\*) vs. Q2 19 given the unfavourable conditions in the financial markets, while Financial Services to Corporates' revenues were down -20.9% (-17.7%\*) vs. Q2 19.

Global Banking & Investor Solutions' net banking income fell by -17.0% in Q2 and by -22.2% in H1 in an exceptional market environment that impacted Global Markets' revenues.

## Operating expenses

Operating expenses declined -9.6% in Q2 20 vs. Q2 19, to EUR 3,860 million, and -5.8%, to EUR 8,538 million in H1 20. Underlying costs came to EUR 3,984 million in Q2 20 and EUR 8,185 million in H1 20.

All the businesses saw substantially lower costs in Q2 20: -8.5% in French Retail Banking, -7%\* in International Retail Banking & Financial Services and -18.0% in Global Banking & Investor Solutions (-9.2% when restated for the restructuring provision recorded in Q2 19 for EUR 227 million and the increase in the resolution fund of EUR +38 million in Q2 20).

The trend was also downward in H1 20: -5.3% in French Retail Banking, -2.0%\* in International Retail Banking & Financial Services and -10.0% in Global Banking & Investor Solutions.

Underlying operating expenses are expected of around EUR 16.5 billion in 2020.

## Cost of risk

The Group's commercial cost of risk (expressed as a fraction of outstanding loans) amounted to 97 basis points in Q2 20, higher than in Q1 20 (65 basis points) and Q2 19 (25 basis points), or EUR 1,279 million. The net cost of risk in respect of loans classified in Stage 1 (performing) and Stage 2 (underperforming) amounted to EUR 653 million including EUR 490 million for the impact related to the review of macro-economic scenarios on the estimate of credit losses.

French Retail Banking's cost of risk amounted to 85 basis points. The cost of risk of International Retail Banking & Financial Services and Global Banking & Investor Solutions came to 125 basis points and 95 basis points respectively.

The commercial cost of risk stood at 81 basis points in H1 20 and is expected to be at the bottom of the range of between 70 to 100 basis points for 2020.

The gross doubtful outstandings ratio amounted to 3.2%<sup>(1)</sup> at June 30<sup>th</sup> 2020, and 3.1% at March 31<sup>st</sup> 2020. The Group's gross coverage ratio for doubtful outstandings stood at 54%<sup>(2)</sup> at June 30<sup>th</sup> 2020 (55% at March 31<sup>st</sup> 2020).

## Net profits or losses from other assets

Net profits or losses from other assets totalled EUR +4 million in Q2 20 and EUR +84 million in H1 20, including EUR -77 million related to the application of IFRS 5 as part of the implementation of the Group's refocusing plan in Q1 20.

## Impairment loss on goodwill/Income tax

The Group recorded two non-cash exceptional items due to the review of the financial trajectory of Global Markets & Investor Services: a EUR -684 million expense in respect of the goodwill impairment of the Global Markets & Investor Services CGU and a EUR -650 million expense in respect of the impairment of deferred tax assets.

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<sup>(1)</sup> NPL ratio calculated according to the new EBA methodology

<sup>(2)</sup> Ratio between the amount of provisions on doubtful outstandings and the amount of these same outstandings

## Group net income

In EURm	Q2 20	Q2 19	H1 20	H1 19
Reported Group net income	(1,264)	1 054	(1,590)	1,740
Underlying Group net income <sup>(1)</sup>	8	1,247	0	2,332

In %	Q2 20	Q2 19	S1-20	S1-19
ROTE (reported)	-6.5%	8.3%	-5.3%	6.9%
Underlying ROTE <sup>(1)</sup>	-1.3%	9.7%	-1.3%	9.1%

Earnings per share is negative and amounts to EUR -2.25 in H1 20 (EUR 1.69 in H1 19). Underlying earnings per share comes to EUR -0.38 over the same period.

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<sup>(1)</sup> Adjusted for exceptional items and the linearisation of IFRIC 21



## 2. THE GROUP'S FINANCIAL STRUCTURE

Group **shareholders' equity** totalled EUR 60.7 billion at June 30<sup>th</sup>, 2020 (EUR 63.5 billion at December 31<sup>st</sup>, 2019). Net asset value per share was EUR 61.8 and tangible net asset value per share was EUR 54.3.

The consolidated balance sheet totalled EUR 1,453 billion at June 30<sup>th</sup>, 2020 (EUR 1,356 billion at December 31<sup>st</sup>, 2019). The net amount of customer loan outstandings at June 30<sup>th</sup>, 2020, including lease financing, was EUR 447 billion (EUR 430 billion at December 31<sup>st</sup>, 2019) – excluding assets and securities purchased under resale agreements. At the same time, customer deposits amounted to EUR 440 billion, vs. EUR 410 billion at December 31<sup>st</sup>, 2019 (excluding assets and securities sold under repurchase agreements).

At end-June 2020, the parent company had issued EUR 21.5 billion of medium/long-term debt, having an average maturity of 5.7 years and an average spread of 61 basis points (vs. the 6-month mid-swap, excluding subordinated debt). The subsidiaries had issued EUR 551 million. At June 30<sup>th</sup>, 2020, the Group had issued a total of EUR 22 billion of medium/long-term debt. The LCR (Liquidity Coverage Ratio) was well above regulatory requirements at 180% at end-June 2020, vs. 119% at end-December 2019. At the same time, the NSFR (Net Stable Funding Ratio) was over 100% at end-June 2020.

The Group's **risk-weighted assets** (RWA) amounted to EUR 360.7 billion at June 30<sup>th</sup>, 2020 (vs. EUR 345.0 billion at end-December 2019) according to CRR/CRD4 rules. Risk-weighted assets in respect of credit risk represent 80.9% of the total, at EUR 291.9 billion, up 3.3% vs. December 31<sup>st</sup>, 2019.

At June 30<sup>th</sup>, 2020, the Group's **Common Equity Tier 1** ratio stood at 12.5% (12.6% pro forma for the announced disposal amounting to 10 basis points), i.e. 350 basis points above the regulatory requirement of 9.05% as at June 30<sup>th</sup>, 2020. This ratio includes an effect of +20 basis points for phasing of the IFRS 9 impact. Excluding this effect, the ratio amounts to 12.3%. The Tier 1 ratio stood at 14.6% at end-June 2020 (15.1% at end-December 2019) and the total capital ratio amounted to 17.7% (18.3% at end-December 2019). All of the effects in Q2 20 are presented in Appendix 10.

The CET1 ratio is expected to be at the top of the range of between 11.5% and 12% at end-2020.

With a level of 28.5%<sup>(1)</sup> of RWA and 8.2%<sup>(1)</sup> of leveraged exposure at end-June 2020, the Group's TLAC ratio is above the FSB's requirements for 2022. At June 30<sup>th</sup>, 2020, the Group was also above its MREL requirements of 8.51% of the TLOF<sup>(2)</sup> (which, in December 2017, represented a level of 24.4% of RWA), which were used as a reference for the SRB calibration.

The **leverage ratio** stood at 4.2%<sup>(3)</sup> at June 30<sup>th</sup>, 2020 (4.3% at end-December 2019).

The Group is rated by four rating agencies: (i) FitchRatings - long-term rating "A-", rating watch stable, 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", negative outlook, short-term rating "A-1".

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<sup>(1)</sup> Including 2.5% of senior preferred debt

<sup>(2)</sup> Total Liabilities and Own Funds

<sup>(3)</sup> 4.4% including the "quick fix" in respect of the exclusion of deposits with central banks announced by the ECB at end-June, not yet applicable (estimation based on deposits with the ECB only)

### 3. FRENCH RETAIL BANKING

<i>In EURm</i>	<b>Q2 20</b>	<b>Q2 19</b>	<b>Change</b>	<b>H1 20</b>	<b>H1 19</b>	<b>Change</b>
Net banking income	1,754	1,994	-12.0%	3,634	3,910	-7.1%
<i>Net banking income excl. PEL/CEL</i>	1,749	2,021	-13.5%	3,654	3,949	-7.5%
Operating expenses	(1,233)	(1,348)	-8.5%	(2,683)	(2,834)	-5.3%
<b>Gross operating income</b>	<b>521</b>	<b>646</b>	<b>-19.3%</b>	<b>951</b>	<b>1,076</b>	<b>-11.6%</b>
<i>Gross operating income excl. PEL/CEL</i>	516	673	-23.3%	971	1,115	-12.9%
Net cost of risk	(442)	(129)	+242.6%	(691)	(223)	+209.9%
<b>Operating income</b>	<b>79</b>	<b>517</b>	<b>-84.7%</b>	<b>260</b>	<b>853</b>	<b>-69.5%</b>
Net profits or losses from other assets	5	1	+400.0%	136	2	x 68
<b>Reported Group net income</b>	<b>60</b>	<b>356</b>	<b>-83.1%</b>	<b>279</b>	<b>590</b>	<b>-52.7%</b>
<b>RONE</b>	<b>2.1%</b>	<b>12.6%</b>		<b>4.9%</b>	<b>10.5%</b>	
<b>Underlying RONE (1)</b>	<b>1.4%</b>	<b>1.4%</b>		<b>6.0%</b>	<b>11.5%</b>	

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

After the substantial impact of the lockdown on activity in April and May, French Retail Banking's commercial performance improved from mid-May.

Customers substantially reduced their activity during April and May: accordingly, the level of bank card transactions and corporate credit transfers during this period was well below the average level observed in Q2 2019. Loan production was focused in particular on State Guaranteed Loans (PGE), with a slowdown in production on other categories. Customer activity gradually picked up from mid-May, which resulted in the level of bank card transactions and corporate credit transfers in June close to the monthly average levels in Q2 19.

The networks continued to develop their digital offer in Q2. Societe Generale expanded its offering for Professional and VSE customers, with the acquisition of Shine, the neobank for entrepreneurs. It also launched the third generation of its digital application.

Boursorama consolidated its position as the leading online bank in France, with around 2.37 million clients at end-June 2020 and provided further evidence of the agility of its online banking model with a comprehensive offering. In a crisis environment, the commercial momentum remained robust. Boursorama's contribution to Group net income was positive in Q2, driven by a decline in acquisition costs and a record activity in stock market activity.

Net inflow for wealthy clients remained robust at EUR 1.1 billion in Q2 (EUR 1.6 billion in H1), taking assets under management to EUR 67.3 billion (including Crédit du Nord) at end-June 2020.

Life insurance outstandings totalled EUR 93 billion, with the unit-linked share accounting for 26% of outstandings.

The networks continued to develop their insurance business, with a penetration rate of 21.6% on Personal Protection and 9.8% on Property/Casualty insurance.

Average investment loan outstandings (including leases), largely bolstered by State Guaranteed Loans, rose 16.7% vs. Q2 19 to EUR 81.2 billion (+8.5% excluding State Guaranteed Loans).

Average outstanding loans to individuals were up 7.4% at EUR 122.3 billion: after a sharp decline in consumer and housing loan production in April and May, production was strong from mid-May.

As a result, average loan outstandings climbed 11.2% (+8.3% excluding PGE) vs. Q2 19 to EUR 216.0 billion.

Average outstanding balance sheet deposits<sup>(1)</sup> were 11.3% higher than in Q2 19 at EUR 228.7 billion, still driven by sight deposits (+18.3% vs. Q2 19)<sup>(2)</sup>.

As a result, the average loan/deposit ratio stood at 94% in Q2 20 (stable vs. Q2 19).

In this exceptional period, French Retail Banking is fully supporting the economy, accompanying individual, corporate and professional customers. The Group was extremely reactive in setting up the State Guaranteed Loan (PGE). As of July 24<sup>th</sup>, around 86,100 applications had been received for a total amount of EUR 19 billion at Group level.

## **Net banking income excluding PEL/CEL**

**Q2 20:** revenues (excluding PEL/CEL) totalled EUR 1,749 million, heavily impacted by the effects of the lockdown on customer activity (-13.5% vs. Q2 19; -10.8% excluding adjustment for tax related to commissions of EUR +61 million in Q2 19).

Net interest income (excluding PEL/CEL) was 6.0% lower than in Q2 19 with, in particular, a significant increase in deposits adversely affecting the margin in a low interest rate environment.

Commissions were 14% lower than in Q2 19 (-7.6% excluding adjustment tax related to commissions in Q2 19), driven by the sharp fall in service commissions (-11.6% excluding adjustment for tax related to commissions in Q2 19) against the backdrop of the lockdown, despite the increase in financial commissions (+8.1% vs. Q2 19).

“Other revenues” were lower in Q2 (-71% vs. Q2 19) with, in particular, the impact of the non-payment of Crédit Logement dividends.

**H1 20:** after a dynamic first few months, revenues were impacted by the effects of Covid-19 and the lockdown measures: revenues (excluding PEL/CEL) totalled EUR 3,654 million, down -7.5% vs. H1 19 and -6.0% excluding adjustment for tax related to commissions of EUR +61 million in H1 19.

Net interest income (excluding PEL/CEL) was 2.4% lower than in H1 19. Commissions were down -8.4% vs. H1 19 (-5.0% excluding adjustment for tax related to commissions in H1 19), with the sharp fall in service commissions against the backdrop of the lockdown more than offsetting the strong increase in financial commissions.

## **Operating expenses**

**Q2 20:** operating expenses were substantially lower at EUR 1,233 million (-8.5% vs. Q2 19), illustrating the Group’s work to reduce costs despite the increase in regulatory costs. The cost to income ratio (after linearisation of the IFRIC 21 charge and restated for the PEL/CEL provision) stood at 71.9%.

**H1 20:** operating expenses were lower at EUR 2,683 million (-5.3% vs. H1 19). The cost to income ratio (after linearisation of the IFRIC 21 charge and restated for the PEL/CEL provision) stood at 71.6%.

## **Cost of risk**

**Q2 20:** the commercial cost of risk amounted to EUR 442 million or 85 basis points, substantially higher than in Q2 19 (27bp) and Q1 20 (49bp). It includes EUR 266 million of S1/S2 (performing/underperforming loans) provisioning and EUR 176 million of S3 (non-performing loans) provisioning. The inclusion of new macro-economic scenarios in accordance with the application of IFRS 9 contributed EUR 179 million to S1/S2 provisioning.

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<sup>(1)</sup> Including BMTN (negotiable medium-term notes)

<sup>(2)</sup> Including currency deposits

**H1 20:** the commercial cost of risk amounted to EUR 691 million or 68 basis points, substantially higher than in H1 19 (23bp).

### **Net profits or losses from other assets**

**Q2 20:** “Net profits or losses from other assets” amounted to EUR 5 million.

**H1 20:** “Net profits or losses from other assets” amounted to EUR 136 million including a capital gain of EUR 130 million relating to the Group's property disposal programme carried out in Q1 2020.

### **Contribution to Group net income**

**Q2 20:** the contribution to Group net income totalled EUR 60 million (-83.1% vs. Q2 19). RONE (after linearisation of the IFRIC 21 charge and restated for the PEL/CEL provision) stood at 1.4% in Q2 20 (vs. 12.6% in Q2 19).

**H1 20:** the contribution to Group net income totalled EUR 279 million (-52.7% vs. H1 19). RONE (after linearisation of the IFRIC 21 charge and restated for the PEL/CEL provision) stood at 6.0% in H1 20 (vs. 11.5% in H1 19).

## 4. INTERNATIONAL RETAIL BANKING & FINANCIAL SERVICES

<i>In EURm</i>	Q2 20	Q2 19	Change		H1 20	H1 19	Change	
Net banking income	1,750	2,124	-17.6%	-10.8%*	3,714	4,200	-11.6%	-4.7%*
Operating expenses	(979)	(1,145)	-14.5%	-7.0%*	(2,125)	(2,349)	-9.5%	-2.0%*
<b>Gross operating income</b>	<b>771</b>	<b>979</b>	<b>-21.2%</b>	<b>-15.1%*</b>	<b>1,589</b>	<b>1,851</b>	<b>-14.2%</b>	<b>-8.0%*</b>
Net cost of risk	(418)	(133)	x 3.1	x 3.3*	(647)	(261)	x 2.5	x 2.5*
<b>Operating income</b>	<b>353</b>	<b>846</b>	<b>-58.3%</b>	<b>-54.8%*</b>	<b>942</b>	<b>1,590</b>	<b>-40.8%</b>	<b>-36.1%*</b>
Net profits or losses from other assets	(1)	0	n/s	n/s	11	1	x 11.0	n/s
<b>Reported Group net income</b>	<b>226</b>	<b>515</b>	<b>-56.1%</b>	<b>-51.6%*</b>	<b>591</b>	<b>979</b>	<b>-39.6%</b>	<b>-33.7%*</b>
RONE	8.4%	18.6%			11.0%	17.3%		
<b>Underlying RONE (1)</b>	<b>7.9%</b>	<b>18.9%</b>			<b>11.6%</b>	<b>18.2%</b>		

(1) Adjusted for the linearisation of IFRIC 21 and the restructuring provision of EUR 29 million Q2 19.

**In International Retail Banking**, outstanding loans totalled EUR 85.8 billion. They rose +3.2%\* vs. end-June 2019 when adjusted for changes in Group structure and at constant exchange rates. They were down -6.4% at current structure and exchange rates, given the disposals finalised since June 2019 (SKB in Slovenia, Societe Generale Montenegro, Societe Generale Serbia, Mobiasbanca in Moldova, OBSG in Macedonia and Societe Generale de Banque aux Antilles). April and May were heavily impacted by the lockdown due to Covid-19, but there was a rebound in activity from June. Outstanding deposits climbed +7.1%\* (-4.0% at current structure and exchange rates) vs. June 2019 to EUR 80.3 billion, with a healthy momentum in all regions.

For the Europe scope, outstanding loans were up +3.2%\* vs. Q2 19, at EUR 53.6 billion (-9.2% at current structure and exchange rates), driven by Western Europe (+3.7%) and the Czech Republic (+3.4%\*, -1.6%). Outstanding deposits were up +5.4%\* (-10.0% at current structure and exchange rates), with a healthy momentum in the Czech Republic (+6.7%\*, +1.5%) and Romania (+4.9%\*, +2.6%).

In Russia, outstanding loans rose +1.6%\* at constant exchange rates (-7.1% at current exchange rates) while outstanding deposits climbed +11.3%\* (+3.5% at current exchange rates).

In Africa, Mediterranean Basin and French Overseas Territories, activity remained generally buoyant, especially in Sub-Saharan Africa. Outstanding loans rose +4.0%\* (or +1.5%) vs. Q2 19. Outstanding deposits enjoyed a strong momentum, up +8.2%\* (+6.1%).

**In the Insurance business**, the life insurance savings business saw outstandings increase +1.8%\* vs. Q2 19. The share of unit-linked products in outstandings was 30% at end-June 2020, up 1.9 points vs. Q2 19. Protection insurance fell -3.2%\* vs. Q2 19. The 6.1%\* increase in Property/Casualty premiums was offset by a decline in personal Protection insurance (-8.5%\* vs. Q2 19), where a rebound was observable from June.

**Financial Services to Corporates** delivered a resilient commercial performance. Operational Vehicle Leasing and Fleet Management saw an increase in its vehicle fleet (+3.8% vs. the end-June 2019) to 1.76 million vehicles at end-June 2020. Equipment Finance's outstanding loans were stable\* vs. end-June 2019, at EUR 17.7 billion (excluding factoring).

### Net banking income

Net banking income amounted to EUR 1,750 million in Q2 20, down -10.8%\* (-17.6%) vs. Q2 19. Revenues totalled EUR 3,714 million in H1 20, down -4.7%\* (-11.6%) vs. H1 19.

**In International Retail Banking**, net banking income totalled EUR 1,157 million in Q2 20, down -8.9%\* (-18.1%) vs. Q2 19, marked by a fall in commissions due to the reduced activity in the lockdown environment and the impact of the decline in rates on net interest margin in the Czech Republic, Romania and Russia. In Africa, Mediterranean Basin and French Overseas Territories, revenues include an impact of EUR -31 million related to repayment moratoriums in Tunisia.

Net banking income amounted to EUR 2,450 million in H1 20, down -3.1%\* excluding the structure and exchange rate effects (-12.5%) vs. H1 19.

**The Insurance business** saw net banking income decrease by -7.1%\* to EUR 211 million in Q2 20 (-7.9%), marked by a decline in financial margins in an unfavourable environment in the financial markets. When adjusted for the contribution to the Solidarity Fund in France, it was 4.7%\* lower than in Q2 19. Net banking income fell -3.9%\* (-4.3%) in H1 20, to EUR 440 million.

**Financial Services to Corporates'** net banking income was down -17.7%\* (-20.9%) vs. Q2 19 at EUR 382 million. ALD revenues included EUR 30 million of additional impairments on residual values and EUR 9.6 million of impairments on used vehicles in Q2 20. When restated for these items, Financial Services to Corporates' revenues were down -8.2%\*. Financial Services to Corporates' net banking income totalled EUR 824 million in H1 20, down -9.5%\* (-12.4%) vs. H1 19.

### Operating expenses

Operating expenses were down -7.0%\* (-14.5%), at EUR -979 million, vs. Q2 19, which included a restructuring provision related to the simplification of the head office structure amounting to EUR 29 million. When restated for this provision, operating expenses were down -4.3%\* vs. Q2 19, reflecting rigorous cost control. They fell -2.0%\* (-9.5%) in the first six months, to EUR 2,125 million. The cost to income ratio stood at 55.9% in Q2 20 and 57.2% in H1 20.

**In International Retail Banking**, operating expenses were down -2.9%\* (-12.8%) vs. Q2 19 and were stable\* (-9.7%) vs. H1 19.

In the **Insurance** business, operating expenses rose +4.2%\* (+3.7%) vs. Q2 19 to EUR 84 million and +4.0%\* (+3.8%) vs. H1 19.

In **Financial Services to Corporates**, operating expenses were down -8.6%\* (-12.6%) vs. Q2 19 and -3.0%\* (-7.1%) vs. H1 19.

### Cost of risk

**Q2 20:** the commercial cost of risk amounted to 125 basis points (or EUR 418 million), vs. 38 basis points in Q2 19, which included net provision write-backs in the Czech Republic and Romania, and 67 basis points in Q1 20. The Q2 cost of risk includes EUR 144 million for the estimate of expected credit losses in Stage 1 and Stage 2, including EUR 135 million for the impact related to the review of macro-economic scenarios.

**H1 20:** the cost of risk stood at 96 basis points (EUR 647 million). It was 39 basis points in H1 19.

### Contribution to Group net income

The contribution to Group net income totalled EUR 226 million in Q2 20 (-56.1%\* vs. Q2 19) and EUR 591 million in H1 20 (-39.6%\* vs. H1 19). Underlying RONE stood at 7.9% in Q2 20, vs. 18.9% in Q2 19, and 11.6% in H1 20, vs. 18.2% in H1 19.

## 5. GLOBAL BANKING & INVESTOR SOLUTIONS

<i>In EURm</i>	<b>Q2 20</b>	<b>Q2 19</b>	<b>Change</b>		<b>H1 20</b>	<b>H1 19</b>	<b>Change</b>	
Net banking income	1,880	2,266	-17.0%	-17.3%*	3,507	4,505	-22.2%	-22.7%*
Operating expenses	(1,570)	(1,915)	-18.0%	-18.2%*	(3,547)	(3,941)	-10.0%	-10.3%*
<b>Gross operating income</b>	<b>310</b>	<b>351</b>	<b>-11.7%</b>	<b>-12.4%*</b>	<b>(40)</b>	<b>564</b>	<b>n/s</b>	<b>n/s</b>
Net cost of risk	(419)	(33)	x 12.7	x 13.0*	(761)	(75)	x 10.1	x 10.1*
<b>Operating income</b>	<b>(109)</b>	<b>318</b>	<b>n/s</b>	<b>n/s</b>	<b>(801)</b>	<b>489</b>	<b>n/s</b>	<b>n/s</b>
<b>Reported Group net income</b>	<b>(67)</b>	<b>274</b>	<b>n/s</b>	<b>n/s</b>	<b>(604)</b>	<b>414</b>	<b>n/s</b>	<b>n/s</b>
RONE	-1.9%	7.1%			-8.6%	5.2%		
<b>Underlying RONE (1)</b>	<b>-3.3%</b>	<b>10.0%</b>			<b>-6.2%</b>	<b>8.9%</b>		

(1) Adjusted for the linearisation of IFRIC 21

### Finalisation of the strategic review of structured products in Global Markets

The Group has finalised the strategic review carried out in Global Markets on structured products and has set three priorities:

- Maintaining its global leadership role in equity structured products and remaining a major player in investment solutions
- Reducing the risk profile on equity and credit structured products in order to decrease the sensitivity of Global Markets' revenues to market dislocations. This refocusing will have an impact on revenues of between EUR -200 million and EUR -250 million
- Improving the profitability of Global Markets by reducing the breakeven point through a net cost reduction of around EUR -450 million by 2022-2023.

### Net banking income

**Q2 20:** Global Banking & Investor Solutions' revenues were down -17.0% at EUR 1,880 million.

**H1 20:** when adjusted for the impact of restructuring (activities in the process of being closed or scaled back) completed last year, the revaluation of SIX securities (EUR +66 million in H1) and the disposal of Private Banking in Belgium, net banking income was down -18.7% vs. H1 19 (and -22.2% on a reported basis).

**In Global Markets & Investor Services,** net income banking totalled EUR 991 million, down -28.1% vs Q2 19 adjusted for restructuring.

In H1 20, when adjusted for restructuring and the revaluation of SIX securities (EUR +34 million in Q1 19), revenues were down -30.8% vs. H1 19.

Fixed Income & Currencies enjoyed an very good Q2, in all regions. When restated for the impact of restructuring, revenues amounted to EUR 700 million and were substantially higher (+38.1%) than in Q2 19. They were driven by the healthy commercial momentum, particularly in financing, and by the exceptional number of primary issues. Flow activities (rates and credit) and emerging market activities continued to benefit from favourable market conditions. The Americas region performed particularly well in Q2 20.

In H1 20, revenues restated for restructuring were up +43.6% at EUR 1,309 million.

Equity net banking income declined by -79.5% vs. Q2 19. In April and May, structured product activities continued to be impacted by the cancellation of dividend payments (loss of EUR 200 million), a still strong correlation and strict production constraints. These activities saw a gradual recovery from mid-May.

Listed product revenues were significantly higher than in Q2 19, driven by flow investment solutions (notably due to EMC activities integration). This increase, combined with the strong performance of



equity flow activities, was not enough to offset the losses recorded on structured products at the beginning of the quarter.

Securities Services' assets under custody amounted to EUR 4,238 billion at end-June 2020, up +3.1% vs. end-March 2020. Over the same period, assets under administration were up +3.5% at EUR 599 billion. Securities Services' revenues totalled EUR 149 million in Q2 20, in line with Q1 20. They were down -16.8% vs. a strong Q2 19.

**Financing & Advisory** revenues totalled EUR 657 million in Q2 20, up +2.0% vs. Q2 19. They amounted to EUR 1,286 million in H1 20, slightly lower (-1.1%) than in H1 19.

Investment banking enjoyed an excellent quarter, driven by a record number of issues in the debt capital markets and buoyant acquisition financing activity. The Group therefore strengthens its leadership position in the European market.

Financing activities proved resilient in this environment impacted by the crisis. New business remained stable.

After a challenging Q1, the Asset Backed Products platform delivered a good performance in Q2, against the backdrop of a stabilisation in the market environment.

Global Transaction and Payment Services proved resilient in light of the crisis and a significant decline in volumes.

**Asset and Wealth Management's** net banking income totalled EUR 232 million in Q2 20, slightly higher (+0.4%) than in Q2 19.

In H1 20, when adjusted in Q1 19 for the revaluation of SIX securities (EUR +32 million) and for the disposal of Private Banking in Belgium, net banking income was 2.9% higher.

Private Banking posted a robust performance in Q2 20, driven by good transactional revenues in France and positive net inflow. Net banking income amounted to EUR 187 million in Q2 20, up +6.9% vs. Q2 19 (and +6.3% vs. Q1 20). Assets under management increased by +2.4% vs. March 2020, to EUR 114 billion. Private Banking posted net inflow of EUR 1.5 billion in H1 20, driven by France. Net banking income amounted to EUR 363 million in H1 20, up +5.5% vs. H1 19, when adjusted for the disposal of Private Banking in Belgium and the revaluation of SIX securities.

Lyxor posted a performance down -21.6% in Q2 20, impacted by the challenging market conditions. Lyxor's assets under management totalled EUR 132 billion at end-June 2020, an increase of +5.1% vs. March 2020. Lyxor is the first provider to launch an ETF ecosystem to tackle climate change, which further strengthens its leadership status in the Green Bonds segment.

Revenues were 5.3% lower in H1 20 than in H1 19, impacted by market effects on equity indices.

### **Operating expenses**

**Q2 20:** when restated for the increase in the resolution fund (EUR +38 million) and the restructuring provision, recorded in Q2 19 for EUR 227 million, operating expenses were down -9.2% vs. Q2 19.

**H1 20:** restated operating expenses were down -6.8%.



### **Net cost of risk**

**Q2 20:** the commercial cost of risk amounted to 95 basis points (or EUR 419 million), vs. 87 basis points in Q1 20 and 8 basis points in Q2 19. The Q2 cost of risk includes EUR 240 million related to Stages 1 and 2 (with EUR 176 million related to the review of macro-economic scenarios on the estimate of credit losses) and EUR 178 million related to Stage 3.

**H1 20:** the cost of risk amounted to 91 basis points (EUR 761 million).

### **Contribution to Group net income**

The contribution to Group net income amounted to EUR -67 million in Q2 20 and to EUR -604 million in H1 20. Underlying RONE is negative on H1 20.

## 6. CORPORATE CENTRE

<i>In EURm</i>	<b>Q2 20</b>	<b>Q2 19</b>	<b>H1 20</b>	<b>H1 19</b>
Net banking income	(88)	(100)	(389)	(140)
Operating expenses	(78)	138	(183)	65
<b>Gross operating income</b>	<b>(166)</b>	<b>38</b>	<b>(572)</b>	<b>(75)</b>
Net cost of risk	-	(19)	-	(19)
Net profits or losses from other assets	-	(81)	(77)	(134)
Impairment losses on goodwill	(684)	-	(684)	-
Income tax	(598)	7	(450)	63
<b>Reported Group net income</b>	<b>(1,483)</b>	<b>(91)</b>	<b>(1,856)</b>	<b>(243)</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 and certain costs incurred by the Group and not re-invoiced to the businesses.

The Corporate Centre's net banking income totalled EUR -88 million in Q2 20 vs. EUR -100 million in Q2 19 and EUR -389 million in H1 20 vs. EUR -140 million in H1 19.

Operating expenses totalled EUR -78 million in Q2 20 vs. EUR +138 million in Q2 19, which included an operating tax adjustment for EUR +241 million. They amounted to EUR -183 million in H1 20 vs. EUR +65 million in H1 19.

Gross operating income totalled EUR -166 million in Q2 20 vs. EUR +38 million in Q2 19 and EUR -572 million in H1 20 vs. EUR -75 million in H1 19.

Net profits or losses from other assets was nil in Q2 20 and amounted to EUR -77 million in H1 20, related to the application of IFRS 5 as part of the implementation of the Group's refocusing plan in Q1 20.

The review of the financial trajectory of Global Markets & Investor Services resulted in the impairment of the associated goodwill for EUR -684 million and deferred tax assets for EUR -650 million.

The Corporate Centre's contribution to Group net income was EUR -1,483 million in Q2 20 vs. EUR -91 million in Q2 19 and EUR -1,856 million in H1 20 vs. EUR -243 million in H1 19.

## 7. CONCLUSION

During H1 20, Societe Generale demonstrated its ability to absorb the impacts of the crisis due to the quality of its asset portfolio and the robustness of its balance sheet with, in particular, a capital level of 12.5%, or 350 basis points above the regulatory requirement.

Drawing on this solid base, the Group will continue to adapt its activities to the new post-COVID crisis environment, particularly in structured products, as well as its efforts to reduce costs in 2020 and in the medium term, through structural initiatives.

Accordingly, in 2020 the Group anticipates:

- underlying costs of around EUR 16.5 billion, substantially lower than in 2019 (EUR 17.4 billion)
- a cost of risk at the bottom of the range of between 70 to 100 basis points
- a CET1 ratio at the top of the range of between 11.5% and 12.0% at end-2020

Finally, Societe Generale is already preparing its 2021-2023 strategic plan based around its three priority objectives:

- further improving its capacity to place the customer at the centre of its activities
- ramping up our commitment in responsible finance to strengthen its leadership position
- increasing operational efficiency with the support of digital technologies

## 8. 2020 FINANCIAL CALENDAR

### 2020 Financial communication calendar

November 5 <sup>th</sup> , 2020	Third quarter and nine-month 2020 results
February 10 <sup>th</sup> , 2021	Fourth quarter and FY 2020 results
May 6 <sup>th</sup> , 2021	First quarter 2021 results
August 3 <sup>rd</sup> , 2021	Second quarter and first half 2021 results
November 4 <sup>th</sup> , 2021	Third quarter and nine-month 2021 results

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

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

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

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

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

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

More detailed information on the potential risks that could affect Societe Generale's financial results can be found in the Universal Registration Document filed with the French Autorité des Marchés Financiers.

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

## 9. APPENDIX 1: FINANCIAL DATA

### GROUP NET INCOME AFTER TAX BY CORE BUSINESS

In EURm	Q2 20	Q2 19	Change	H1 20	H1 19	Change
French Retail Banking	60	356	-83.1%	279	590	-52.7%
International Retail Banking & Financial Services	226	515	-56.1%	591	979	-39.6%
Global Banking & Investor Solutions	(67)	274	n/s	(604)	414	n/s
Core Businesses	219	1,145	-80.9%	266	1,983	-86.6%
Corporate Centre	(1,483)	(91)	n/s	(1,856)	(243)	n/s
Group	(1,264)	1,054	n/s	(1,590)	1,740	n/s

## CONSOLIDATED BALANCE SHEET

	30.06.2020	31.12.2019
Central banks	144,417	102,311
Financial assets at fair value through profit or loss	419,147	385,739
Hedging derivatives	21,845	16,837
Financial assets measured at fair value through other comprehensive income	55,606	53,256
Securities at amortised cost	14,877	12,489
Due from banks at amortised cost	55,292	56,366
Customer loans at amortised cost	458,500	450,244
Revaluation differences on portfolios hedged against interest rate risk	470	401
Investment of insurance activities	163,219	164,938
Tax assets	5,052	5,779
Other assets	77,196	68,045
Non-current assets held for sale	3,788	4,507
Investments accounted for using the equity method	106	112
Tangible and intangible assets	29,812	30,652
Goodwill	4,045	4,627
<b>Total</b>	<b>1,453,372</b>	<b>1,356,303</b>

	30.06.2020	31.12.2019
Central banks	2,980	4,097
Financial liabilities at fair value through profit or loss	405,113	364,129
Hedging derivatives	12,705	10,212
Debt securities issued	136,261	125,168
Due to banks	121,542	107,929
Customer deposits	444,470	418,612
Revaluation differences on portfolios hedged against interest rate risk	8,629	6,671
Tax liabilities	1,239	1,409
Other liabilities	94,115	85,062
Non-current liabilities held for sale	928	1,333
Liabilities related to insurance activities contracts	140,701	144,259
Provisions	4,348	4,387
Subordinated debts	14,662	14,465
<b>Total liabilities</b>	<b>1,387,693</b>	<b>1,287,733</b>
<b>SHAREHOLDERS' EQUITY</b>		
<b>Shareholders' equity, Group share</b>		
Issued common stocks, equity instruments and capital reserves	30,115	31,102
Retained earnings	32,457	29,558
Net income	(1,590)	3,248
<b>Sub-total</b>	<b>60,982</b>	<b>63,908</b>
Unrealised or deferred capital gains and losses	(323)	(381)
<b>Sub-total equity, Group share</b>	<b>60,659</b>	<b>63,527</b>
Non-controlling interests	5,020	5,043
<b>Total equity</b>	<b>65,679</b>	<b>68,570</b>
<b>Total</b>	<b>1,453,372</b>	<b>1,356,303</b>

## **10. APPENDIX 2: METHODOLOGY**

**1 – The financial information presented in respect of Q2 and H1 2020 was examined by the Board of Directors on July 31<sup>st</sup>, 2020 and has been prepared in accordance with IFRS as adopted in the European Union and applicable at that date. The limited review procedures carried out by the Statutory Auditors are in progress on the condensed interim consolidated financial statements as at June 30<sup>th</sup>, 2020.**

### **2 – Net banking income**

The pillars' net banking income is defined on page 43 of Societe Generale's 2020 Universal Registration Document. The terms "Revenues" or "Net Banking Income" are used interchangeably. They provide a normalised measure of each pillar's net banking income taking into account the normative capital mobilised for its activity.

### **3 – Operating expenses**

Operating expenses correspond to the "Operating Expenses" as presented in note 8.1 to the Group's consolidated financial statements as at December 31<sup>st</sup>, 2019 (pages 423 et seq. of Societe Generale's 2020 Universal Registration Document). The term "costs" is also used to refer to Operating Expenses.

The Cost/Income Ratio is defined on page 43 of Societe Generale's 2020 Universal Registration Document.

### **4 - IFRIC 21 adjustment**

**The IFRIC 21 adjustment** corrects the result of the charges recognised in the accounts in their entirety when they are due (generating event) so as to recognise only the portion relating to the current quarter, i.e. a quarter of the total. It consists in smoothing the charge recognised accordingly over the financial year in order to provide a more economic idea of the costs actually attributable to the activity over the period analysed.

### **5 – Exceptional items – Transition from accounting data to underlying data**

It may be necessary for the Group to present underlying indicators in order to facilitate the understanding of its actual performance. The transition from published data to underlying data is obtained by restating published data for exceptional items and the IFRIC 21 adjustment.

Moreover, the Group restates the revenues and earnings of the French Retail Banking pillar for PEL/CEL provision allocations or write-backs. This adjustment makes it easier to identify the revenues and earnings relating to the pillar's activity, by excluding the volatile component related to commitments specific to regulated savings.

The reconciliation enabling the transition from published accounting data to underlying data is set out in the table below:

Q2 20 (in EURm)	Operating Expenses	Net cost of risk	Net profit or losses from other assets	Impairment losses on goodwill	Income Tax	Group net income	Business
<b>Reported</b>	<b>(3,860)</b>	<b>(1,279)</b>	<b>4</b>	<b>(684)</b>	<b>(658)</b>	<b>(1,264)</b>	
(+) IFRIC 21 linearisation	(124)				58	(62)	
(-) Goodwill impairment*				(684)		(684)	Corporate Centre
(-) DTA impairment*					(650)	(650)	Corporate Centre
<b>Underlying</b>	<b>(3,984)</b>	<b>(1,279)</b>	<b>4</b>	<b>0</b>	<b>50</b>	<b>8</b>	

H1 20 (in EURm)	Operating Expenses	Net cost of risk	Net profit or losses from other assets	Impairment losses on goodwill	Income Tax	Group net income	Business
<b>Reported</b>	<b>(8,538)</b>	<b>(2,099)</b>	<b>84</b>	<b>(684)</b>	<b>(612)</b>	<b>(1,590)</b>	
(+) IFRIC 21 linearisation	353				(166)	179	
(-) Group refocusing plan*			(77)		0	(77)	Corporate Centre
(-) Goodwill impairment*				(684)		(684)	Corporate Centre
(-) DTA impairment*					(650)	(650)	Corporate Centre
<b>Underlying</b>	<b>(8,185)</b>	<b>(2,099)</b>	<b>161</b>	<b>0</b>	<b>(128)</b>	<b>0</b>	

Q2 19 (in EURm)	Operating Expenses	Net cost of risk	Net profit or losses from other assets	Group net income	Business
<b>Reported</b>	<b>(4,270)</b>	<b>(314)</b>	<b>(80)</b>	<b>1,054</b>	
(+) IFRIC 21 linearisation	(138)			(101)	
(-) Restructuring provision*	(256)			(192)	GBIS (EUR -227m) / IBFS (EUR -29m)
(-) Group refocusing plan*		(18)	(84)	(102)	Corporate Centre
<b>Underlying</b>	<b>(4,152)</b>	<b>(296)</b>	<b>4</b>	<b>1,247</b>	

H1 19 (in EURm)	Operating Expenses	Net cost of risk	Net profit or losses from other assets	Group net income	Business
<b>Reported</b>	<b>(9,059)</b>	<b>(578)</b>	<b>(131)</b>	<b>1,740</b>	
(+) IFRIC 21 linearisation	303			222	
(-) Restructuring provision*	(256)			(192)	GBIS (EUR -227m) / IBFS (EUR -29m)
(-) Group refocusing plan*		(18)	(137)	(177)	Corporate Centre
<b>Underlying</b>	<b>(8,500)</b>	<b>(560)</b>	<b>6</b>	<b>2,332</b>	

(\*) exceptional item



## 6 - Cost of risk in basis points, coverage ratio for doubtful outstandings

The cost of risk or commercial cost of risk is defined on pages 45 and 574 of Societe Generale's 2020 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 EUR m)	Q2 20	Q2 19	H1 20	H1 19
<b>French Retail Banking</b>	Net Cost Of Risk	442	129	691	223
	Gross loan Outstandings	207,517	192,896	204,328	192,159
	<b>Cost of Risk in bp</b>	<b>85</b>	<b>27</b>	<b>68</b>	<b>23</b>
<b>International Retail Banking and Financial Services</b>	Net Cost Of Risk	418	133	647	261
	Gross loan Outstandings	133,475	139,634	134,941	134,747
	<b>Cost of Risk in bp</b>	<b>125</b>	<b>38</b>	<b>96</b>	<b>39</b>
<b>Global Banking and Investor Solutions</b>	Net Cost Of Risk	419	33	761	75
	Gross loan Outstandings	175,673	164,162	166,868	164,512
	<b>Cost of Risk in bp</b>	<b>95</b>	<b>8</b>	<b>91</b>	<b>9</b>
<b>Corporate Centre</b>	Net Cost Of Risk	0	19	0	19
	Gross loan Outstandings	10,292	8,705	10,001	8,977
	<b>Cost of Risk in bp</b>	<b>3</b>	<b>86</b>	<b>3</b>	<b>42</b>
<b>Societe Generale Group</b>	Net Cost Of Risk	1,279	314	2,099	578
	Gross loan Outstandings	526,958	505,397	516,138	500,395
	<b>Cost of Risk in bp</b>	<b>97</b>	<b>25</b>	<b>81</b>	<b>23</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").

## 7 - ROE, ROTE, RONE

The notions of ROE (Return on Equity) and ROTE (Return on Tangible Equity), as well as their calculation methodology, are specified on page 45 and 46 of Societe Generale's 2020 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 46 of Societe Generale's 2020 Universal Registration Document.

Group net income used for the ratio numerator is book Group net income adjusted for "interest net of tax payable on deeply subordinated notes and undated subordinated notes, interest paid to holders of deeply subordinated notes and undated subordinated notes, issue premium amortisations" and "unrealised gains/losses booked under shareholders' equity, excluding conversion reserves" (see methodology note No. 9). For ROTE, income is also restated for goodwill impairment.

Details of the corrections made to book equity in order to calculate ROE and ROTE for the period are given in the table below:

### ROTE calculation: calculation methodology

End of period	Q2 20	Q2 19	H1 20	H1 19
<b>Shareholders' equity Group share</b>	<b>60,659</b>	<b>62,492</b>	<b>60,659</b>	<b>62,492</b>
Deeply subordinated notes	(8,159)	(9,861)	(8,159)	(9,861)
Undated subordinated notes	(283)	(280)	(283)	(280)
Interest net of tax payable to holders of deeply subordinated notes & undated subordinated notes, interest paid to holders of deeply subordinated notes & undated subordinated notes, issue premium amortisations	20	(39)	20	(39)
OCI excluding conversion reserves	(834)	(636)	(834)	(636)
Dividend provision		(717)		(717)
<b>ROE equity end-of-period</b>	<b>51,403</b>	<b>50,959</b>	<b>51,403</b>	<b>50,959</b>
<b>Average ROE equity</b>	<b>52,388</b>	<b>50,250</b>	<b>52,830</b>	<b>49,842</b>
Average Goodwill	(4,270)	(4,541)	(4,416)	(4,619)
Average Intangible Assets	(2,417)	(2,194)	(2,393)	(2,194)
<b>Average ROTE equity</b>	<b>45,701</b>	<b>43,515</b>	<b>46,021</b>	<b>43,029</b>
<b>Group net Income (a)</b>	<b>(1,264)</b>	<b>1,054</b>	<b>(1,590)</b>	<b>1,740</b>
<b>Underlying Group net income (b)</b>	<b>8</b>	<b>1,247</b>	<b>0</b>	<b>2,332</b>
Interest on deeply subordinated notes and undated subordinated notes (c)	(161)	(192)	(320)	(357)
Cancellation of goodwill impairment (d)	684	41	684	108
<b>Ajusted Group net Income (e) = (a)+ (c)+(d)</b>	<b>(741)</b>	<b>903</b>	<b>(1,227)</b>	<b>1,491</b>
<b>Ajusted Underlying Group net Income (f)=(b)+(c)</b>	<b>(153)</b>	<b>1,056</b>	<b>(321)</b>	<b>1,975</b>
<b>Average ROTE equity (g)</b>	<b>45,701</b>	<b>43,515</b>	<b>46,021</b>	<b>43,029</b>
ROTE [quarter: (4*e/g), 6M: (2*e/g)]	-6.5%	8.3%	-5.3%	6.9%
<b>Average ROTE equity (underlying) (h)</b>	<b>46,973</b>	<b>43,612</b>	<b>47,611</b>	<b>43,325</b>
Underlying ROTE [quarter: (4*f/h), 6M: (2*f/h)]	-1.3%	9.7%	-1.3%	9.1%

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

In EURm	T2-20	T2-19	Variation	S1-20	S1-19	Variation
French Retail Banking	11,460	11,306	+1.4%	11,321	11,281	+0.4%
International Retail Banking & Financial Services	10,820	11,051	-2.1%	10,708	11,336	-5.5%
Global Banking & Investor Solutions	14,453	15,543	-7.0%	14,024	16,064	-12.7%
Core Businesses	36,733	37,900	-3.1%	36,053	38,681	-6.8%
Corporate Centre	15,655	12,350	+26.8%	16,777	11,162	+50.3%
Group	52,388	50,250	+4.3%	52,830	49,842	+6.0%

## 8 - Net assets and tangible net assets

Net assets and tangible net assets are defined in the methodology, page 48 of the Group's 2020 Universal Registration Document. The items used to calculate them are presented below:

End of period	H1 20	Q1 20	2019	H1 19
Shareholders' equity Group share	60,659	62,580	63,527	62,492
Deeply subordinated notes	(8,159)	(8,258)	(9,501)	(9,861)
Undated subordinated notes	(283)	(288)	(283)	(280)
Interest, net of tax, payable to holders of deeply subordinated notes & undated subordinated notes, interest paid to holders of deeply subordinated notes & undated subordinated notes, issue premium amortisations	20	1	4	(39)
Bookvalue of own shares in trading portfolio	335	381	375	431
<b>Net Asset Value</b>	<b>52,572</b>	<b>54,416</b>	<b>54,122</b>	<b>52,743</b>
Goodwill	(3,928)	(4,611)	(4,510)	(4,548)
Intangible Assets	(2,458)	(2,376)	(2,362)	(2,226)
<b>Net Tangible Asset Value</b>	<b>46,186</b>	<b>47,429</b>	<b>47,250</b>	<b>45,969</b>
<b>Number of shares used to calculate NAPS**</b>	<b>851,133</b>	<b>851,133</b>	<b>849,665</b>	<b>844,026</b>
<b>Net Asset Value per Share</b>	<b>61.8</b>	<b>63.9</b>	<b>63.7</b>	<b>62.5</b>
<b>Net Tangible Asset Value per Share</b>	<b>54.3</b>	<b>55.7</b>	<b>55.6</b>	<b>54.5</b>

\*\* The number of shares considered is the number of ordinary shares outstanding as at June 30<sup>th</sup>, 2020, excluding treasury shares and buybacks, but including the trading shares held by the Group.

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

## 9 - Calculation of Earnings Per Share (EPS)

The EPS published by Societe Generale is calculated according to the rules defined by the IAS 33 standard (see page 47 of Societe Generale's 2020 Universal Registration Document). The corrections made to Group net income in order to calculate EPS correspond to the restatements carried out for the calculation of ROE and ROTE. As specified on page 47 of Societe Generale's 2020 Universal Registration Document, the Group also publishes EPS adjusted for the impact of non-economic and exceptional items presented in methodology note No. 5 (underlying EPS).

The calculation of Earnings Per Share is described in the following table:

Average number of shares (thousands)	H1 20	Q1 20	2019	H1 19
<b>Existing shares</b>	<b>853,371</b>	<b>853,371</b>	<b>834,062</b>	<b>821,189</b>
<b>Deductions</b>				
Shares allocated to cover stock option plans and free shares awarded to staff	2,728	2,972	4,011	4,214
Other own shares and treasury shares			149	249
<b>Number of shares used to calculate EPS**</b>	<b>850,643</b>	<b>850,399</b>	<b>829,902</b>	<b>816,726</b>
<b>Group net Income</b>	<b>(1,590)</b>	<b>(326)</b>	<b>3,248</b>	<b>1,740</b>
Interest on deeply subordinated notes and undated subordinated notes	(320)	(159)	(715)	(357)
Capital gain net of tax on partial buybacks				
<b>Adjusted Group net income</b>	<b>(1,910)</b>	<b>(485)</b>	<b>2,533</b>	<b>1,383</b>
<b>EPS (in EUR)</b>	<b>-2.25</b>	<b>-0.57</b>	<b>3.05</b>	<b>1.69</b>
<b>Underlying EPS* (in EUR)</b>	<b>-0.38</b>	<b>-0.07</b>	<b>4.03</b>	

\* Excluding exceptional items and including linearisation of the IFRIC 21 effect.

\*\* The number of shares considered is the number of ordinary shares outstanding as at June 30<sup>th</sup>, 2020, excluding treasury shares and buybacks, but including the trading shares held by the Group.

**10 - The Societe Generale Group's Common Equity Tier 1 capital** is calculated in accordance with applicable CRR/CRD4 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 calculated according to applicable CRR/CRD4 rules including the provisions of the delegated act of October 2014.

Table of the change in the CET1 ratio in the quarter

<b>In bp</b>	
<b>CET1 as at 31/3/2020</b>	<b>12.6%</b>
<b>Own funds evolution</b>	<b>-7bp</b>
<b>Organic RWAs change*</b>	<b>-15bp</b>
<b>of which</b>	
RWAs of businesses	+2bp
Non-guaranteed part of State-Guaranteed loans	-4bp
Rating migration	-8bp
Corporates credit line drawdowns	-5bp
<b>SME supporting factor</b>	<b>+14bp</b>
<b>Effect of waiting period on State-guaranteed loans (based on an assumption of a final loan guarantee rate of approximately 90%)</b>	<b>-27bp</b>
<b>Quick fix BCE</b>	<b>+12bp</b>
<b>Of which</b>	
VaR/sVaR multiplier	+7bp
PVA transitional provision	+5bp
<b>CET1 as at 30/06/2020</b>	<b>12.3%</b>
Phasing IFRS 9	+20bp
<b>CET1 as at 30/06/2020 including IFRS9 phasing</b>	<b>12,5%</b>

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.

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## Societe Generale

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

Active in the real economy for over 150 years, with a solid position in Europe and connected to the rest of the world, Societe Generale has over 138,000 members of staff in 62 countries and supports on a daily basis 29 million individual clients, businesses and institutional investors around the world by offering a wide range of advisory services and tailored financial solutions. The Group is built on three complementary core businesses:

- **French Retail Banking which encompasses the Societe Generale**, Crédit du Nord and Boursorama brands. Each offers a full range of financial services with omnichannel products at the cutting edge of digital innovation;
- **International Retail Banking, Insurance and Financial Services to Corporates**, with networks in Africa, Russia, Central and Eastern Europe and specialised businesses that are leaders in their markets;
- **Global Banking and Investor Solutions**, which offers recognised expertise, key international locations and integrated solutions.

Societe Generale is included in the principal socially responsible investment indices: DJSI (World and Europe), FTSE4Good (Global and Europe), Euronext Vigeo (World, Europe and Eurozone), four of the STOXX ESG Leaders indices, and the MSCI Low Carbon Leaders Index.

For more information, you can follow us on Twitter [@societegenerale](https://twitter.com/societegenerale) or visit our website [www.societegenerale.com](http://www.societegenerale.com)

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