

Supplemental Listing Document

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

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

6,700,000 European Style Cash Settled Long Certificates
relating to the Class B ordinary shares of Kuaishou Technology
with a Daily Leverage of 5x

issued by

SG Issuer

(Incorporated in Luxembourg with limited liability)

unconditionally and irrevocably guaranteed by

Société Générale

Issue Price: S\$1.20 per Certificate

This document is published for the purpose of obtaining a listing of all the above certificates (the “**Certificates**”) to be issued by SG Issuer (the “**Issuer**”) unconditionally and irrevocably guaranteed by Société Générale (the “**Guarantor**”), and is supplemental to and should be read in conjunction with a base listing document dated 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 a leverage mechanism and the Certificates will amplify the movements in the increase, and in the decrease, of the value of the Underlying Stock (as defined below) and if the investment results in a loss, any such loss will be increased by the leverage factor of the Certificates. As such, investors could lose more than they would if they had invested directly in the Underlying Stock.

The Certificates are classified as capital markets products other than prescribed capital markets products¹ and Specified Investment Products (SIPs)², and may only be sold to retail investors with enhanced safeguards, including an assessment of such investors' investment knowledge or experience.

The Certificates constitute general unsecured obligations of the Issuer 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 9 March 2021.

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.

8 March 2021

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

² As defined in the MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products.

Subject as set out below, the Issuer and the Guarantor accept full responsibility for the accuracy of the information contained in this document and the Base Listing Document in relation to themselves and the Certificates. To the best of the knowledge and belief of the Issuer and the Guarantor (each of which has taken all reasonable care to ensure that such is the case), the information contained in this document and the Base Listing Document for which they accept responsibility (subject as set out below in respect of the information contained herein with regard to the Company) is in accordance with the facts and does not omit anything likely to affect the import of such information. The information with regard to the Company as set out herein is extracted from publicly available information. The Issuer and the Guarantor accept responsibility only for the accurate reproduction of such information. No further or other responsibility or liability in respect of such information is accepted by the Issuer and the Guarantor.

No person has been authorised to give any information or to make any representation other than those contained in this document in connection with the offering of the Certificates, and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer or the Guarantor. Neither the delivery of this document nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Issuer, the Guarantor or their respective subsidiaries and associates since the date hereof.

This document does not constitute an offer or invitation by or on behalf of the Issuer or the Guarantor to purchase or subscribe for any of the Certificates. The distribution of this document and the offering of the Certificates may, in certain jurisdictions, be restricted by law. The Issuer and the Guarantor require persons into whose possession this document comes to inform themselves of and observe all such restrictions. In particular, the Certificates and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended or any state securities law, and trading in the Certificates has not been approved by the United States Commodity Futures Trading Commission (the “**CFTC**”) under the United States Commodity Exchange Act of 1936, as amended and the Issuer will not be registered as an investment company under the United States Investment Company Act of 1940, as amended, and the rules and regulations thereunder. None of the Securities and Exchange Commission, any state securities commission or regulatory authority or any other United States, French or other regulatory authority has approved or disapproved of the Certificates or the Guarantee or passed upon the accuracy or adequacy of this document. Accordingly, Certificates, or interests therein, may not at any time be offered, sold, resold, traded, pledged, exercised, redeemed, transferred or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, nor may any U.S. person at any time trade, own, hold or maintain a position in the Certificates or any interests therein. In addition, in the absence of relief from the CFTC, offers, sales, re-sales, trades, pledges, exercises, redemptions, transfers or deliveries of Certificates, or interests therein, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, may constitute a violation of United States law governing commodities trading and commodity pools. Consequently, any offer, sale, resale, trade, pledge, exercise, redemption, transfer or delivery made, directly or indirectly, within the United States or to, or for the account or benefit of, a U.S. person will not be recognised. A further description of certain restrictions on offering and sale of the Certificates and distribution of this document is given in the section headed “Placing and Sale” contained herein.

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

The Issuer, the Guarantor and/or any of their affiliates may repurchase Certificates at any time on or after the date of issue and any Certificates so repurchased may be offered from time to time in one or more transactions in the over-the-counter market or otherwise at prevailing market

prices or in negotiated transactions, at the discretion of the Issuer, the Guarantor and/or any of their affiliates. Investors should not therefore make any assumption as to the number of Certificates in issue at any time.

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

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RISK FACTORS

The following are risk factors relating to the Certificates:

- (a) investment in Certificates involves substantial risks including market risk, liquidity risk, and the risk that the Issuer and/or the Guarantor will be unable to satisfy its/their obligations under the Certificates. Investors should ensure that they understand the nature of all these risks before making a decision to invest in the Certificates. You should consider carefully whether Certificates are suitable for you in light of your experience, objectives, financial position and other relevant circumstances. Certificates are not suitable for inexperienced investors;
- (b) the Certificates constitute general unsecured obligations of the Issuer 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 fallen sharply;
- (d) the Company is controlled through weighted voting rights. Certain individuals who own shares of a class which is being given more votes per share will have considerable influence over matters requiring approval of the Company's shareholders. If the Company takes actions that the other shareholders do not view as beneficial, the market price of the Underlying Stock and hence the Certificates could be adversely affected;
- (e) due to their nature, the Certificates can be volatile instruments and may be subject to considerable fluctuations in value. The price of the Certificates may fall in value as rapidly as it may rise due to, including but not limited to, variations in the frequency and magnitude of the changes in the price of the Underlying Stock, the time remaining to expiry, the currency exchange rates and the creditworthiness of the Issuer and the Guarantor;
- (f) if, whilst any of the Certificates remain unexercised, trading in the Underlying Stock is suspended or halted on the relevant stock exchange, trading in the Certificates may be suspended for a similar period;
- (g) as indicated in the Conditions of the Certificates and herein, a Certificate Holder must tender a specified number of Certificates at any one time in order to exercise. Thus, Certificate Holders with fewer than the specified minimum number of Certificates in a particular series will either have to sell their Certificates or purchase additional Certificates, incurring transactions costs in each case, in order to realise their investment;
- (h) investors should note that in the event of there being a Market Disruption Event (as defined in the Conditions) determination or payment of the Cash Settlement Amount (as defined in the Conditions) may be delayed, all as more fully described in the Conditions;
- (i) certain events relating to the Underlying Stock require or, as the case may be, permit the Issuer to make certain adjustments or amendments to the Conditions. Investors may refer to

the Conditions 4 and 6 on pages 30 to 34 and the examples and illustrations of adjustments set out in the “Information relating to the European Style Cash Settled Long Certificates on Single Equities” section of this document for more information;

- (j) the Certificates are only exercisable on the Expiry Date and may not be exercised by Certificate Holders prior to such Expiry Date. Accordingly, if on the Expiry Date the Cash Settlement Amount is zero, a Certificate Holder will lose the value of his investment;
- (k) the total return on an investment in any Certificate may be affected by the Hedging Fee Factor (as defined below), Management Fee (as defined below) and Gap Premium (as defined below);
- (l) investors holding their position overnight should note that they would be required to bear the annualised cost which consists of the Management Fee and Gap Premium, which are calculated daily and applied to the value of the Certificates, as well as certain costs embedded within the Leverage Strategy (as described below) including the Funding Cost (as defined below) and Rebalancing Cost (as defined below);
- (m) investors should note that there may be an exchange rate risk relating to the Certificates where the Cash Settlement Amount is converted from a foreign currency into Singapore dollars.

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

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

is triggered, thereby reducing its ability to recoup losses;

- (r) there is no assurance that the Air Bag Mechanism will prevent investors from losing the entire value of their investment, in the event of (i) an overnight fall 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 fall 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 49 to 50 of this document for more information;
- (s) certain events may, pursuant to the terms and conditions of the Certificates, trigger (i) the implementation of methods of adjustment or (ii) the early termination of the Certificates. The Issuer will give the investors reasonable notice of any early termination. If the Issuer terminates the Certificates early, then the Issuer will, if and to the extent permitted by applicable law, pay an amount to each Certificate Holder in respect of each Certificate held by such holder equal to the fair market value of the Certificate less the cost to the Issuer of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion. The performance of this commitment shall depend on (i) general market conditions and (ii) the liquidity conditions of the underlying instrument(s) and, as the case may be, of any other hedging transactions. Investors should note that the amount repaid by the Issuer may be less than the amount initially invested. Investors may refer to the Condition 13 on pages 36 to 38 of this document for more information;
- (t) there is no assurance that an active trading market for the Certificates will sustain throughout the life of the Certificates, or if it does sustain, it may be due to market making on the part of the Designated Market Maker. The Issuer acting through its Designated Market Maker may be the only market participant buying and selling the Certificates. Therefore, the secondary market for the Certificates may be limited and you may not be able to realise the value of the Certificates. Do note that the bid-ask spread increases with illiquidity;
- (u) in the ordinary course of their business, including without limitation, in connection with the Issuer or its appointed designated market maker's market making activities, the Issuer, the Guarantor and any of their respective subsidiaries and affiliates may effect transactions for their own account or for the account of their customers and hold long or short positions in the Underlying Stock. In addition, in connection with the offering of any Certificates, the Issuer, the Guarantor and any of their respective subsidiaries and affiliates may enter into one or more hedging transactions with respect to the Underlying Stock. In connection with such hedging or market-making activities or with respect to proprietary or other trading activities by the Issuer, the Guarantor and any of their respective subsidiaries and affiliates, the Issuer, the Guarantor and any of their respective subsidiaries and affiliates may enter into transactions in the Underlying Stock which may affect the market price, liquidity or value of the Certificates and which may affect the interests of Certificate Holders;
- (v) various potential and actual conflicts of interest may arise from the overall activities of the Issuer, the Guarantor and/or any of their subsidiaries and affiliates.

The Issuer, the Guarantor and any of their subsidiaries and affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and investment and other activities for their own account or the account of

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

- (w) legal considerations which may restrict the possibility of certain investments:
- Some investors' investment activities are subject to specific laws and regulations or laws and regulations currently being considered by various authorities. All potential investors must consult their own legal advisers to check whether and to what extent (i) they can legally purchase the Certificates (ii) the Certificates can be used as collateral security for various forms of borrowing (iii) if other restrictions apply to the purchase of Certificates or their use as collateral security. Financial institutions must consult their legal advisers or regulators to determine the appropriate treatment of the Certificates under any applicable risk-based capital or similar rules;
- (x) the credit rating of the Guarantor is an assessment of its ability to pay obligations, including those on the Certificates. Consequently, actual or anticipated declines in the credit rating of the Guarantor may affect the market value of the Certificates;
- (y) the Certificates are linked to the Underlying Stock and subject to the risk that the price of the Underlying Stock may decline. The following is a list of some of the significant risks associated with the Underlying Stock:
- Historical performance of the Underlying Stock does not give an indication of future performance of the Underlying Stock. It is impossible to predict whether the price of the Underlying Stock will fall or rise over the term of the Certificates; and
 - The price of the Underlying Stock may be affected by the economic, financial and political events in one or more jurisdictions, including the stock exchange(s) or quotation system(s) on which the Underlying Stock may be traded;
- (z) the value of the Certificates depends on the Leverage Strategy performance built in the Certificate. The Calculation Agent will make the Leverage Strategy last closing level and a calculation tool available to the investors on a website;
- (aa) two or more risk factors may simultaneously have an effect on the value of a Certificate such that the effect of any individual risk factor may not be predicted. No assurance can be given as to the effect any combination of risk factors may have on the value of a Certificate;
- (bb) as the Certificates are represented by a global warrant certificate which will be deposited with The Central Depository (Pte) Limited ("**CDP**");
- (i) investors should note that no definitive certificate will be issued in relation to the Certificates;

- (ii) there will be no register of Certificate Holders and each person who is for the time being shown in the records maintained by CDP as entitled to a particular number of Certificates by way of interest (to the extent of such number) in the global warrant certificate in respect of those Certificates represented thereby shall be treated as the holder of such number of Certificates;
 - (iii) investors will need to rely on any statements received from their brokers/custodians as evidence of their interest in the Certificates; and
 - (iv) notices to such Certificate Holders will be published on the web-site of the SGX-ST. Investors will need to check the web-site of the SGX-ST regularly and/or rely on their brokers/custodians to obtain such notices;
- (cc) the reform of HIBOR may adversely affect the value of the Certificates

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

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

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

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

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

- (dd) the US Foreign Account Tax Compliance Act (“**FATCA**”) withholding risk:

FATCA generally imposes a 30 per cent. withholding tax on certain U.S.-source payments to certain non-US persons that do provide certification of their compliance with IRS rules to disclose the identity of their US owners and account holders (if any) or establish a basis for exemption for such disclosure. The Issuer 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;

(ee) U.S. withholding tax

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

(ff) risk factors relating to the BRRD

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

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

Moreover, Regulation (EU) No. 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism (“**SRM**”) and a Single 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:	6,700,000 European Style Cash Settled Long Certificates relating to the Class B ordinary shares of Kuaishou Technology (the “ Underlying Stock ”)
ISIN:	LU2184318876
Company:	Kuaishou Technology (RIC: 1024.HK)
Underlying Price ³ and Source:	HK\$266.0 (Reuters)
Calculation Agent:	Société Générale
Strike Level:	Zero
Daily Leverage:	5x (within the Leverage Strategy as described below)
Notional Amount per Certificate:	SGD 1.20
Management Fee (p.a.) ⁴ :	0.40%
Gap Premium (p.a.) ⁵ :	6.50%, is a hedging cost against extreme market movements overnight.
Funding Cost ⁶ :	The annualised costs of funding, referencing a publicly published interbank offered rate plus spread.
Rebalancing Cost ⁶ :	The transaction costs (if applicable), computed as a function of leverage and daily performance of the Underlying Stock.
Launch Date:	3 March 2021
Closing Date:	8 March 2021
Expected Listing Date:	9 March 2021

³ These figures are calculated as at, and based on information available to the Issuer on or about 8 March 2021. 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 8 March 2021.

⁴ Please note that the Management Fee is calculated on a 360-day basis and may be increased up to a maximum of 3% p.a. on giving one month’s notice to investors. Any increase in the Management Fee will be announced on the SGXNET. Please refer to “Fees and Charges” below for further details of the fees and charges payable and the maximum of such fees as well as other ongoing expenses that may be borne by the Certificates.

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

⁶ These costs are embedded within the Leverage Strategy.

Last Trading Date:	The date falling 5 Business Days immediately preceding the Expiry Date, currently being 28 February 2022
Expiry Date:	7 March 2022 (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:	4 March 2022 or if such day is not an Exchange Business Day, the immediately preceding Exchange Business Day.
Exercise:	The Certificates may only be exercised on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, in a Board Lot or integral multiples thereof. Certificate Holders shall not be required to deliver an exercise notice. Exercise of Certificates shall be determined by whether the Cash Settlement Amount (less any Exercise Expenses) is positive. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates shall be deemed to have been automatically exercised at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. The Cash Settlement Amount less the Exercise Expenses in respect of the Certificates shall be paid in the manner set out in Condition 4(c) of the Conditions. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, and Certificate Holders shall not be entitled to receive any payment from the Issuer in respect of the Certificates.
Cash Settlement Amount:	In respect of each Certificate, shall be an amount payable in the Settlement Currency equal to: Closing Level multiplied by the Notional Amount per Certificate Please refer to the “Information relating to the European Style Cash Settled Long Certificates on Single Equities” section on pages 41 to 55 of this document for examples and illustrations of the calculation of the Cash Settlement Amount.
Hedging Fee Factor:	In respect of each Certificate, shall be an amount calculated as: Product (for t from 2 to Valuation Date) of $(1 - \text{Management Fee } x (\text{ACT } (t-1;t) \div 360)) \times (1 - \text{Gap Premium } (t-1) \times (\text{ACT } (t-1;t) \div 360))$, where: “t” refers to “ Observation Date ” which means each Underlying Stock Business Day (subject to Market Disruption Event) from (and including) the Underlying Stock Business Day immediately

preceding the Expected Listing Date to the Valuation Date; and

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

If the Issuer determines, in its sole discretion, that on any Observation Date a Market Disruption Event has occurred, then that Observation Date shall be postponed until the first succeeding Underlying Stock Business Day on which there is no Market Disruption Event, unless there is a Market Disruption Event on each of the five Underlying Stock Business Days immediately following the original date that, but for the Market Disruption Event, would have been an Observation Date. In that case, that fifth Underlying Stock Business Day shall be deemed to be the Observation Date notwithstanding the Market Disruption Event and the Issuer shall determine, its good faith estimate of the level of the Leverage 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 Long Certificates on Single Equities” section on pages 41 to 55 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 Strategy (as described below) on the Valuation Date

The calculation of the closing level of the Leverage Strategy is set out in the “Specific Definitions relating to the Leverage Strategy” section on pages 20 to 24 below.

Initial Exchange Rate³: 0.1736

Final Exchange Rate: The rate for the conversion of HKD to SGD as at 5:00pm (Singapore

Time) on the Valuation Date as shown on Reuters, provided that if the Reuters service ceases to display such information, as determined by the Issuer by reference to such source(s) as the Issuer may reasonably determine to be appropriate at such a time.

Air Bag Mechanism:

The “**Air Bag Mechanism**” refers to the mechanism built in the Leverage Strategy and which is designed to reduce the Leverage Strategy exposure to the Underlying Stock during extreme market conditions. If the Underlying Stock falls by 15% or more (“**Air Bag Trigger Price**”) during the trading day (which represents approximately 75% loss after a 5 times leverage), the Air Bag Mechanism is triggered and the Leverage Strategy is adjusted intra-day. The Air Bag Mechanism reduces the impact on the Leverage Strategy if the Underlying Stock falls further, but will also maintain a reduced exposure to the Underlying Stock in the event the Underlying Stock starts to rise after the Air Bag Mechanism is triggered, thereby reducing its ability to recoup losses.

Trading of Certificates is suspended for at least 30 minutes after the Air Bag is triggered.

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

Please refer to the “Extraordinary Strategy Adjustment for Performance Reasons (“Air Bag Mechanism”)” section on pages 22 to 24 below and the “Description of Air Bag Mechanism” section on pages 47 to 48 of this document for further information of the Air Bag Mechanism.

Adjustments and Extraordinary Events:

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

Underlying Stock Currency:

Hong Kong Dollar (“**HKD**”)

Settlement Currency:

Singapore Dollar (“**SGD**”)

Exercise Expenses:

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

Relevant Stock Exchange for the Certificates:

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

Relevant Stock Exchange for the Underlying Stock:

HKEX

Business Day and Exchange

A “**Business Day**” is a day on which the SGX-ST is open for dealings in Singapore during its normal trading hours and banks are

Business Day:	open for business in Singapore. An “ Exchange Business Day ” is a day on which the SGX-ST and the HKEX are open for dealings in Singapore and Hong Kong respectively during its normal trading hours and banks are open for business in Singapore and Hong Kong.
Warrant Agent:	The Central Depository (Pte) Limited (“ CDP ”)
Clearing System:	CDP
Fees and Charges:	Normal transaction and brokerage fees shall apply to the trading of the Certificates on the SGX-ST. Investors should note that they may be required to pay stamp taxes or other documentary charges in accordance with the laws and practices of the country where the Certificates are transferred. Investors who are in any doubt as to their tax position should consult their own independent tax advisers. In addition, investors should be aware that tax regulations and their application by the relevant taxation authorities change from time to time. Accordingly, it is not possible to predict the precise tax treatment which will apply at any given time. Investors holding position overnight would also be required to bear the Management Fee and Gap Premium, which are calculated daily and applied to the value of the Certificates, as well as certain costs embedded within the Leverage Strategy including the Funding Cost and Rebalancing Cost. The Management Fee may be increased up to a maximum of 3% p.a. on giving one month’s notice to investors in accordance with the terms and conditions of the Certificates. Any increase in the Management Fee will be announced on the SGXNET.
Further Information:	Please refer to the website at dlc.socgen.com for more information on the theoretical closing price of the Certificates on the previous trading day, the closing price of the Underlying Stock on the previous trading day, the Air Bag Trigger Price for each trading day and the Management Fee and Gap Premium.

Specific Definitions relating to the Leverage Strategy

Description of the Leverage Strategy

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

At the end of each trading day of the Underlying Stock, the exposure of the Leverage Strategy to the Underlying Stock is reset within the Leverage Strategy in order to retain a daily leverage of 5 times the 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 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 Strategy Formula

LSL_t means, for any Observation Date(t), the Leverage Strategy Closing Level as of such day (t).

Subject to the occurrence of an Intraday Restrike Event, the Leverage 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):

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

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

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

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

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

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

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

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

0.10%

Leverage 5

S_t means, in respect of each Observation Date(t), the Closing Price of the Underlying Stock as of such Observation Date(t), subject to the adjustments and provisions of the Conditions.

Rate_t means, in respect of each Observation Date(t), a rate calculated as of such day in accordance with the following formula:

$$\text{Rate}_t = \text{CashRate}_t + \% \text{SpreadLevel}_t$$

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

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

where

Div_t is the dividend to be paid out in respect of the Underlying Stock and the relevant ex-dividend date which shall be considered net of any applicable withholding taxes.

CashRate_t means, in respect of each Observation Date(t), the Overnight HKD Hong Kong Interbank Offered Rate (HIBOR) Fixing, as published on Reuters RIC HHHKDON= or any successor page, being the rate as of day (t), provided that if any of such rate is not available, then that rate shall be determined by reference to the latest available rate that was published on the relevant Reuters page. Upon the occurrence or likely occurrence, as determined by the Calculation Agent, of modification, the permanent or indefinite cancellation or cessation in the provision of HIBOR, or a regulator or other official sector entity prohibits the use of HIBOR, the Calculation Agent may make adjustments as it may determine appropriate to account for the relevant event or circumstance, including but not limited to using any alternative rates from such date, with or without retroactive effect as the Calculation Agent may in its sole and absolute discretion determine.

%SpreadLevel_t means, in respect of each Observation Date(t), a rate which shall be determined with respect to such Valuation Date(t) by the Calculation Agent as the difference between (1) the 12-month HKD Hong Kong Interbank Offered Rate (HIBOR) Fixing, as published on Reuters RIC HHHKD1YD= and (2) Overnight HKD Hong Kong Interbank Offered Rate (HIBOR) Fixing, as published on Reuters RIC HHHKDON= or any successor page, each being the rate as of day (t), provided that if any of such rates is not available, then that rate shall be determined by reference to the latest available rate that was published on the relevant Reuters page. Upon the occurrence or likely occurrence, as determined by the Calculation Agent, of modification, the permanent or indefinite cancellation or cessation in the provision of HIBOR, or a regulator or other official sector entity prohibits the use of HIBOR, the Calculation Agent may make adjustments as it may determine appropriate to account for the relevant event or circumstance, including but not limited to using any alternative rates from such date, with or without retroactive effect as the Calculation Agent may in its sole and absolute discretion determine.

Provided that if such difference is negative, **%SpreadLevel_t** should be 0%.

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).

DayCountBasisRate 365

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

Extraordinary Strategy If the Calculation Agent determines that an Intraday Restrike Event has

Adjustment for Performance Reasons

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 Strategy Closing Level on the Intraday Restrike Date (LSL_{IRD}) should be computed as follows :

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

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

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

$ILSL_{IR(k)}$

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

(1) for $k = 1$:

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

(2) for $k > 1$:

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

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

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

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

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

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

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

$IS_{IR(k)}$

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

(1) for $k=0$

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

(2) for $k=1$ to n

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

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

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

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

$IR(k)$

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

immediately preceding the relevant Intraday Restrike Date;

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

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

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

TERMS AND CONDITIONS OF

THE EUROPEAN STYLE CASH SETTLED LONG/SHORT CERTIFICATES ON SINGLE EQUITIES

1. Form, Status and Guarantee, Transfer and Title

- (a) *Form.* The Certificates (which expression shall, unless the context otherwise requires, include any further certificates issued pursuant to Condition 11) are issued subject to and with the benefit of:-
- (i) a master instrument by way of deed poll (the “**Master Instrument**”) dated 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:	Kuaishou Technology
The Certificates:	European Style Cash Settled Long Certificates relating to the Underlying Stock
Number:	6,700,000 Certificates
Form:	The Certificates will be issued subject to, and with the benefit of, a master instrument by way of deed poll dated 19 June 2020 (the “ Master Instrument ”) and executed by the Issuer and the Guarantor and a master warrant agent agreement dated 29 May 2017 (the “ Master Warrant Agent Agreement ”) and made between the Issuer, the Guarantor and the Warrant Agent.
Cash Settlement Amount:	In respect of each Certificate, is the amount (if positive) equal to: Notional Amount per Certificate x Closing Level
Denominations:	Certificates are represented by a global warrant in respect of all the Certificates.
Exercise:	The Certificates may only be exercised on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, in a Board Lot or integral multiples thereof. Certificate Holders will not be required to deliver an exercise notice. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates will be deemed to have been automatically exercised at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. The Cash Settlement Amount less the Exercise Expenses in respect of the Certificates shall be paid in the manner set out in Condition 4(c) of the Conditions. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, and Certificate Holders shall not be entitled to receive any payment from the Issuer in respect of the Certificates.
Exercise and Trading Currency:	SGD
Board Lot:	100 Certificates
Transfers of Certificates:	Certificates may only be transferred in Board Lots (or integral multiples

thereof). All transfers in Certificates, in the open market or otherwise, must be effected through a securities account with CDP. Title will pass upon registration of the transfer in the records of CDP.

- Listing: Application has been made to the SGX-ST for permission to deal in and for quotation of the Certificates and the SGX-ST has agreed in principle to grant permission to deal in and for quotation of the Certificates. Issue of the Certificates is conditional on such listing being granted. It is expected that dealings in the Certificates on the SGX-ST will commence on or about 9 March 2021.
- 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 a 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 LONG CERTIFICATES ON SINGLE EQUITIES

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

European style cash settled long 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 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 increase and are seeking short-term leveraged 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 Strategy including the Funding Cost and Rebalancing Cost.

Illustration of the Calculation of Hedging Fee Factor

Hedging Fee Factor	=	Product of the Daily Fees
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Daily Fees	=	Daily Management Fee Adjustment
		$1 - \text{Management Fee} \times \text{ACT} (t-1;t) / 360$
		x
		Daily Gap Premium Adjustment
		$1 - \text{Gap Premium} (t-1) \times \text{ACT} (t-1;t) / 360$

Illustration of the Calculation of Cash Settlement Amount

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

Value of Certificates	=	t=0	x	t=1	x	t=2	x ...	t=i			
		Notional Amount		Leverage Strategy daily performance ⁸		Daily Fees		Leverage Strategy daily performance	Daily Fees	Leverage Strategy Daily performance	Daily Fees

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

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

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

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

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

⁷ "t" refers to "Observation Date" which means each Underlying Stock Business Day (subject to Market Disruption Event) from (and including) the Underlying Stock Business Day immediately preceding the Expected Listing Date to the Valuation Date.

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

Example of Calculation of Hedging Fee Factor and Cash Settlement Amount

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

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

Underlying Stock:	Class B ordinary shares of Kuaishou Technology
Expected Listing Date:	03/07/2018
Expiry Date:	18/07/2018
Initial Reference Level:	1,000
Initial Exchange Rate:	1
Final Reference Level:	1,200
Final Exchange Rate:	1
Issue Price:	1.20 SGD
Notional Amount per Certificate:	1.20 SGD
Management Fee (p.a.):	0.40%
Gap Premium (p.a.):	6.50%
Strike Level:	Zero

Hedging Fee Factor

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

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

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

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

$$\text{HFF}(1) = 100\% \times \left(1 - 0.40\% \times \frac{1}{360}\right) \times \left(1 - 6.50\% \times \frac{1}{360}\right)$$

$$\text{HFF}(1) = 100\% \times 99.9989\% \times 99.9819\% \approx 99.9808\%$$

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

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

$$\text{HFF (2)} = 99.9808\% \times \left(1 - 0.40\% \times \frac{3}{360}\right) \times \left(1 - 6.50\% \times \frac{3}{360}\right)$$

$$\text{HFF (2)} = 99.9808\% \times 99.9967\% \times 99.9458\% \approx 99.9233\%$$

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 99.7129% as illustrated below:

Date	HFF
3/7/2018	100.0000%
4/7/2018	99.9808%
5/7/2018	99.9617%
6/7/2018	99.9425%
9/7/2018	99.8850%
10/7/2018	99.8659%
11/7/2018	99.8468%
12/7/2018	99.8276%
13/7/2018	99.8085%
16/7/2018	99.7511%
17/7/2018	99.7320%
18/7/2018	99.7129%

Cash Settlement Amount

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

$$\begin{aligned} \text{Closing Level} &= [(\text{Final Reference Level} \times \text{Final Exchange Rate}) / (\text{Initial Reference Level} \times \text{Initial Exchange Rate}) - \text{Strike Level}] \times \text{Hedging Fee Factor} \\ &= [(1200 \times 1) / (1000 \times 1) - 0] \times 99.7129\% \\ &= 119.66\% \end{aligned}$$

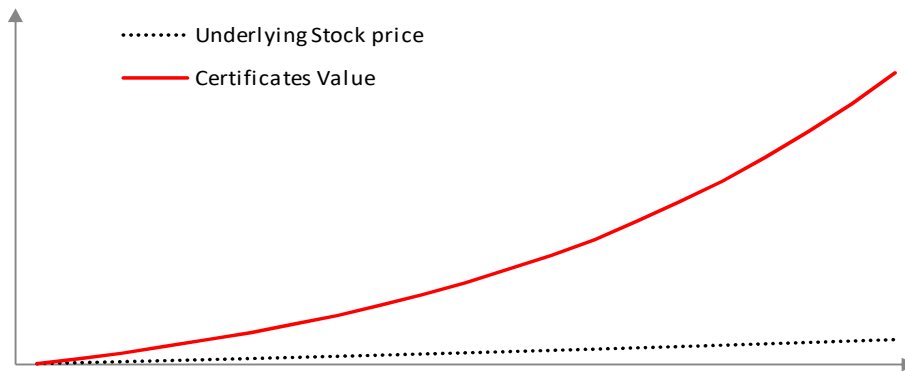
$$\begin{aligned} \text{Cash Settlement Amount} &= \text{Closing Level} \times \text{Notional Amount per Certificate} \\ &= 119.66\% \times 1.20 \text{ SGD} \\ &= \mathbf{1.436 \text{ SGD}} \end{aligned}$$

Illustration on how returns and losses can occur under different scenarios

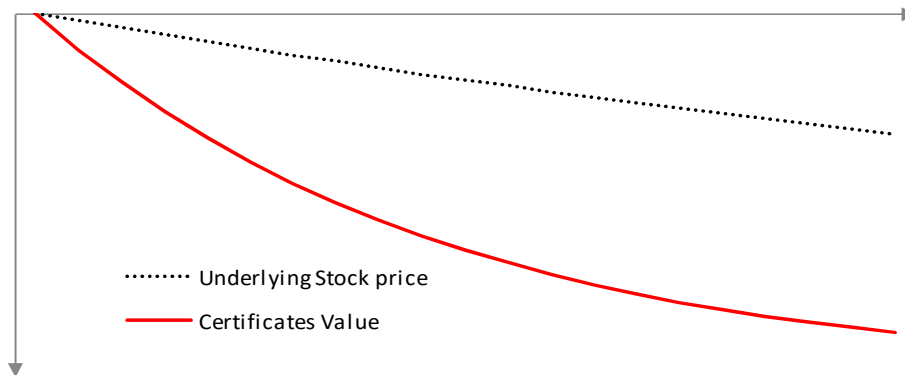
The examples are purely hypothetical and do not take fees and charges payable by investors into consideration. The examples highlight the effect of the Underlying Stock performance on the value of the Certificates and do not take into account the possible influence of fees, exchange rates, dividends,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

1. Illustrative examples

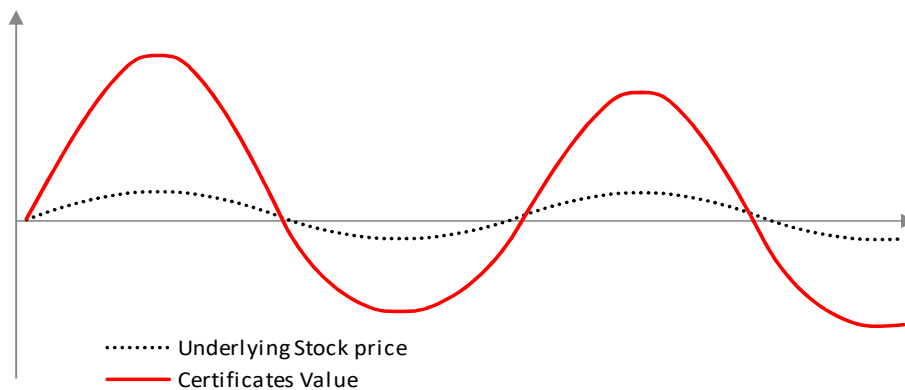
Scenario 1 – Upward Trend



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	1.2	1.32	1.45	1.60	1.76	1.93
Accumulated Return		10.00%	21.00%	33.10%	46.41%	61.05%

Scenario 2 – Downward Trend

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

Value of the Certificates						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		-10.0%	-10.0%	-10.0%	-10.0%	-10.0%
Price at end of day	1.2	1.08	0.97	0.87	0.79	0.71
Accumulated Return		-10.00%	-19.00%	-27.10%	-34.39%	-40.95%

Scenario 3 – Volatile Market

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

Value of the Certificates						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		10.0%	-10.0%	10.0%	-10.0%	10.0%
Price at end of day	1.2	1.32	1.19	1.31	1.18	1.29
Accumulated Return		10.00%	-1.00%	8.90%	-1.99%	7.81%

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 minimum price is recorded; and
- Reset Period: after 15 minutes, the Leverage Strategy is reset using the minimum 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 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.

Air Bag Mechanism timeline

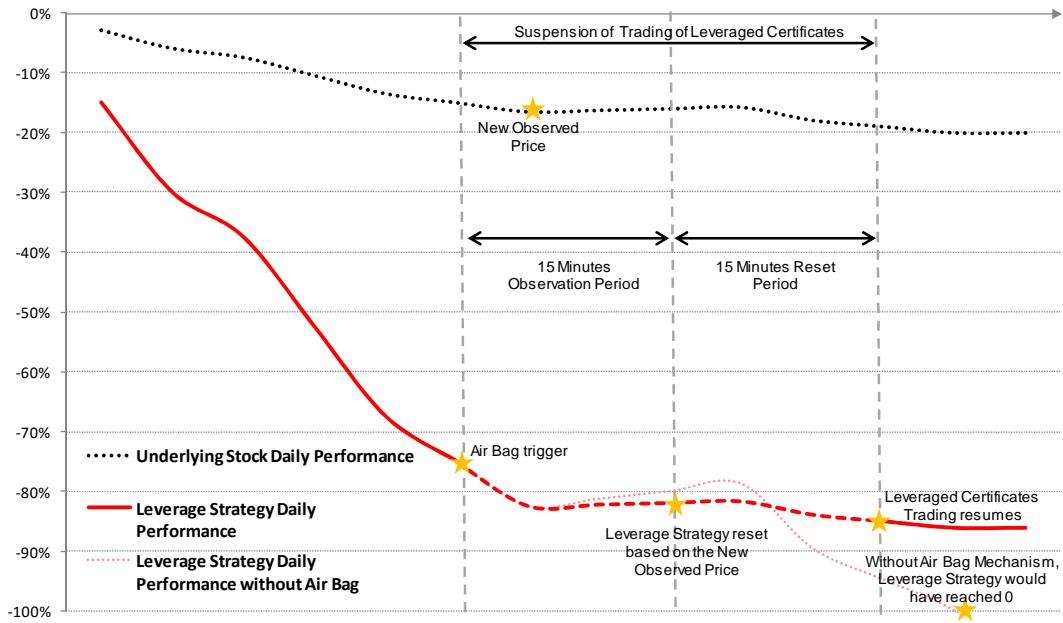
Air Bag Trigger	Observation Period	Resumption of Trading
More than 45 minutes before Market Close	First 15 minutes after Air Bag Trigger	Trading resumes the same day between 30 and 45 minutes after Air Bag Trigger
45 minutes before Market Close		Next trading day at Market Open
30 to 45 minutes before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

With **Market Close** defined as:

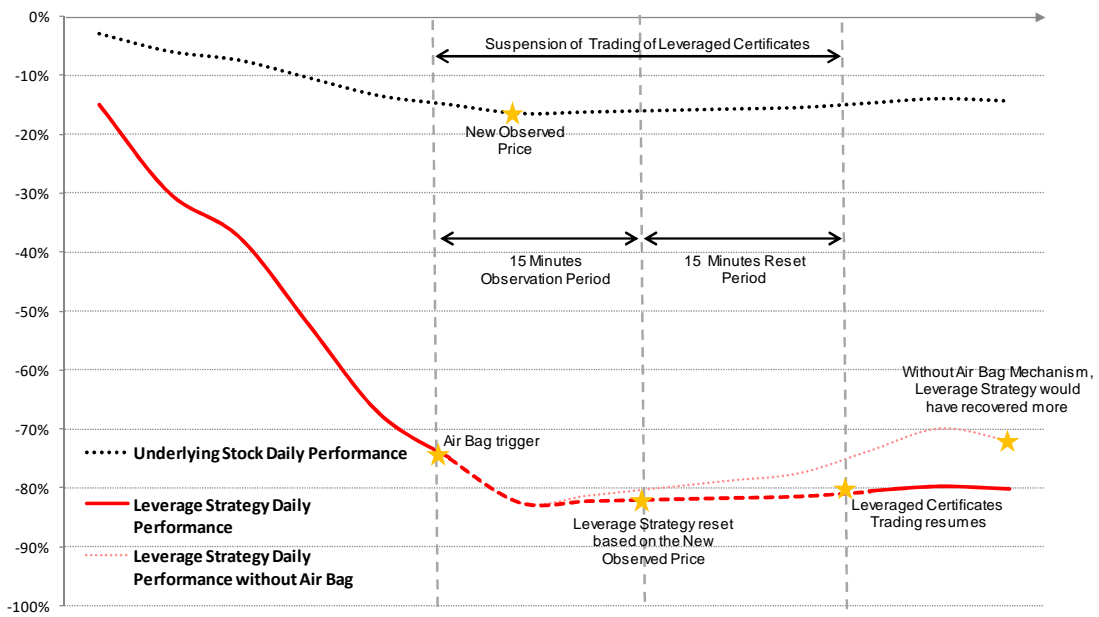
- Underlying Stock closing time with respect to the Observation Period
- The sooner between Underlying Stock closing time and SGX closing time with respect to the Resumption of Trading

Illustrative examples of the Air Bag Mechanism⁹

Scenario 1 – Downward Trend after Air Bag trigger



Scenario 2 – Upward Trend after Air Bag trigger



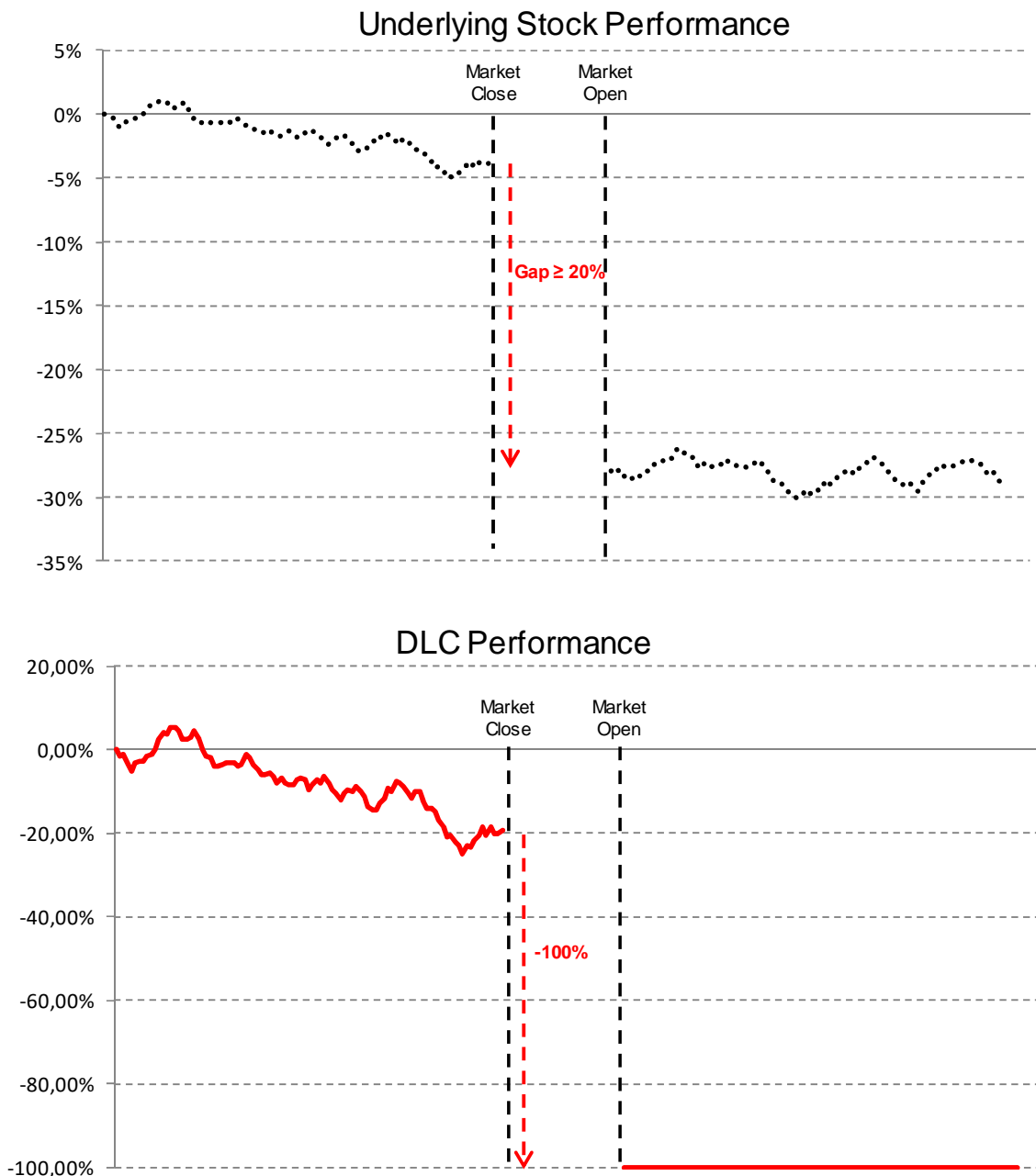
⁹ The illustrative examples are not exhaustive.

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

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

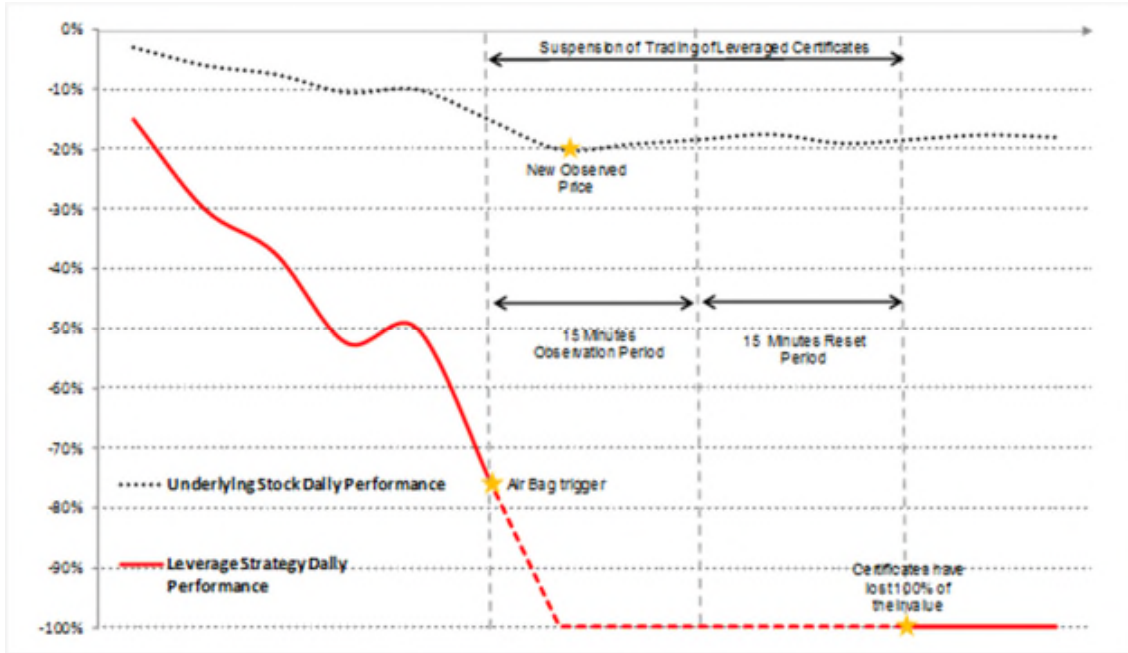
Scenario 1 – Overnight fall of the Underlying Stock

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 below 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 fall 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 falls 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 falls by 15% exclusively because of the dilutive effect of a corporate action.

Where:

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

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

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

1. Stock split

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

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

$$S_t = \$51$$

$$Div_t = \$0$$

$$DivExc_t = \$0$$

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

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

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

As a consequence:

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

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

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
1.20	1.32	10%

In such case an Intraday Restrike Event would occur if the Underlying Stock price falls to \$42.5, which is 15% below \$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):

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

$$S_t = \$202$$

$$Div_t = \$0$$

$$DivExc_t = \$0$$

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)
1.20	1.26	5%

In such case an Intraday Restrike Event would occur if the Underlying Stock price falls to \$170, which is 15% below \$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)
1.20	1.50	25%

In such case an Intraday Restrike Event would occur if the Underlying Stock price falls to \$68, which is 15% below \$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)
1.20	1.32	10%

In such case an Intraday Restrike Event would occur if the Underlying Stock price falls to \$70.83, which is 15% below \$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)
1.20	1.50	25%

In such case an Intraday Restrike Event would occur if the Underlying Stock price falls to \$68, which is 15% below \$80, the Underlying Stock Reference Price.

INFORMATION RELATING TO THE COMPANY

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

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

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

The information set out in Appendix I of this document relates to the audited consolidated financial statements of the Company and its subsidiaries as of and for the years ended 31 December 2017, 2018 and 2019 and for the nine months ended 30 September 2020 and the unaudited consolidated financial statements of the Company and its subsidiaries for the nine months ended 30 September 2019 and has been extracted and reproduced from the Company’s prospectus dated 26 January 2021. 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 10 February 2021 containing the Guarantor's consolidated financial results for the fourth quarter ended 31 December 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 31 December 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 AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019 AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020 AND THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 OF KUAISHOU TECHNOLOGY AND ITS SUBSIDIARIES

The information set out below is a reproduction of the audited consolidated financial statements of the Company and its subsidiaries as of and for the years ended 31 December 2017, 2018 and 2019 and for the nine months ended 30 September 2020 and the unaudited consolidated financial statements of the Company and its subsidiaries for the nine months ended 30 September 2019 and has been extracted and reproduced from the Company's prospectus dated 26 January 2021.

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF KUAISHOU TECHNOLOGY AND MORGAN STANLEY ASIA LIMITED, MERRILL LYNCH FAR EAST LIMITED AND CHINA RENAISSANCE SECURITIES (HONG KONG) LIMITED

Introduction

We report on the historical financial information of Kuaishou Technology (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-4 to I-121, which comprises the consolidated balance sheets as at December 31, 2017, 2018 and 2019, and September 30, 2020, the company balance sheets as at December 31, 2017, 2018 and 2019, and September 30, 2020, and the consolidated income statements, the consolidated statements of comprehensive loss, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020 (the “**Track Record Period**”) and a summary of significant accounting policies and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages I-4 to I-121 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated January 26, 2021 (the “**Prospectus**”) in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at December 31, 2017, 2018 and 2019 and September 30, 2020, the consolidated financial position of the Group as at December 31, 2017, 2018 and 2019 and September 30, 2020 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated income statement, the consolidated statement of comprehensive loss, the consolidated statement of changes in equity and the consolidated statement of cash flows for the nine months ended September 30, 2019 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The directors of the Company are responsible for the presentation and preparation of the Stub Period Comparative Financial Information in accordance

with the basis of preparation set out in Note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the International Auditing and Assurance Standards Board (“IAASB”). A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant’s report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 26 to the Historical Financial Information which states that no dividends have been paid by Kuaishou Technology in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, January 26, 2021

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing issued by the IAASB ("**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED INCOME STATEMENTS

	Note	Year ended December 31,			Nine months ended	
		2017	2018	2019	September 30,	
		RMB'000	RMB'000	RMB'000	2019	2020
				RMB'000	RMB'000	
					(Unaudited)	
Revenues	6	8,339,578	20,300,645	39,120,348	27,267,968	40,677,441
Cost of revenues	9	(5,728,748)	(14,498,423)	(25,016,774)	(17,798,136)	(25,366,636)
Gross profit		2,610,830	5,802,222	14,103,574	9,469,832	15,310,805
Selling and marketing expenses	9	(1,359,624)	(4,262,046)	(9,865,026)	(5,578,609)	(19,833,271)
Administrative expenses	9	(227,968)	(542,417)	(865,375)	(572,674)	(1,081,347)
Research and development expenses	9	(476,618)	(1,755,324)	(2,944,277)	(2,049,564)	(4,117,907)
Other income	7	19,290	107,575	292,631	183,139	396,151
Other gains/(losses), net	8	42,041	129,277	(32,843)	211,180	383,141
Operating profit/(loss)		607,951	(520,713)	688,684	1,663,304	(8,942,428)
Finance (expense)/income, net	11	(26,076)	52,164	(11,037)	6,284	(26,571)
Fair value changes of convertible redeemable preferred shares	32	(20,522,376)	(11,932,515)	(19,943,114)	(2,890,090)	(89,150,056)
Loss before income tax		(19,940,501)	(12,401,064)	(19,265,467)	(1,220,502)	(98,119,055)
Income tax (expenses)/benefits	13	(104,449)	(28,221)	(386,067)	(396,943)	747,593
Loss for the year/period attributable to equity holders of the Company		<u>(20,044,950)</u>	<u>(12,429,285)</u>	<u>(19,651,534)</u>	<u>(1,617,445)</u>	<u>(97,371,462)</u>
Loss per share for the loss attributable to the equity holders of the Company (expressed in RMB per share)	14					
Basic loss per share		<u>(21.46)</u>	<u>(13.31)</u>	<u>(21.04)</u>	<u>(1.73)</u>	<u>(104.54)</u>
Diluted loss per share		<u>(21.46)</u>	<u>(13.31)</u>	<u>(21.04)</u>	<u>(1.73)</u>	<u>(104.54)</u>

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Note	Year ended December 31,			Nine months ended	
		2017	2018	2019	September 30,	
		RMB'000	RMB'000	RMB'000	2019	2020
						(Unaudited)
Loss for the year/period		(20,044,950)	(12,429,285)	(19,651,534)	(1,617,445)	(97,371,462)
Other comprehensive income/(loss)						
<i>Items that will not be reclassified to</i>						
<i>profit or loss</i>						
Fair value change on convertible						
redeemable preferred shares due						
to own credit risk.	32	(58,351)	4,838	(17,338)	(10,186)	(903)
Currency translation differences . . .		1,322,633	(1,708,857)	(828,082)	(1,185,842)	3,642,134
<i>Items that may be reclassified</i>						
<i>subsequently to profit or loss</i>						
Currency translation differences . . .		(440,726)	(87,294)	(82,915)	(162,622)	306,524
Other comprehensive						
income/(loss) for the						
year/period, net of taxes.		823,556	(1,791,313)	(928,335)	(1,358,650)	3,947,755
Total comprehensive loss						
for the year/period						
attributable to equity holders						
of the Company		(19,221,394)	(14,220,598)	(20,579,869)	(2,976,095)	(93,423,707)

CONSOLIDATED BALANCE SHEETS

	Note	As of December 31,			As of
		2017	2018	2019	September 30,
		RMB'000	RMB'000	RMB'000	2020
				RMB'000	
ASSETS					
Non-current assets					
Property and equipment . . .	15	1,057,278	2,420,770	6,232,305	7,021,382
Right-of-use assets	16	865,623	1,272,218	4,352,638	5,394,482
Intangible assets	17	34,875	1,045,816	1,120,308	1,253,694
Financial assets at fair value through profit or loss	20	49,200	677,919	2,258,272	3,998,760
Deferred tax assets	31	7,811	161,920	860,185	2,151,821
Long-term time deposits . . .	23	—	—	110,000	610,000
Other non-current assets . . .		37,466	117,738	169,594	208,828
		<u>2,052,253</u>	<u>5,696,381</u>	<u>15,103,302</u>	<u>20,638,967</u>
Current assets					
Trade receivables	21	136,641	129,045	1,107,440	1,812,648
Prepayments, other receivables and other current assets	22	92,557	724,950	2,032,754	2,179,047
Financial assets at fair value through profit or loss	20	2,472,037	4,273,517	8,902,270	8,546,045
Short-term time deposits . .	23	—	—	1,270,994	10,634,150
Restricted cash	23	251,893	285,274	1,386	5,253
Cash and cash equivalents .	23	2,688,512	5,370,332	3,996,236	7,703,012
		<u>5,641,640</u>	<u>10,783,118</u>	<u>17,311,080</u>	<u>30,880,155</u>
Total assets		<u><u>7,693,893</u></u>	<u><u>16,479,499</u></u>	<u><u>32,414,382</u></u>	<u><u>51,519,122</u></u>

CONSOLIDATED BALANCE SHEETS (continued)

	Note	As of December 31,			As of
		2017	2018	2019	September 30,
		RMB'000	RMB'000	RMB'000	2020
				RMB'000	
EQUITY AND					
LIABILITIES					
Equity attributable to					
equity holders of the					
Company					
Share capital	24	30	30	30	30
Other reserves	25	1,016,820	(28,397)	(321,281)	4,437,845
Accumulated losses		(23,202,335)	(35,676,115)	(55,407,785)	(152,779,247)
Total equity		(22,185,485)	(35,704,482)	(55,729,036)	(148,341,372)
LIABILITIES					
Non-current liabilities					
Lease liabilities	16	695,784	892,257	3,287,984	3,945,201
Deferred tax liabilities	31	—	37,885	37,500	33,589
Convertible redeemable					
preferred shares	32	26,652,555	47,211,431	69,444,163	52,389,987
		27,348,339	48,141,573	72,769,647	56,368,777
Current liabilities					
Borrowings		—	—	—	300,000
Accounts payables	28	1,802,517	2,025,563	9,055,133	10,913,350
Other payables and					
accruals	29	271,324	844,619	3,027,568	4,092,739
Advances from customers . .	30	190,074	475,553	1,529,608	3,031,158
Income tax liabilities		91,923	198,132	424,414	435,136
Convertible redeemable					
preferred shares	32	—	—	—	122,847,844
Lease liabilities	16	175,201	498,541	1,337,048	1,871,490
		2,531,039	4,042,408	15,373,771	143,491,717
Total liabilities		29,879,378	52,183,981	88,143,418	199,860,494
Total equity and					
liabilities					
		7,693,893	16,479,499	32,414,382	51,519,122

COMPANY BALANCE SHEETS

	Note	As of December 31,			As of
		2017	2018	2019	September 30,
		RMB'000	RMB'000	RMB'000	2020
				RMB'000	
ASSETS					
Non-current assets					
Investments in subsidiaries . . .	18	467,167	1,168,768	1,911,071	2,844,173
		<u>467,167</u>	<u>1,168,768</u>	<u>1,911,071</u>	<u>2,844,173</u>
Current assets					
Prepayments, other receivables and other current assets	22	1,107,031	5,624,083	9,191,993	23,826,694
Financial assets at fair value through profit or loss		1,203,868	1,737,542	294,081	2,073,170
Short-term time deposits . . .	23	—	—	1,270,994	3,541,252
Restricted cash		251,893	264,576	—	—
Cash and cash equivalents . .	23	1,672,129	3,683,005	1,940,474	3,533,397
		<u>4,234,921</u>	<u>11,309,206</u>	<u>12,697,542</u>	<u>32,974,513</u>
Total assets		<u>4,702,088</u>	<u>12,477,974</u>	<u>14,608,613</u>	<u>35,818,686</u>
EQUITY AND					
LIABILITIES					
Equity attributable to					
equity holders of the					
Company					
Share capital	24	30	30	30	30
Other reserves	25	1,112,231	109,813	(180,292)	4,272,310
Accumulated losses		(23,063,046)	(34,844,663)	(54,655,746)	(143,706,322)
Total equity		<u>(21,950,785)</u>	<u>(34,734,820)</u>	<u>(54,836,008)</u>	<u>(139,433,982)</u>

COMPANY BALANCE SHEETS (continued)

	Note	As of December 31,			As of
		2017	2018	2019	September 30,
		RMB'000	RMB'000	RMB'000	2020
				RMB'000	
LIABILITIES					
Non-current liabilities					
Convertible redeemable					
preferred shares	32	26,652,555	47,211,431	69,444,163	52,389,987
		<u>26,652,555</u>	<u>47,211,431</u>	<u>69,444,163</u>	<u>52,389,987</u>
Current liabilities					
Accounts payables		—	1,029	119	227
Other payables and accruals .		318	334	339	14,610
Convertible redeemable					
preferred shares	32	—	—	—	122,847,844
		<u>318</u>	<u>1,363</u>	<u>458</u>	<u>122,862,681</u>
Total liabilities		<u>26,652,873</u>	<u>47,212,794</u>	<u>69,444,621</u>	<u>175,252,668</u>
Total equity and liabilities .		<u>4,702,088</u>	<u>12,477,974</u>	<u>14,608,613</u>	<u>35,818,686</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	<i>Note</i>	Attributable to owners of the Company			Total
		Share capital	Other reserves	Accumulated losses	
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Balance at January 1,					
2017		30	(162,709)	(3,097,947)	(3,260,626)
Loss for the year		—	—	(20,044,950)	(20,044,950)
Other comprehensive income/(loss)					
Fair value change on convertible redeemable preferred shares due to own credit risk	25	—	(58,351)	—	(58,351)
Currency translation differences	25	—	881,907	—	881,907
Total comprehensive income/(loss) for the year		<u>—</u>	<u>823,556</u>	<u>(20,044,950)</u>	<u>(19,221,394)</u>
Transactions with owners in their capacity as owners					
Share-based compensation	27	—	296,535	—	296,535
Appropriations to statutory reserves	25	—	59,438	(59,438)	—
Total transactions with owners in their capacity as owners		<u>—</u>	<u>355,973</u>	<u>(59,438)</u>	<u>296,535</u>
Balance at December 31, 2017		<u>30</u>	<u>1,016,820</u>	<u>(23,202,335)</u>	<u>(22,185,485)</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

	<i>Note</i>	Attributable to owners of the Company			Total
		Share capital	Other reserves	Accumulated losses	
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Balance at January 1,					
2018		30	1,016,820	(23,202,335)	(22,185,485)
Loss for the year		—	—	(12,429,285)	(12,429,285)
Other comprehensive income/(loss)					
Fair value change on convertible redeemable preferred shares due to own credit risk	25	—	4,838	—	4,838
Currency translation differences	25	—	(1,796,151)	—	(1,796,151)
Total comprehensive loss for the year		<u>—</u>	<u>(1,791,313)</u>	<u>(12,429,285)</u>	<u>(14,220,598)</u>
Transactions with owners in their capacity as owners					
Share-based compensation	27	—	701,601	—	701,601
Appropriations to statutory reserves	25	—	44,495	(44,495)	—
Total transactions with owners in their capacity as owners		<u>—</u>	<u>746,096</u>	<u>(44,495)</u>	<u>701,601</u>
Balance at December 31, 2018		<u>30</u>	<u>(28,397)</u>	<u>(35,676,115)</u>	<u>(35,704,482)</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

	Note	Attributable to owners of the Company			
		Share capital	Other reserves	Accumulated losses	Total
		RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1,					
2019		30	(28,397)	(35,676,115)	(35,704,482)
Loss for the year		—	—	(19,651,534)	(19,651,534)
Other comprehensive loss.					
Fair value change on					
convertible redeemable					
preferred shares due to					
own credit risk	25	—	(17,338)	—	(17,338)
Currency translation					
differences	25	—	(910,997)	—	(910,997)
Total comprehensive loss					
for the year		—	(928,335)	(19,651,534)	(20,579,869)
Transactions with owners					
in their capacity as					
owners					
Share-based compensation .	27	—	742,303	—	742,303
Appropriations to statutory					
reserves	25	—	80,136	(80,136)	—
Net exercise of share					
options	25	—	(186,988)	—	(186,988)
Total transactions with					
owners in their					
capacity as owners		—	635,451	(80,136)	555,315
Balance at December 31,					
2019		30	(321,281)	(55,407,785)	(55,729,036)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

	<i>Note</i>	Attributable to owners of the Company			Total
		Share capital	Other reserves	Accumulated losses	
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
(Unaudited)					
Balance at January 1,					
2019		30	(28,397)	(35,676,115)	(35,704,482)
Loss for the period		—	—	(1,617,445)	(1,617,445)
Other comprehensive loss					
Fair value change on					
convertible redeemable					
preferred shares due to					
own credit risk	25	—	(10,186)	—	(10,186)
Currency translation					
differences	25	—	(1,348,464)	—	(1,348,464)
Total comprehensive loss					
for the period		—	(1,358,650)	(1,617,445)	(2,976,095)
Transactions with owners					
in their capacity as					
owners					
Share-based compensation .	27	—	564,039	—	564,039
Total transactions with					
owners in their					
capacity as owners		—	564,039	—	564,039
Balance at September 30,					
2019		30	(823,008)	(37,293,560)	(38,116,538)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

	<i>Note</i>	Attributable to owners of the Company			Total
		Share capital	Other reserves	Accumulated losses	
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Balance at January 1,					
2020		30	(321,281)	(55,407,785)	(55,729,036)
Loss for the period		—	—	(97,371,462)	(97,371,462)
Other comprehensive					
income/(loss)					
Fair value change on					
convertible redeemable					
preferred shares due to					
own credit risk	25	—	(903)	—	(903)
Currency translation					
differences	25	—	3,948,658	—	3,948,658
Total comprehensive					
income/(loss) for the					
period		—	3,947,755	(97,371,462)	(93,423,707)
Transactions with owners					
in their capacity as					
owners					
Share-based compensation .	27	—	933,102	—	933,102
Re-designation of ordinary					
shares to Preferred					
Shares	24	—	(121,731)	—	(121,731)
Total transactions with					
owners in their					
capacity as owners		—	811,371	—	811,371
Balance at September 30,					
2020		30	4,437,845	(152,779,247)	(148,341,372)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended December 31,			Nine months ended September 30,	
		2017	2018	2019	2019	2020
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)						
Cash flows from operating activities						
Cash generated from/(used in)						
operations	34	2,075,755	1,897,613	8,882,368	6,511,003	(93,382)
Income tax paid		(20,337)	(78,359)	(862,278)	(399,033)	(675,035)
Net cash generated from/(used in) operating activities		2,055,418	1,819,254	8,020,090	6,111,970	(768,417)
Cash flows from investing activities						
Purchase of property, equipment and intangible assets						
		(376,105)	(2,866,421)	(2,548,294)	(860,710)	(4,376,282)
Proceeds from disposal of property, equipment and intangible assets						
		256	315	739	194	275
Purchase of investments in non-current financial assets at fair value through profit or loss						
		(47,924)	(628,899)	(1,909,437)	(1,887,072)	(1,738,386)
Proceeds from disposal of non-current financial assets at fair value through profit or loss						
		—	—	20,000	—	12,800
Purchase of investments in current financial assets at fair value through profit or loss						
		(5,849,487)	(17,428,746)	(55,382,981)	(37,620,546)	(44,329,687)
Proceeds from disposal of investments in current financial assets at fair value through profit or loss						
		3,376,458	15,785,767	51,079,255	32,086,139	44,961,282
Purchase of time deposits with initial terms over three months						
		—	—	(1,735,524)	(434,530)	(14,905,760)
Proceeds from maturity of time deposits with initial terms over three months						
		—	—	354,530	354,530	4,767,082
Interest income received						
		—	—	5,581	3,622	38,388
Acquisition of subsidiaries, net of cash acquired						
	33	—	(485,100)	(32,429)	—	—
Net cash used in investing activities		(2,896,802)	(5,623,084)	(10,148,560)	(8,358,373)	(15,570,288)

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

	Note	Year ended December 31,			Nine months ended September 30,	
		2017	2018	2019	2019	2020
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(Unaudited)
Cash flows from financing activities						
Proceeds from issuance of convertible redeemable preferred shares		2,419,863	6,300,116	1,273,032	—	20,956,542
Release of restricted cash from issuance of convertible redeemable preferred shares		—	—	253,723	253,723	—
Proceeds from borrowings		—	—	—	—	300,000
Payments for principal elements of lease and related interest		(25,304)	(265,758)	(641,716)	(406,097)	(1,169,302)
Payment for net exercise of share options		—	—	(186,988)	—	—
Finance costs paid		(36,323)	(826)	—	—	(20,176)
Net cash generated from/(used in) financing activities		<u>2,358,236</u>	<u>6,033,532</u>	<u>698,051</u>	<u>(152,374)</u>	<u>20,067,064</u>
Net increase/(decrease) in cash and cash equivalents		<u>1,516,852</u>	<u>2,229,702</u>	<u>(1,430,419)</u>	<u>(2,398,777)</u>	<u>3,728,359</u>
Cash and cash equivalents at the beginning of the year/period	23(a)	1,301,005	2,688,512	5,370,332	5,370,332	3,996,236
Effects of exchange rate changes on cash and cash equivalents		(129,345)	452,118	56,323	126,676	(21,583)
Cash and cash equivalents at the end of the year/period	23(a)	<u><u>2,688,512</u></u>	<u><u>5,370,332</u></u>	<u><u>3,996,236</u></u>	<u><u>3,098,231</u></u>	<u><u>7,703,012</u></u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 General information and reorganization

1.1 General information

Kuaishou Technology (the “**Company**”) was incorporated in the Cayman Islands on February 11, 2014 as an exempted company with limited liability. The registered office is at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

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

There is no ultimate controlling shareholder of the Company as of the date of the report.

1.2 History and reorganization of the Group

Prior to the incorporation of the Company, the Group commenced operations of live streaming services through Beijing One Smile Technology and Development Co., Ltd. (“**Beijing One Smile**”) in the People’s Republic of China (the “**PRC**”).

On February 11, 2014, the Company was incorporated in the Cayman Islands with an authorized share capital of US dollar (“**USD**”) 50,000, consisting of 9,405,270,000 ordinary shares (100,000,000 ordinary shares before the share split in February 2018) of USD0.0000053 par value (USD0.0005 par value before the share split in February 2018) each, of which 940,527,000 shares had been issued (10,000,000 shares before share split).

On March 25, 2014, Fortune Ever Global Limited. (“**Fortune Ever**”) was established by the Company, as a wholly-owned subsidiary of the Company located in Hong Kong.

On July 2, 2014, Beijing Dajia Information Technology Co., Ltd. (“**Beijing Dajia**”) was established by Fortune Ever, as a wholly foreign-owned enterprise (the “**WFOE**”) of the Company located in the PRC.

On July 14, 2014, Beijing Dajia, Beijing One Smile and its shareholders entered into a series of contractual arrangements (the “**Contractual Arrangements**”), which enable Beijing Dajia and the Company to exercise power over Beijing One Smile, receive variable returns from its involvement in Beijing One Smile, have the ability to affect those returns through its power over Beijing One Smile. Therefore, Beijing Dajia and the Company control Beijing One Smile. Consequently, the Company regards Beijing One Smile as controlled structured entities. Pursuant to the Contractual Arrangements, the live streaming business is transferred to and held by the Company. The Company has not been involved in any other business before the transfer and do not meet the definition of a business. Thus, this is merely a recapitalization of the streaming business

with no change in management of such business and the ultimate owners of the live streaming business remain the same. Accordingly, the Group resulting from the recapitalization is regarded as a continuation of the live streaming business and, for the purpose of this report, the carrying amounts of the assets, liabilities and results of operations of Beijing One Smile are included in the consolidated financial information of the Group.

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

Other Contractual Arrangements were also executed for other operating companies in the PRC established by the Group. All of these operating companies are treated as controlled structured entities of the Company and their financial statements have also been consolidated by the Company. See details in Note 12.

2 Summary of significant accounting policies

This note provides a list of the significant accounting policies applied in the preparation of the Historical Financial Information. These policies have been consistently applied throughout the Track Record Period, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) and interpretations issued by International Accounting Standards Board (“IASB”) applicable to companies reporting under IFRSs.

The Historical Financial Information has been prepared on a historical cost basis, except for certain financial assets and liabilities measured at fair value.

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

As of December 31, 2017, 2018 and 2019, the Group was in a net liability position of RMB22.2 billion, RMB35.7 billion and RMB55.7 billion, respectively. As of September 30, 2020, the Group was in a net current liability position of RMB112.6 billion. The Group assesses its liquidity by its ability to generate cash from operating activities and attract additional capital

and/or finance funding. Historically, the Group has relied principally on both operational sources of cash and non-operational sources of financing from investors (e.g. convertible redeemable preferred shares) to fund its operations and business development. The Group's ability to continue as a going concern is dependent on management's ability to successfully execute its business plan, which includes increasing revenues while controlling operating expenses, as well as, generating operational cash flows and continuing to gain support from existing and new investors.

In October 2020, all preferred shareholders agreed to modify the redemption commencement date of the convertible redeemable preferred shares to April 30, 2022. After the modification, the Group is no longer in a net current liability position.

Based on the above considerations, the Group's historical performance and management's operating and financing plans, the Group believes the cash and cash equivalents, time deposits, wealth management products and the operating and financing cash flows are sufficient to meet the cash requirements to fund planned operations and other obligations for at least the next twelve months after December 31, 2017, 2018 and 2019 and September 30, 2020. Therefore, the Historical Financial Information have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business.

2.1.1 Change in accounting policy and disclosures

All effective standards, amendments to standards and interpretations, which are mandatorily effective for the financial year beginning on January 1, 2020, are consistently applied to the Group for the Track Record Period, except for IFRS 9 — Financial Instruments (“**IFRS 9**”). In preparation of the Historical Financial Information, the Group has adopted IFRS 15 — Revenue from Contracts with Customers (“**IFRS 15**”) and IFRS 16 — Leases (“**IFRS 16**”) consistently throughout the Track Record Period. IFRS 9 is mandatorily effective and applied by the Group for financial year beginning on January 1, 2018. Upon adopting IFRS 9 on January 1, 2018, there was no change on the classification of categories of financial assets for the Group since the Group has continued to classify its investments in listed and unlisted companies and investments in wealth management products as “investments measured at fair value through profit and loss”. In addition, the impact on the adoption of new IFRS 9 expected credit loss model on trade and other receivables was not material to the opening retained earnings at January 1, 2018.

The Group adopted a full retrospective application of IFRS 15, which have been applied on a consistent basis throughout the Track Record Period. Based on the Group's assessment, the Group's Directors concluded that the adoption of IFRS 15 did not have any significant impact on the Group's financial position and performance during the Track Record Period.

The Group leases internet data centers and office buildings. The Group applied the lessee accounting requirements of IFRS 16 retrospectively during the Track Record Period. Under IFRS 16, leases, which have previously been classified as “operating leases” under IAS 17, are recognised as right-of-use assets and corresponding lease liabilities at the date of which the leased assets are available for use by the Group. Each lease payment is allocated between the lease

liabilities and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liabilities of each period. The right-of-use assets are depreciated over the lease term on a straight-line basis.

(a) New standards and interpretations not yet adopted

Certain new accounting standards, amendments and interpretations have been issued but are not yet effective for the year beginning on January 1, 2020 and have not been early adopted by the Group during the Track Record Period. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

<u>Standards and amendments</u>	<u>Effective for annual years beginning on or after</u>
Amendments to IAS 1, Presentation of financial statements on classification of liabilities	January 1, 2023
A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16	January 1, 2022
Amendments to IFRS 10 and IAS 28 — Sale or contribution of assets between an investor and its associate or joint venture	To be determined

2.2 *Subsidiaries*

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

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 33).

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

2.2.1 Subsidiaries controlled through Contractual Arrangements

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

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

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

2.2.2 Business combination

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

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

- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

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

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

2.2.3 Company's separate financial statements

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

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

2.3 Associates

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

2.4 Segment reporting

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

2.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

(c) Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

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

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

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

2.6 Property and equipment

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

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

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

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

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

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

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

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

2.7 Intangible assets

(a) Goodwill

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

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

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

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

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

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

(c) Other intangible assets

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

(d) Research and development

Research expenditures are recognised as an expense as incurred. Costs incurred on development projects are capitalized as intangible assets when recognition criteria are met, including (a) it is technically feasible to complete the software so that it will be available for use; (b) management intends to complete the software and use or sell it; (c) there is an ability to use or sell the software; (d) it can be demonstrated how the software will generate probable future economic benefits; (e) adequate technical, financial and other resources to complete the development and to use or sell the software are available; and (f) the expenditure attributable to the software during its development can be reliably measured. Other development costs that do not meet those criteria are expensed as incurred. There were no development costs meeting these criteria and capitalized as intangible assets as of December 31, 2017, 2018 and 2019 and September 30, 2020.

(e) Amortisation methods and periods

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

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

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

2.8 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets including property and equipment and right-of-use assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable

amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.9 Investments and other financial assets

Before adoption of IFRS 9

(a) Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired, management's intentions and whether the assets are quoted in an active market. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. The Group classified investments in listed and unlisted companies, and investments in wealth management products (with no guaranteed returns) in this category (refer to Note 3.3 for details).

Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period which are classified as non-current assets.

(iii) Available-for-sale financial assets

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long term.

Financial assets that are not classified into any of the other categories are also included in the available-for-sale category.

(b) Recognition and measurement

Regular purchases and sales of investments are recognised on trade date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statements. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Interest on loans and receivables is calculated using the effective interest method and is recognised in the consolidated income statements as part of interest income.

After adoption of IFRS 9

(a) Classification

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

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

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

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

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

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

(b) Recognition and derecognition

Purchases and sales of financial assets are recognised on trade date, being the date on which the Group commits to purchase or sell the asset.

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

(c) Measurement

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

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

Debt instruments

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

- **Amortized cost:** Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the income statements.

- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and

recognised in other gains/(losses), net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses), net and impairment expenses are presented as separate line item in the income statements.

- **FVPL:** Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses), net in the period in which it arises.

Equity instruments

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

(d) Impairment

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

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

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

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

2.10 Offsetting financial instruments

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

2.11 Trade receivables

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

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

2.12 Cash and cash equivalents and restricted cash

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

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

2.13 Share capital

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

The re-designation of ordinary shares held by certain employees to Preferred Shares was accounted for as deemed repurchase of ordinary shares and deemed issuance of Series F-2 Preferred Shares. The deemed repurchase of ordinary shares is measured at fair value of ordinary shares and debited to share capital and other reserves accordingly, and the deemed issuance of Series F-2 Preferred Shares is measured at fair value of the Preferred Shares issued. The difference between fair value of ordinary shares and Preferred Shares is recognized as share-based compensation expenses according to IFRS 2 since the holders of ordinary shares deemed to be repurchased are employees of the Group.

Convertible redeemable preferred shares are classified as financial liabilities, see Note 2.15 and Note 3.3.

2.14 Accounts and other payables

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

2.15 Convertible redeemable preferred shares (“Preferred Shares”)

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

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

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

2.16 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings costs are expensed in the period in which they are incurred.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

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

2.17 Current and deferred income tax

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

Current income tax

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

Deferred income tax

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

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

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

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

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

2.18 Employee benefits

(a) Short-term obligations

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

(b) Pension obligations

The Group has a defined contribution plan in which the Group pays fixed contributions to publicly administered pension insurance plans on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

2.19 Share-based compensation

The Group operates a Share Incentive Plan (the "**Pre-IPO ESOP Plan**"), under which it receives services from employee in exchange for equity instruments of the Company.

The fair value of options granted under the Pre-IPO ESOP Plan is recognised as employee benefits expenses over the requisite service period, with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted on grant date by using binomial option-pricing models:

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

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

2.20 Revenue recognition

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

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

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

(a) Live streaming

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

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

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

(b) Online marketing services

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

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

Advertising services

(i) Performance-based advertising services

The Group provides performance-based advertising services which allow advertising customers to place links on the Group's mobile platforms and third parties' internet properties. Performance-based advertising services are primarily presented and delivered in the way of short video with clickable thumbnails together with other recommended short videos or displayed between other short videos at varying frequency. The Group charges fees to advertising customers based on active clicks. The Group has determined that each click represents one performance obligation. In this model, revenue is recognized when the user clicks on the customer-sponsored links.

(ii) Display-based advertising services

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

Kuaishou fans headline services

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

(c) Other services

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

2.20.2 Incentives and coupons

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

The incentives are awarded to users upon their completion of certain tasks. The incentives are recorded as reduction of revenue if there is no distinct service identified or such distinct service is related to past, current or future revenues, such as reward to customers, and coupons to be used in future transactions, etc.. Incentives for distinct services received from the users and not related to past, current or future revenue transactions, such as inviting friends to download or log into Kuaishou's platforms, publishing or watching short videos which have advertising contents, etc., are recorded as selling and marketing expenses.

2.20.3 Contract balances

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

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

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

2.20.4 Practical expedients and exemptions

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

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

2.20.5 Financing components

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

2.21 Loss per share

Basic loss per share is calculated by dividing:

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

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

- (a) the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and

- (b) the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.22 Leases

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

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

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

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

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

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

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

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

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

2.23 Government grants

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

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

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

2.24 Finance income

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

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

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

2.25 Provisions

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

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

2.26 Dividend distribution

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

3 Financial risk management

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

The Group operates mainly in the PRC with most of the transactions settled in RMB. Management considers that the business is not exposed to significant foreign exchange risk as there are no significant assets or liabilities of the Group are denominated in the currencies other than the respective functional currencies of the Group's entities.

(ii) Interest rate risk

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

If the interest rate of cash and cash equivalents, short-term and long-term time deposits had been 50 basis points higher/lower, the loss before income tax for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020 would have been lower/higher RMB13.4 million, RMB26.9 million, RMB26.9 million, RMB15.9 million and RMB94.7 million, respectively. The impact of interest rate change on borrowings and loan receivables is not material.

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

(iii) Price risk

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

(b) Credit risk

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

(i) Risk management

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

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

(ii) Impairment of financial assets

Before adoption of IFRS 9

Before adoption of IFRS 9, impairment of financial assets were assessed on a group basis. The credit period granted to the customers was usually not more than 90 days and the credit quality of these customers were assessed, taking into account their financial position, past performance and other factors. Provisions were made for past due balances when management considers the loss from the customers is likely. Please refer to Notes 21 and 22 for more details.

After adoption of IFRS 9Trade receivables

Starting from January 1, 2018, the Group applies the IFRS 9 simplified approach to measuring expected credit losses under which the lifetime expected credit losses for all trade receivables are estimated. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and credit rating.

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

On that basis, the loss allowances of trade receivables as at January 1, 2018, December 31, 2018, 2019 and September 30, 2019 and 2020 were determined as follows:

	<u>As of</u> <u>January 1,</u>	<u>As of December 31,</u>		<u>As of September 30,</u>	
	<u>2018</u>	<u>2018</u>	<u>2019</u>	<u>2019</u>	<u>2020</u>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
				(Unaudited)	
		in thousands, except for percentages			
Expected loss rate	—	0.06%	0.43%	0.25%	1.24%
Gross carrying amount	136,641	129,120	1,112,214	494,361	1,835,477
Loss allowance					
provision	—	75	4,774	1,257	22,829

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

Impairment losses on trade receivables are presented as “administrative expenses” within operating profit/(loss). Subsequent recoveries of amounts previously written off are credited against the same line item.

Other receivables

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

On that basis, the loss allowances of other receivables as at January 1, 2018, December 31, 2018, 2019 and September 30, 2019 and 2020 were determined as follows:

	<u>As of January 1,</u>	<u>As of December 31,</u>		<u>As of September 30,</u>	
	<u>2018</u>	<u>2018</u>	<u>2019</u>	<u>2019</u>	<u>2020</u>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
				(Unaudited)	
		in thousands, except for percentages			
Expected loss rate	—	0.64%	9.38%	4.00%	7.37%
Gross carrying amount	48,678	150,197	198,008	348,176	248,669
Loss allowance					
provision	—	965	18,564	13,943	18,326

Others

While cash and cash equivalents, restricted cash and time deposits are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

(c) Liquidity risk

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

The table below analyses the Group's non-derivative financial liabilities into relevant maturity grouping based on the remaining period at each balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. For the modification of Preferred Shares' redemption commencement date, please refer to Note 2.1.

APPENDIX I
ACCOUNTANT'S REPORT

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at December 31, 2017					
Accounts payables	1,802,517	—	—	—	1,802,517
Other payables and accruals (excluding employee benefit payables, and other taxes payable).	10,439	—	—	—	10,439
Lease liabilities	212,711	314,013	419,288	—	946,012
Convertible redeemable preferred shares	—	—	26,652,555	—	26,652,555
Total	2,025,667	314,013	27,071,843	—	29,411,523
As at December 31, 2018					
Accounts payables	2,025,563	—	—	—	2,025,563
Other payables and accruals (excluding employee benefit payables, and other taxes payable).	47,527	—	—	—	47,527
Lease liabilities	553,756	589,619	307,858	—	1,451,233
Convertible redeemable preferred shares	—	—	47,211,431	—	47,211,431
Total	2,626,846	589,619	47,519,289	—	50,735,754
As at December 31, 2019					
Accounts payables	9,055,133	—	—	—	9,055,133
Other payables and accruals (excluding employee benefit payables, and other taxes payable).	1,401,217	—	—	—	1,401,217
Lease liabilities	1,525,740	1,348,793	2,021,534	16,721	4,912,788
Convertible redeemable preferred shares	—	59,330,942	10,113,221	—	69,444,163
Total	11,982,090	60,679,735	12,134,755	16,721	84,813,301

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at September 30, 2020					
Accounts payables	10,913,350	—	—	—	10,913,350
Other payables and accruals (excluding employee benefit payables, and other taxes payable).	2,355,280	—	—	—	2,355,280
Lease liabilities	2,106,778	1,976,113	2,184,586	32,075	6,299,552
Borrowings (<i>Note a</i>). . .	300,000	—	—	—	300,000
Convertible redeemable preferred shares	122,847,844	14,908,265	37,481,722	—	175,237,831
Total	138,523,252	16,884,378	39,666,308	32,075	195,106,013

Note a: As of September 30, 2020, borrowings represent unsecured bank borrowings repayable within three months and the effective annual interest rates range from 2.25% to 2.55%. Borrowing costs are expensed in the periods when they are incurred.

3.2 Capital management

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

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

3.3 Fair value estimation

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

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

The following table presents the Group's financial assets and liabilities that are measured at fair value at December 31, 2017:

	Level 1	Level 2	Level 3	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets				
Financial assets at fair value through profit or loss				
— Unlisted equity securities	—	—	49,200	49,200
— Wealth management products . . .	—	—	2,472,037	2,472,037
	—	—	2,521,237	2,521,237
Liabilities				
Convertible redeemable preferred shares				
	—	—	26,652,555	26,652,555

The following table presents the Group's financial assets and liabilities that are measured at fair value at December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets				
Financial assets at fair value through profit or loss				
— Unlisted equity securities	—	—	677,919	677,919
— Wealth management products . . .	—	—	4,273,517	4,273,517
	—	—	4,951,436	4,951,436
Liabilities				
Convertible redeemable preferred shares	—	—	47,211,431	47,211,431

The following table presents the Group's financial assets and liabilities that are measured at fair value at December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets				
Financial assets at fair value through profit or loss				
— Listed equity securities	77,202	—	—	77,202
— Unlisted equity securities	—	—	2,258,272	2,258,272
— Wealth management products . . .	—	—	8,825,068	8,825,068
	77,202	—	11,083,340	11,160,542
Liabilities				
Convertible redeemable preferred shares	—	—	69,444,163	69,444,163

The following table presents the Group's financial assets and liabilities that are measured at fair value at September 30, 2020:

	Level 1	Level 2	Level 3	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets				
Financial assets at fair value through profit or loss				
— Listed equity securities	95,737	—	—	95,737
— Unlisted equity securities	—	—	3,998,760	3,998,760
— Wealth management products . . .	—	—	8,450,308	8,450,308
	<u>95,737</u>	<u>—</u>	<u>12,449,068</u>	<u>12,544,805</u>
Liabilities				
Convertible redeemable preferred shares				
	<u>—</u>	<u>—</u>	<u>175,237,831</u>	<u>175,237,831</u>

(a) *Financial instruments in level 1*

The fair value of financial instruments traded in active markets is based on quoted market prices at each of the reporting dates. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

(b) *Financial instruments in level 2*

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

(c) *Financial instruments in level 3*

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

Specific valuation techniques used to value financial instruments include:

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

Level 3 instruments of the Group's assets and liabilities include long-term investments in unlisted entities measured at fair value through profit or loss, short-term investments in wealth management products measured at fair value through profit or loss and convertible redeemable preferred shares.

The changes in level 3 instruments of Preferred Shares for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020 are presented in the Note 32.

The following table presents the changes in level 3 items of financial assets at fair value through profit or loss for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020.

	Financial assets at fair value through profit or loss
	<i>RMB'000</i>
At January 1, 2017	2,000
Additions	5,897,411
Disposal	(3,376,458)
Change in fair value through profit or loss*	49,745
Currency translation differences	(51,461)
At December 31, 2017	<u>2,521,237</u>
*Includes unrealised gains recognised in profit or loss attributable to balances held at the end of the year.	12,612
At January 1, 2018	2,521,237
Additions	18,057,645
Disposal	(15,789,767)
Change in fair value through profit or loss*	137,457
Deemed disposal due to business combination.	(46,432)
Currency translation differences	71,296
At December 31, 2018	<u>4,951,436</u>
*Includes unrealised gains recognised in profit or loss attributable to balances held at the end of the year.	77,648
At January 1, 2019	4,951,436
Additions	57,223,449
Disposal	(51,112,055)
Change in fair value through profit or loss*	(21,479)
Currency translation differences	41,989
At December 31, 2019	<u>11,083,340</u>
*Includes unrealised losses recognised in profit or loss attributable to balances held at the end of the year.	(272,063)
(Unaudited)	
At January 1, 2019	4,951,436
Additions	39,507,618
Disposal	(32,086,139)
Change in fair value through profit or loss*	220,576
Currency translation differences	70,806
At September 30, 2019	<u>12,664,297</u>
*Includes unrealised gains recognised in profit or loss attributable to balances held at the end of the reporting period.	96,919
At January 1, 2020	11,083,340
Additions	46,019,145
Disposal	(44,868,047)
Change in fair value through profit or loss*	400,127
Currency translation differences	(185,497)
At September 30, 2020	<u>12,449,068</u>
*Includes unrealised gains recognised in profit or loss attributable to balances held at the end of the reporting period.	158,613

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

The valuation of the level 3 instruments mainly included Preferred Shares (Note 32), long-term investments measured at fair value through profit or loss in unlisted companies (Note 20) and investment in wealth management products (Note 20). As these instruments are not traded in an active market, their fair values have been determined by using various applicable valuation techniques, including discounted cash flows and market approach etc.. Major assumptions used in the valuation for Preferred Shares are presented in Note 32.

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

Description	Fair Values					Significant unobservable inputs	Range of inputs					Relationship of unobservable inputs to fair values
	As of December 31,			As of September 30,			As of December 31,			As of September 30,		
	2017	2018	2019	2019	2020		2017	2018	2019	2019	2020	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
Unlisted equity securities . .	49,200	677,919	2,258,272	2,597,143	3,998,760	Expected volatility	N/A*	35%-71%	34%-62%	34%-66%	46%-72%	The higher the expected volatility, the lower the fair value
						Discount for lack of marketability ("DLOM")	N/A*	8%-14%	7%-14%	7%-15%	9%-30%	The higher the DLOM, the lower the fair value
						Risk-free rate	N/A*	3%	2%-3%	2%-3%	0%-3%	The higher the risk-free rate, the lower the fair value
Wealth management products . .	2,472,037	4,273,517	8,825,068	10,067,154	8,450,308	Expected rate of return	2%-5%	3%-4%	3%-4%	3%-4%	2%-4%	The higher the expected rate of return, the higher the fair value

Note:* The investments in unlisted equity securities were not subject to valuation as they were purchased near the end of the year and the directors of the Company were of the view that the fair value was not materially different with the purchase consideration.

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

The following table presents the lower/(higher) of the loss before income tax for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020 if the fair values of financial assets at fair value through profit or loss held by the Group had been 10% higher/lower.

% changes of fair values of financial assets at fair value through profit or loss	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i>
10% higher.	252,124	495,144	1,116,054	1,266,430	1,254,481
10% lower	(252,124)	(495,144)	(1,116,054)	(1,266,430)	(1,254,481)

The following table presents the (higher)/lower of the loss before income tax for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020 if the Company's equity value had increased/decreased by 10% which leads to the fair value changes of Preferred Shares.

% changes of the Company's equity value	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i>
Increased by 10%	(2,207,630)	(1,791,243)	(2,138,497)	(447,993)	(11,088,386)
Decreased by 10%	2,201,931	1,793,600	2,163,626	447,033	11,058,599

There were no transfers between level 1, 2 and 3 of fair value hierarchy classifications during the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020.

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

4 Critical estimates and judgements

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

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

4.1 Recognition of share-based compensation expenses

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

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

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

The convertible redeemable preferred shares issued by the Company are not traded in an active market, and the respective fair value is determined by using valuation techniques. The Group applied the discounted cash flow method to determine the underlying equity value of the Company and adopted the option-pricing method and equity allocation model to determine the fair value of the convertible redeemable preferred shares. Key assumptions such as the discount rate, risk-free interest rate, lack of marketability discount and volatility, as well as the probability weight among the timing of the liquidation, redemption or IPO event scenarios based on the Group's best estimates, which is disclosed in Note 32.

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

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

4.4 Recoverability of non-financial assets

The Group tests whether goodwill has suffered any impairment on an annual basis, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets including property and equipment, right-of-use assets and intangible assets other than the goodwill are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The recoverable amount of CGU is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management with an estimation of terminal value. Details of key assumptions and estimates used are disclosed in Note 17.

4.5 Business combinations

Business combinations are accounted for under acquisition method. The determination and allocation of fair values to the identifiable assets acquired and liabilities assumed are based on various assumptions and valuation methodologies requiring considerable management judgment. The most significant variables in these valuations are discount rates, terminal values, the number of years on which to base the cash flow projections, as well as the assumptions and estimates used to determine the cash inflows and outflows. The Group determines discount rates to be used based on the risk inherent in the related activity's current business model and industry comparisons. Terminal values are based on the expected lives of assets, the forecasted life cycles and forecasted

cash flows over that period. Although the Group believes that the assumptions applied in the determination are reasonable based on information available at the date of acquisition, actual results may differ from the forecasted amounts and the difference could be material.

4.6 Current and deferred income tax

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

Deferred tax assets relating to certain temporary differences or tax losses are recognised when management considers that it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. As of September 30, 2020, the Group did not recognise deferred tax assets of RMB716.4 million in respect of cumulative tax losses, that can be carried forward against future taxable income (Note 31). The outcome of their actual utilisation may be different from management's estimation.

4.7 Revenue recognition

Determining whether the Group is acting as a principal or as an agent when third-party is involved in the provision of certain services to its customers requires judgement and consideration of all relevant facts and circumstances. In evaluation of the Group's role as a principal or agent, the Group considers factors to determine whether the Group controls the specified goods or service before it is transferred to the customer include, but are not limited to the following: (a) is primarily responsible for fulfilling the contract, (b) is subject to inventory risk, and (c) has discretion in establishing prices. Refer to Note 2.20 for details.

4.8 Useful lives and depreciation of property and equipment

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

4.9 Useful lives and amortization of intangible assets

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

5 Segment information

The Group's business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the CODM which are the chief executive officer of the Group. As a result of this evaluation, the CODM considers that the Group's operations are operated and managed as a single segment. Accordingly, no segment information is presented.

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

As of December 31, 2017, 2018 and 2019 and September 30, 2020, substantially all of the non-current assets of the Group were located in the PRC.

6 Revenues

The breakdown of revenues during the Track Record Period is as follows:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)	
Live streaming	7,948,997	18,615,130	31,442,341	22,922,116	25,309,312
Online marketing services	390,581	1,665,095	7,418,502	4,267,512	13,343,194
Other services	—	20,420	259,505	78,340	2,024,935
	<u>8,339,578</u>	<u>20,300,645</u>	<u>39,120,348</u>	<u>27,267,968</u>	<u>40,677,441</u>

Timing of revenue recognition is as follows:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i>
Revenue recognized at a point in time	8,108,638	19,711,155	37,436,029	26,174,728	37,388,968
Revenue recognized over time	<u>230,940</u>	<u>589,490</u>	<u>1,684,319</u>	<u>1,093,240</u>	<u>3,288,473</u>
	<u>8,339,578</u>	<u>20,300,645</u>	<u>39,120,348</u>	<u>27,267,968</u>	<u>40,677,441</u>

There is no concentration risk as no revenue from a single customer was more than 10% of the Group's total revenues for the years ended December 31, 2017, 2018 and 2019, and the nine months ended September 30, 2019 and 2020.

7 Other income

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i>
Government grants and value-added tax subsidies	<u>19,290</u>	<u>107,575</u>	<u>292,631</u>	<u>183,139</u>	<u>396,151</u>

8 Other gains/(losses), net

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i>
Net gains/(losses) on disposal of property, equipment and intangible assets	—	49	(60)	(60)	(568)
Net fair value gains/(losses) on financial assets at fair value through profit or loss					
— Investments in listed and unlisted entities .	—	36,835	(289,930)	24,941	160,228
— Wealth management products	49,745	96,622	275,889	195,635	305,484
Net foreign exchange gains/(losses)	(6,061)	1,161	10	(378)	45,551
Donations*	(2,640)	(2,769)	(5,435)	(1,206)	(131,684)
Others	997	(2,621)	(13,317)	(7,752)	4,130
	<u>42,041</u>	<u>129,277</u>	<u>(32,843)</u>	<u>211,180</u>	<u>383,141</u>

Note *: Out of the donations for the period of nine months ended September 30, 2020, RMB100.0 million was the charitable donations in responses to the COVID-19 outbreak.

9 Expenses by nature

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i>
Revenue sharing to streamers and related taxes	4,395,623	10,396,086	18,149,248	13,290,820	14,302,621
Employee benefit expenses	740,539	2,399,656	4,364,197	2,982,873	6,178,926
Promotion and advertising expenses	1,264,725	4,077,084	9,422,745	5,293,916	19,103,231
Outsourcing and other labor costs	40,592	173,620	274,733	159,888	340,272
Depreciation of property and equipment	84,186	828,980	1,405,313	906,771	2,174,192
Depreciation of right-of-use assets	24,085	325,831	692,228	418,679	1,157,218
Amortization of intangible assets	7,229	24,774	62,842	41,997	90,569
Bandwidth expenses and server custody costs . . .	807,902	1,830,875	2,650,623	1,824,369	3,920,498
Payment processing cost .	269,338	488,770	642,155	480,527	687,335
Listing expenses (excluding those included in auditor's remuneration)	—	—	—	—	15,510
Auditor's remuneration — Audit services	2,146	1,938	4,371	854	7,111
— Non-audit services . .	79	3,411	289	165	2,484
Other professional fees . .	27,857	51,176	58,700	41,968	76,379
Tax surcharges	42,343	141,916	326,337	197,244	287,866
Credit loss allowances on financial assets	—	1,040	22,298	14,160	17,817
Others	86,314	313,053	615,373	344,752	2,037,132
	<u>7,792,958</u>	<u>21,058,210</u>	<u>38,691,452</u>	<u>25,998,983</u>	<u>50,399,161</u>

10 Employee benefit expenses

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i>
Wages, salaries and bonuses	369,412	1,374,735	2,951,829	1,958,282	4,426,692
Share-based compensation expenses	296,535	701,601	742,303	564,039	977,087
Other social security costs, housing benefits and other employee benefits	74,592	323,320	670,065	460,552	775,147
	<u>740,539</u>	<u>2,399,656</u>	<u>4,364,197</u>	<u>2,982,873</u>	<u>6,178,926</u>

(a) Five highest paid individuals

None of the five individuals whose emoluments were the highest in the Group for each of the Track Record Period were directors of the Group. The emoluments payable to these individuals for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020 are as follows:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i>
Wages, salaries and bonuses	11,573	19,383	33,142	24,814	24,498
Share-based compensation expenses	141,462	162,089	70,040	56,477	100,570
Other social security costs, housing benefits and other employee benefits	453	609	632	477	453
	<u>153,488</u>	<u>182,081</u>	<u>103,814</u>	<u>81,768</u>	<u>125,521</u>

The emoluments fell within the following bands:

	Number of individuals				
	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
				(Unaudited)	
HK\$10,000,001 to HK\$20,000,000	2	—	—	4	—
HK\$20,000,001 to HK\$30,000,000	—	2	5	1	4
HK\$30,000,001 to HK\$40,000,000	1	2	—	—	1
HK\$40,000,001 to HK\$50,000,000	1	—	—	—	—
HK\$60,000,001 to HK\$70,000,000	1	—	—	—	—
HK\$100,000,001 to HK\$150,000,000	—	1	—	—	—
	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

(b) *Benefits and interests of directors*

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

For the year ended December 31, 2017:

Name	Wages, salaries and bonuses	Share-based compensation expenses	Other social security costs, housing benefits and other employee benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000
<i>Chairman</i>				
Su Hua	2,231	6,075	111	8,417
<i>Executive director</i>				
Cheng Yixiao	1,914	4,860	114	6,888
Total	<u>4,145</u>	<u>10,935</u>	<u>225</u>	<u>15,305</u>

For the year ended December 31, 2018:

Name	Wages, salaries and bonuses	Share-based compensation expenses	Other social security costs, housing benefits and other employee benefits	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Chairman</i>				
Su Hua	2,796	1,622	125	4,543
<i>Executive director</i>				
Cheng Yixiao	3,031	1,298	125	4,454
Total	5,827	2,920	250	8,997

For the year ended December 31, 2019:

Name	Wages, salaries and bonuses	Share-based compensation expenses	Other social security costs, housing benefits and other employee benefits	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Chairman</i>				
Su Hua	3,859	—	126	3,985
<i>Executive director</i>				
Cheng Yixiao	3,510	—	126	3,636
Total	7,369	—	252	7,621

For the nine months ended September 30, 2019 (Unaudited):

Name	Wages, salaries and bonuses	Share-based compensation expenses	Other social security costs, housing benefits and other employee benefits	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Chairman</i>				
Su Hua	2,890	—	95	2,985
<i>Executive director</i>				
Cheng Yixiao	2,629	—	95	2,724
Total	5,519	—	190	5,709

For the nine months ended September 30, 2020:

Name	Wages, salaries and bonuses	Share-based compensation expenses	Other social security costs, housing benefits and other employee benefits	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Chairman</i>				
Su Hua	2,844	—	81	2,925
<i>Executive director</i>				
Cheng Yixiao	2,660	—	81	2,741
Total	5,504	—	162	5,666

(i) *Benefits and interests of directors*

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

(ii) *Directors' termination benefits*

No director's termination benefit subsisted at the end of the period or at any time during the Track Record Period.

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

No consideration provided to third parties for making available director's services subsisted at the end of the period or at any time during the Track Record Period.

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

No loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors was subsisted at the end of the period or at any time during the Track Record Period.

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

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest whether directly or indirectly, subsisted at the end of the period or at any time during the Track Record Period.

11 Finance (expense)/income, net

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)	
Finance income:					
Interest income from bank deposits	16,829	106,135	92,441	68,869	155,507
Finance expense:					
Interest expense from lease liabilities	(6,581)	(53,145)	(103,302)	(62,585)	(161,899)
Others	(36,324)	(826)	(176)	—	(20,179)
	(42,905)	(53,971)	(103,478)	(62,585)	(182,078)
Finance (expense)/income, net .	(26,076)	52,164	(11,037)	6,284	(26,571)

12 Subsidiaries

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

Name	Place of incorporation/ establishment and kind of legal entity	Date of incorporation/ establishment	Particulars of issued/ paid-in capital	Effective interest held			Principal activities
				As of			
				2017	2018	2019	
Subsidiaries							
Directly held:							
Fortune Ever Global Limited	Hong Kong, limited liability company	March 25, 2014	HKD10,000	100%	100%	100%	Investment holding and investment
Cosmic Blue Investments Limited	British Virgin Islands, limited liability company	March 16, 2017	—	100%	100%	100%	Investment holding and investment
Indirectly held:							
Joyo Technology PTE. LTD.	Singapore, limited liability company	August 3, 2016	USD1	100%	100%	100%	Development of software, provision of programming and advertising services
Beijing Dajia Internet Information Technology Co., Ltd.	Beijing, China, limited liability company	July 2, 2014	RMB8,941,454,241	100%	100%	100%	Development of software, hardware and network technology
Structured entities (Note a)							
Beijing Kuashou Technology Co., Ltd.	Beijing, China, limited liability company	March 20, 2015	RMB10,000,000	100%	100%	100%	Provision of live-streaming and online marketing services
Yoosee Xingji (Beijing) Technology Co., Ltd.	Beijing, China, limited liability company	November 3, 2006	RMB25,600,000	100%	100%	100%	Provision of technology development, promotion and other services
Huai'an Kangxiangfu Culture Communication Co., Ltd.	Jiangsu, China, limited liability company	January 9, 2017	—	100%	100%	100%	Provision of internet information services
Beijing Chenzhong Technology Co., Ltd.	Beijing, China, limited liability company	July 6, 2017	RMB2,015,000	100%	100%	100%	Provision of online marketing and other services
Guizhou Fankuai Culture Communication Co., Ltd.	Guizhou, China, limited liability company	March 5, 2019	—	N/A	100%	100%	Provision of multimedia information technology services
Beijing Kuashou Ads Co., Ltd.	Beijing, China, limited liability company	September 23, 2016	RMB60,000	100%	100%	100%	Provision of online marketing and other services
Beijing Yunche Technology Co., Ltd.	Beijing, China, limited liability company	September 19, 2018	—	N/A	100%	100%	Provision of online marketing and other services
Chengdu Kuigou Technology Co., Ltd.	Sichuan, China, limited liability company	October 31, 2019	—	N/A	100%	100%	Provision of online marketing and other services
Huai'an Xingyi Culture Communication Co., Ltd.	Jiangsu, China, limited liability company	August 1, 2017	RMB2,000	100%	100%	100%	Provision of online marketing and other services

Note a:

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

13 Income tax (expenses)/benefits**(a) Cayman Islands**

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

(b) British Virgin Islands (“BVI”)

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

(c) Hong Kong Income Tax

Entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% for taxable income earned in Hong Kong before April 1, 2018. Starting from the financial year commencing on April 1, 2018, the two-tiered profits tax regime took effect, under which the tax rate is 8.25% for assessable profits on the first HK\$2 million and 16.5% for any assessable profits in excess of HK\$2 million. No provision for Hong Kong profits tax was made as we had no estimated assessable profit that was subject to Hong Kong profits tax during the Track Record Period.

(d) PRC Enterprise Income Tax (“EIT”)

The income tax provision of the Group in respect of its operations in PRC was subject to statutory tax rate of 25% on the assessable profits for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020 based on the existing legislation, interpretation and practices in respect thereof.

Beijing Dajia became accredited as High and New Technology Enterprises (“**HNTes**”) enabling it to enjoy a preferential tax rate of 15% commencing from 2017. In addition, Beijing Dajia was granted as “Software Enterprise”, which entitled it to an income tax exemption for two years beginning with its first profitable year and a 50% reduction to a rate of 12.5% for the subsequent three years. The tax exemption under “Software Enterprise” for Beijing Dajia was obtained in May 2018 with retroactive application since 2017. Accordingly, Beijing Dajia preliminarily used the tax rate of 15% on its estimated assessable profits for the year ended December 31, 2017, and then reversed that amount in 2018. In 2020, Beijing Dajia also obtained the qualification of “Key National Software Enterprise” (“**KNSE**”) which entitled it to a further reduced preferential income tax rate of 10%, starting from 2019 contingent upon annual assessment by relevant authorities. Due to the uncertainty of obtaining the qualification, Beijing Dajia accrued the income tax expenses by applying the preferential tax rate of 12.5% in 2019 and a reversal was made in the second quarter of 2020 for the change in enacted tax rate as the uncertainty was eliminated then.

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

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

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

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

The income tax (expenses)/benefits of the Group during the Track Record Period are analysed as follows:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)	
Current income tax	(112,260)	(184,568)	(1,088,560)	(774,621)	(547,954)
Deferred income tax	7,811	156,347	702,493	377,678	1,295,547
Income tax (expenses)/benefits . .	<u>(104,449)</u>	<u>(28,221)</u>	<u>(386,067)</u>	<u>(396,943)</u>	<u>747,593</u>

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

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Loss before income tax	(19,940,501)	(12,401,064)	(19,265,467)	(1,220,502)	(98,119,055)
Tax calculated at statutory income tax rate of 25% in mainland China	4,985,125	3,100,266	4,816,367	305,126	24,529,764
Tax effects of:					
— Effect of different tax rates in other jurisdictions	(5,129,310)	(2,975,079)	(5,023,641)	(705,843)	(22,341,209)
— Effect of preferential income tax rates of certain subsidiary	45,084	17,489	113,910	175,925	(973,597)
— Tax losses and temporary deductible timing differences for which no deferred tax assets was recognised	(16,826)	(85,899)	(181,838)	(83,098)	(495,044)
— Expenses not deductible for income tax purposes.	(84,475)	(167,367)	(198,996)	(149,702)	(204,239)
— Utilization of previously unrecognised deductible tax losses and temporary differences	90,118	11	336	—	35,354
— Super Deduction for research and development expenses . .	5,835	11,848	85,491	59,970	62,858
— Income not subject to tax. . . .	—	—	2,304	679	27,573
— Reversal of income tax expenses of prior year (Note a)	—	70,510	—	—	106,133
	<u>(104,449)</u>	<u>(28,221)</u>	<u>(386,067)</u>	<u>(396,943)</u>	<u>747,593</u>

Note a: Due to the changes in the applicable tax rate for Beijing Dajia as mentioned in Note 13(d), a reversal was made in 2018 for the current income tax expense of RMB71.1 million and deferred income tax credit of RMB0.6 million recognised in 2017, and a reversal was made in the second quarter of 2020 for the current income tax expense of RMB106.1 million recognised in 2019 (refer to Note 13(d) for details).

14 Loss per share

Following the Share Split as detailed in Note 24, the weighted average number of ordinary shares for the purpose of basic and diluted loss per share for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020 has been retrospectively adjusted.

(a) Basic loss per share

Basic loss per share for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020 are calculated by dividing the loss attributable to the Company's equity holders by the weighted average number of ordinary shares in issue during the year/period.

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net loss attributable to equity holders of the Company.	(20,044,950)	(12,429,285)	(19,651,534)	(1,617,445)	(97,371,462)
Weighted average number of ordinary shares in issue (thousand shares).	934,111	934,111	934,111	934,111	931,436
Basic loss per share (expressed in RMB per share).	<u>(21.46)</u>	<u>(13.31)</u>	<u>(21.04)</u>	<u>(1.73)</u>	<u>(104.54)</u>

(Unaudited)

(b) Diluted loss per share

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

During the Track Record Period, the Company had two categories of potential ordinary shares: Preferred Shares and share options granted under Pre-IPO ESOP Plan. As the Company incurred losses for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020, these potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilution. Accordingly, the amounts of

diluted loss per share for the years ended December 31, 2017, 2018, and 2019 and the nine months ended September 30, 2019 and 2020 were the same as basic loss per share of the respective year/period.

15 Property and equipment

The detail information of property and equipment during the Track Record Period is as below:

	Servers, computers and equipment	Office equipment	Leasehold improvements	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1, 2017					
Cost	114,223	894	982	—	116,099
Accumulated depreciation	(26,119)	(101)	(355)	—	(26,575)
Net book amount	88,104	793	627	—	89,524
Year ended December 31, 2017					
Opening net book amount	88,104	793	627	—	89,524
Additions	1,039,247	2,546	10,403	—	1,052,196
Disposal	—	(256)	—	—	(256)
Depreciation charge	(80,966)	(406)	(2,814)	—	(84,186)
Closing net book amount	1,046,385	2,677	8,216	—	1,057,278
At December 31, 2017					
Cost	1,153,470	3,167	11,385	—	1,168,022
Accumulated depreciation	(107,085)	(490)	(3,169)	—	(110,744)
Net book amount	1,046,385	2,677	8,216	—	1,057,278
Year ended December 31, 2018					
Opening net book amount	1,046,385	2,677	8,216	—	1,057,278
Currency translation differences	1	—	—	—	1
Additions	2,144,679	4,693	27,734	14,308	2,191,414
Business combination (<i>Note 33</i>)	1,213	—	—	—	1,213
Disposal	(120)	(36)	—	—	(156)
Depreciation charge	(824,904)	(934)	(3,142)	—	(828,980)
Closing net book amount	2,367,254	6,400	32,808	14,308	2,420,770
At December 31, 2018					
Cost	3,298,439	7,817	39,119	14,308	3,359,683
Accumulated depreciation	(931,185)	(1,417)	(6,311)	—	(938,913)
Net book amount	2,367,254	6,400	32,808	14,308	2,420,770

	Servers, computers and equipment	Office equipment	Leasehold improvements	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Year ended December 31, 2019					
Opening net book amount	2,367,254	6,400	32,808	14,308	2,420,770
Currency translation differences	8	—	—	—	8
Additions	5,105,300	8,543	64,554	38,782	5,217,179
Transfer upon construction in progress to leasehold improvements	—	—	19,061	(19,061)	—
Disposal	(239)	(100)	—	—	(339)
Depreciation charge	(1,382,922)	(3,870)	(18,521)	—	(1,405,313)
Closing net book amount	6,089,401	10,973	97,902	34,029	6,232,305
At December 31, 2019					
Cost	8,401,480	15,945	122,734	34,029	8,574,188
Accumulated depreciation	(2,312,079)	(4,972)	(24,832)	—	(2,341,883)
Net book amount	6,089,401	10,973	97,902	34,029	6,232,305
(Unaudited)					
Nine months ended September 30, 2019					
Opening net book amount	2,367,254	6,400	32,808	14,308	2,420,770
Currency translation differences	1	—	—	—	1
Additions	2,250,032	5,521	49,791	4,753	2,310,097
Transfer upon construction in progress to leasehold improvements	—	—	19,061	(19,061)	—
Disposal	(215)	(39)	—	—	(254)
Depreciation charge	(887,479)	(2,567)	(16,725)	—	(906,771)
Closing net book amount	3,729,593	9,315	84,935	—	3,823,843
At September 30, 2019					
Cost	5,547,541	13,235	107,971	—	5,668,747
Accumulated depreciation	(1,817,948)	(3,920)	(23,036)	—	(1,844,904)
Net book amount	3,729,593	9,315	84,935	—	3,823,843
Nine months ended September 30, 2020					
Opening net book amount	6,089,401	10,973	97,902	34,029	6,232,305
Currency translation differences	3	—	2	—	5
Additions	2,883,446	7,652	22,183	50,526	2,963,807
Transfer upon construction in progress to leasehold improvements	—	—	61,038	(61,038)	—
Disposal	(339)	(204)	—	—	(543)
Depreciation charge	(2,122,953)	(3,916)	(47,323)	—	(2,174,192)
Closing net book amount	6,849,558	14,505	133,802	23,517	7,021,382
At September 30, 2020					
Cost	11,283,780	22,970	205,957	23,517	11,536,224
Accumulated depreciation	(4,434,222)	(8,465)	(72,155)	—	(4,514,842)
Net book amount	6,849,558	14,505	133,802	23,517	7,021,382

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

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)	
Cost of revenues	81,332	818,866	1,359,471	876,441	2,109,432
Selling and marketing expenses	285	598	2,539	1,571	4,878
Administrative expenses	1,392	3,706	21,755	15,024	27,865
Research and development expenses	1,177	5,810	21,548	13,735	32,017
	<u>84,186</u>	<u>828,980</u>	<u>1,405,313</u>	<u>906,771</u>	<u>2,174,192</u>

16 Lease

The Group has applied IFRS 16 retrospectively without using the simplified transitional approach permitted under IFRS 16.

(a) Items recognised in the consolidated balance sheets

	As of December 31,			As of September 30,
	2017	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Right-of-use assets				
Internet data centers	822,078	790,429	3,823,058	4,705,048
Office buildings	43,545	481,789	529,580	689,434
	<u>865,623</u>	<u>1,272,218</u>	<u>4,352,638</u>	<u>5,394,482</u>

	As of December 31,			As of
	2017	2018	2019	September 30,
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Lease liabilities				
Current	175,201	498,541	1,337,048	1,871,490
Non-current	695,784	892,257	3,287,984	3,945,201
	<u>870,985</u>	<u>1,390,798</u>	<u>4,625,032</u>	<u>5,816,691</u>

Additions to the right-of-use assets for the years ended December 31, 2017, 2018 and 2019, and the nine months ended September 30, 2019 and 2020 were RMB889.7 million, RMB732.4 million, RMB3.8 billion, RMB1.7 billion and RMB2.2 billion, respectively.

(b) *Items recognised in the consolidated income statements:*

	Year ended December 31,			Nine months ended	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Depreciation charge of right-of-use assets					
— Internet data centers	4,668	244,555	561,515	325,502	1,013,664
— Office buildings	19,417	81,276	130,713	93,177	143,554
Interest expense (included in finance (expense)/income, net)	6,581	53,145	103,302	62,585	161,899
Expense relating to short-term leases not included in lease liabilities (included in cost of revenues, selling and marketing expenses, administrative expenses and research and development expenses).	<u>53,613</u>	<u>64,966</u>	<u>32,417</u>	<u>20,850</u>	<u>38,034</u>
	<u>84,279</u>	<u>443,942</u>	<u>827,947</u>	<u>502,114</u>	<u>1,357,151</u>

The total cash outflows in financing activities for leases during the years ended December 31, 2017, 2018, 2019 and the nine months ended September 30, 2019 and 2020 are as below:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)	
Principal elements of lease					
payments	18,723	212,613	538,414	343,512	1,007,403
Related interest paid	6,581	53,145	103,302	62,585	161,899
	<u>25,304</u>	<u>265,758</u>	<u>641,716</u>	<u>406,097</u>	<u>1,169,302</u>

The weighted average incremental borrowing rate applied to the lease liabilities was 4.75% per annum during the Track Record Period.

17 Intangible assets

The detail information of intangible assets during the Track Record Period is as below:

	Goodwill	Licenses and copyrights	Trademarks and domain name	Software	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2017						
Cost	—	34,655	1,135	4,285	—	40,075
Accumulated amortization	—	(4,332)	(28)	(230)	—	(4,590)
Net book amount	—	30,323	1,107	4,055	—	35,485
Year ended December 31, 2017						
Opening net book amount	—	30,323	1,107	4,055	—	35,485
Additions	—	—	—	6,619	—	6,619
Amortization charge	—	(3,465)	(114)	(3,650)	—	(7,229)
Closing net book amount	—	26,858	993	7,024	—	34,875
At December 31, 2017						
Cost	—	34,655	1,135	10,904	—	46,694
Accumulated amortization	—	(7,797)	(142)	(3,880)	—	(11,819)
Net book amount	—	26,858	993	7,024	—	34,875
Year ended December 31, 2018						
Opening net book amount	—	26,858	993	7,024	—	34,875
Additions	—	42,357	1,432	6,115	—	49,904
Business combination (Note 33)	816,062	149,269	—	13,290	7,300	985,921
Disposals	—	—	—	(110)	—	(110)
Amortization charge	—	(16,377)	(346)	(6,834)	(1,217)	(24,774)
Closing net book amount	816,062	202,107	2,079	19,485	6,083	1,045,816
At December 31, 2018						
Cost	816,062	226,281	2,567	30,195	7,300	1,082,405
Accumulated amortization	—	(24,174)	(488)	(10,710)	(1,217)	(36,589)
Net book amount	816,062	202,107	2,079	19,485	6,083	1,045,816
Year ended December 31, 2019						
Opening net book amount	816,062	202,107	2,079	19,485	6,083	1,045,816
Additions	—	76,160	976	24,378	30	101,544
Business combination (Note 33)	20,910	—	—	14,000	1,340	36,250
Disposals	—	(460)	—	—	—	(460)
Amortization charge	—	(47,063)	(1,183)	(12,077)	(2,519)	(62,842)
Closing net book amount	836,972	230,744	1,872	45,786	4,934	1,120,308
At December 31, 2019						
Cost	836,972	301,966	3,543	68,573	8,670	1,219,724
Accumulated amortization	—	(71,222)	(1,671)	(22,787)	(3,736)	(99,416)
Net book amount	836,972	230,744	1,872	45,786	4,934	1,120,308

	Goodwill	Licenses and copyrights	Trademarks and domain name	Software	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
(Unaudited)						
Nine months ended September 30, 2019						
Opening net book amount.	816,062	202,107	2,079	19,485	6,083	1,045,816
Additions.	—	38,326	976	4,087	—	43,389
Amortization charge	—	(31,590)	(854)	(7,728)	(1,825)	(41,997)
Closing net book amount	816,062	208,843	2,201	15,844	4,258	1,047,208
At September 30, 2019						
Cost.	816,062	264,607	3,543	34,282	7,300	1,125,794
Accumulated amortization	—	(55,764)	(1,342)	(18,438)	(3,042)	(78,586)
Net book amount	816,062	208,843	2,201	15,844	4,258	1,047,208
Nine months ended September 30, 2020						
Opening net book amount.	836,972	230,744	1,872	45,786	4,934	1,120,308
Additions.	—	203,403	2,933	17,919	—	224,255
Disposals.	—	(300)	—	—	—	(300)
Amortization charge	—	(75,014)	(1,170)	(12,303)	(2,082)	(90,569)
Closing net book amount	836,972	358,833	3,635	51,402	2,852	1,253,694
At September 30, 2020						
Cost.	836,972	504,860	6,476	86,492	8,670	1,443,470
Accumulated amortization	—	(146,027)	(2,841)	(35,090)	(5,818)	(189,776)
Net book amount	836,972	358,833	3,635	51,402	2,852	1,253,694

Other intangible assets mainly represented customer relationships and non-compete agreements acquired through business acquisition transactions (see Note 33 for details).

For the purpose of impairment test of goodwill, goodwill is allocated to groups of CGUs. Such groups of CGUs represent the lowest level within the Group for which the goodwill is monitored for internal management purpose. The recoverable amount of a cash generated-unit was determined based on value-in-use calculations. These calculations used pre-tax cash flow projections based on financial budgets approved by management for recent years with a terminal value related to the future cash flows extrapolated using the estimated growth rates stated below. The Group believes that it is appropriate to cover six years in its cash flow projection according to the budget approved, because it captures the development stage of the Group's businesses during which the Group expects to experience a high growth rate. The accuracy and reliability of the information is reasonably assured by the appropriate budgeting, forecast and control process established by the Group. The management leveraged their extensive experiences in the industries and provided forecast based on past performance and their expectation of future business plans and market developments.

The Group only has one CGU according to its business operation during the Track Record Period. Impairment review on the goodwill of the Group has been conducted by the management as of December 31, 2018 and 2019 according to IAS 36 "Impairment of assets". Management forecasted the average annual revenue growth rate for six-years ranging from 17% to 21%, and the

cash flows beyond the period aforementioned were extrapolated using the estimated annual growth rate of 3%. Pre-tax discount rate from 22% to 26% was used to reflect market assessment of time value and the specific risks relating to the CGU.

Based on the result of the goodwill impairment testing, the estimated headroom was approximately RMB70.2 billion and RMB96.8 billion as of December 31, 2018 and 2019, respectively. For the nine months ended September 30, 2020, the Group also performed impairment testing, the estimated headroom was approximately RMB248.0 billion as of September 30, 2020. As the recoverable amount was significantly above the carrying amount, no impairment was identified in respect of the goodwill as of December 31, 2018, 2019 and September 30, 2020, respectively. Management forecasted the average annual revenue growth rate for six-years was 34% and the cash flows beyond the period aforementioned were extrapolated using the estimated annual growth rate of 3%. Pre-tax discount rate of 20% was used to reflect market assessment of time value and the specific risks relating to the CGU.

The Group performs the sensitivity analysis based on the assumptions that revenue growth rate or terminal value or the discount rate have been changed. Had the estimated key assumptions during the forecast period been changed as below, the headroom would be decreased to as below:

	As of December 31,		As of
	2018	2019	September 30,
	<i>In billions of RMB</i>		<i>In billions of RMB</i>
Revenue growth rate decreases by 10% . . .	36.9	55.4	96.4
Terminal value decreases by 10%	65.7	90.2	228.8
Discount rate increases by 10%	59.6	82.1	211.7

Reasonable possible changes in key assumptions would not lead to impairment as of December 31, 2018, 2019 and as of September 30, 2020, respectively.

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

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)	
Cost of revenues	—	6,270	30,943	19,401	64,085
Administrative expenses	5,172	14,694	25,854	19,430	19,293
Research and development expenses	2,057	3,810	6,045	3,166	7,191
	<u>7,229</u>	<u>24,774</u>	<u>62,842</u>	<u>41,997</u>	<u>90,569</u>

18 Investments in subsidiaries-Company

The detail information of investments in subsidiaries for the Company during the Track Record Period is as below:

	As of December 31,			As of September 30,
	2017	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Investment in subsidiaries (<i>Note a</i>) . . .	8	8	8	8
Deemed investments arising from share-based compensation (<i>Note b</i>) .	<u>467,159</u>	<u>1,168,760</u>	<u>1,911,063</u>	<u>2,844,165</u>
	<u>467,167</u>	<u>1,168,768</u>	<u>1,911,071</u>	<u>2,844,173</u>

Notes:

- (a) As at December 31, 2017, 2018 and 2019 and September 30, 2020, the Company's investments in subsidiaries amounted to HKD10,000 (equivalent to approximately RMB8,000).
- (b) The amount represents share-based compensation expenses arising from the grant of share options of the Company to employees of the subsidiaries (Note 27) in exchange for their services provided to certain subsidiaries now comprising the Group, which were deemed to be investments made by the Company into these subsidiaries.

19 Financial instruments by category

The detail information of financial instruments by category during the Track Record Period is as below:

	As of December 31,			As of
	2017	2018	2019	September 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets as per balance sheets				
Financial assets measured at fair value				
through profit or loss:				
— Listed equity securities	—	—	77,202	95,737
— Unlisted equity securities	49,200	677,919	2,258,272	3,998,760
— Wealth management products . . .	2,472,037	4,273,517	8,825,068	8,450,308
Financial assets measured at				
amortized costs:				
— Trade receivables	136,641	129,045	1,107,440	1,812,648
— Prepayments, other receivables and other current assets (excluding prepaid promotion and advertising fees, recoverable VAT and other tax prepayments, rental prepayments, prepaid bandwidth fee and other prepayments)	35,036	98,403	134,817	143,895
— Other non-current assets	13,642	50,829	44,627	86,448
— Time deposits	—	—	1,380,994	11,244,150
— Restricted cash	251,893	285,274	1,386	5,253
— Cash and cash equivalents	2,688,512	5,370,332	3,996,236	7,703,012
Total	5,646,961	10,885,319	17,826,042	33,540,211

	As of December 31,			As of
	2017	2018	2019	September 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2020
				<i>RMB'000</i>
Liabilities as per balance sheets				
Financial liabilities measured at fair value through profit or loss:				
— Convertible redeemable preferred shares	26,652,555	47,211,431	69,444,163	175,237,831
Financial liabilities measured at amortized cost:				
— Accounts payables	1,802,517	2,025,563	9,055,133	10,913,350
— Other payables and accruals (excluding employee benefit payables, and other taxes payable)	10,439	47,527	1,401,217	2,355,280
— Lease liabilities	870,985	1,390,798	4,625,032	5,816,691
— Borrowings	—	—	—	300,000
Total	29,336,496	50,675,319	84,525,545	194,623,152

20 Financial assets at fair value through profit or loss

	As of December 31,			As of
	2017	2018	2019	September 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2020
				<i>RMB'000</i>
Non-current assets				
Investments in unlisted entities	49,200	677,919	2,258,272	3,998,760
Current assets				
Investments in listed entities				
— Hong Kong listed	—	—	77,202	95,737
Wealth management products	2,472,037	4,273,517	8,825,068	8,450,308
	2,472,037	4,273,517	8,902,270	8,546,045
Total	2,521,237	4,951,436	11,160,542	12,544,805

The Group has invested in several unlisted companies during Track Record Period, the major investments are as following: the Group invested in Zhihu Technology Limited in August 2019 in the form of convertible redeemable preferred shares, invested in Leading Smart Holdings Limited and SHAREit Technology Holdings Inc. in March 2020 and April 2020, respectively, in the form of convertible redeemable preferred shares.

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

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i>
At the beginning of the year/period	2,000	2,521,237	4,951,436	4,951,436	11,160,542
Additions	5,897,411	18,057,645	57,292,418	39,507,618	46,068,073
Disposal	(3,376,458)	(15,789,767)	(51,112,055)	(32,086,139)	(44,961,282)
Change in fair value through profit or loss	49,745	137,457	(14,041)	220,576	465,712
Deemed disposal due to business combination (Note 33)	—	(46,432)	—	—	—
Currency translation differences	(51,461)	71,296	42,784	70,806	(188,240)
At the end of the year/period	2,521,237	4,951,436	11,160,542	12,664,297	12,544,805

21 Trade receivables

The detail information of trade receivables during the Track Record Period is as below:

	As of December 31,			As of
	2017	2018	2019	September 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables from contracts with customers	136,641	129,120	1,112,214	1,835,477
Less: credit loss allowances	—	(75)	(4,774)	(22,829)
	<u>136,641</u>	<u>129,045</u>	<u>1,107,440</u>	<u>1,812,648</u>

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

	As of December 31,			As of
	2017	2018	2019	September 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2020 <i>RMB'000</i>
Up to 3 months	136,641	129,120	1,104,662	1,624,531
3 to 6 months	—	—	7,552	210,946
	<u>136,641</u>	<u>129,120</u>	<u>1,112,214</u>	<u>1,835,477</u>

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

	Year ended December 31,			Nine months ended	
	2017	2018	2019	September 30,	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2019 <i>RMB'000</i>	2020 <i>RMB'000</i>
At the beginning of the year/period	—	—	(75)	(75)	(4,774)
Additional provision	—	(75)	(4,699)	(1,182)	(18,055)
At the end of the year/period	<u>—</u>	<u>(75)</u>	<u>(4,774)</u>	<u>(1,257)</u>	<u>(22,829)</u>

22 Prepayments, other receivables and other current assets

The detail information of prepayments, other receivables and other current assets during the Track Record Period is as below:

Group

	As of December 31,			As of
	2017	2018	2019	September 30,
	RMB'000	RMB'000	RMB'000	2020
Prepaid promotion and advertising fees	32,248	130,023	1,354,825	391,108
Recoverable VAT and other tax prepayments	16,433	405,595	505,219	1,561,430
Deposit	3,469	48,500	66,381	77,335
Loan receivables	—	34,316	34,881	34,051
Interest receivable	561	6,169	13,111	24,815
Rental prepayments	318	5,671	7,986	17,655
Prepaid bandwidth fee	1,641	61,656	2,083	—
Others	37,887	33,985	66,832	90,979
	92,557	725,915	2,051,318	2,197,373
Less: credit loss allowances	—	(965)	(18,564)	(18,326)
	<u>92,557</u>	<u>724,950</u>	<u>2,032,754</u>	<u>2,179,047</u>

Company

	As of December 31,			As of
	2017	2018	2019	September 30,
	RMB'000	RMB'000	RMB'000	2020
Amount due from subsidiaries	1,104,003	5,618,358	9,184,929	23,806,448
Others	3,028	5,725	7,064	20,246
	<u>1,107,031</u>	<u>5,624,083</u>	<u>9,191,993</u>	<u>23,826,694</u>

23 Cash and bank balances

(a) Cash and cash equivalents

Group

	As of December 31,			As of
	2017	2018	2019	September 30,
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank and in hand	2,638,512	3,311,372	2,402,816	7,564,012
Time deposits with initial terms within three months	50,000	2,058,960	1,593,420	139,000
	<u>2,688,512</u>	<u>5,370,332</u>	<u>3,996,236</u>	<u>7,703,012</u>

Cash and cash equivalents are denominated in the following currencies:

	As of December 31,			As of
	2017	2018	2019	September 30,
	RMB'000	RMB'000	RMB'000	RMB'000
RMB	922,976	1,240,197	1,240,372	3,740,784
USD	1,765,536	4,118,078	2,745,018	3,938,066
HKD	—	—	620	7
SGD	—	9,578	7,919	7,083
Others	—	2,479	2,307	17,072
	<u>2,688,512</u>	<u>5,370,332</u>	<u>3,996,236</u>	<u>7,703,012</u>

The weighted average effective interest rates on time deposits of the Group with initial terms within three months as of December 31, 2017, 2018 and 2019 and September 30, 2020 were 1.82%, 3.52%, 2.28% and 2.03%, per annum, respectively.

Company

	As of December 31,			As of September 30,
	2017	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash at bank and in hand	1,672,129	1,624,045	1,080,936	3,533,397
Time deposits with initial terms				
within three months	—	2,058,960	859,538	—
	1,672,129	3,683,005	1,940,474	3,533,397

Cash and cash equivalents are denominated in the following currencies.

	As of December 31,			As of September 30,
	2017	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
USD	1,672,129	3,682,999	1,940,468	3,533,391
RMB	—	6	6	6
	1,672,129	3,683,005	1,940,474	3,533,397

The weighted average effective interest rates on time deposits of the Company with initial terms within three months as of December 31, 2018 and 2019 were 3.52% and 2.25%, per annum, respectively.

(b) Restricted cash

Restricted cash are denominated in the following currencies:

	As of December 31,			As of
	2017	2018	2019	September 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
RMB	—	20,011	479	706
USD	251,893	265,263	907	4,547
	<u>251,893</u>	<u>285,274</u>	<u>1,386</u>	<u>5,253</u>

As of December 31, 2017, USD30.0 million (approximately equivalent to RMB196.0 million) and USD8.6 million (approximately equivalent to RMB55.9 million) were deposited at Silicon Valley Bank into escrow accounts with other parties related to financing activities for certain terms. The security deposit of USD38.6 million (approximately equivalent to RMB264.6 million) which was restricted during the year ended December 31, 2017 was not released as of December 31, 2018. As of December 31, 2019, the restricted cash in escrow accounts at Silicon Valley Bank amounting to USD38.6 million was released as the restriction terms were achieved in the year of 2019.

As of December 31, 2018, RMB20.0 million restricted security deposit were held at bank for issuance of letter of guarantee.

As of September 30, 2020, USD0.7 million (approximately equivalent to RMB4.5 million) was held at bank as a restricted deposit.

*(c) Time deposits**Group*

	As of December 31,			As of
	2017	2018	2019	September 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Time deposits denominated in RMB . .	—	—	110,000	610,000
Time deposits denominated in USD. . .	—	—	1,270,994	10,634,150
	—	—	1,380,994	11,244,150

The interest rates on time deposits of the Group with initial terms over three months as of December 31, 2019 and September 30, 2020 were in the range of 2.30% to 4.18% and 0.57% to 4.18%, per annum, respectively.

Company

	As of December 31,			As of
	2017	2018	2019	September 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Time deposits denominated in USD. . .	—	—	1,270,994	3,541,252

The interest rates on time deposits of the Company with initial terms over three months as of December 31, 2019 and September 30, 2020 were in the range of 2.30% to 2.40% and 0.70% to 2.15%, per annum, respectively.

24 Share capital

Authorized:

	Number of ordinary shares	Nominal value of ordinary shares	Number of Preferred Shares	Nominal value of Preferred Shares
	'000	USD'000	'000	USD'000
At January 1, 2017	7,866,374	42	1,348,754	7
Issuance of Series D-1 Preferred Shares	(407,237)	(2)	407,237	2
Ordinary shares	190,142	1	—	—
At December 31, 2017	7,649,279	41	1,755,991	9
Issuance of Series E Preferred Shares .	(200,121)	(1)	200,121	1
Ordinary shares	28,692	—	—	—
At December 31, 2018	7,477,850	40	1,956,112	10
Issuance of Series E-1 Preferred Shares	(34,306)	—	34,306	—
At December 31, 2019	7,443,544	40	1,990,418	10
Issuance of Series F-1 and F-2 Preferred Shares	(455,300)	(2)	455,300	2
Re-designation of ordinary shares to Preferred Shares	(3,439)	—	3,439	—
At September 30, 2020	<u>6,984,805</u>	<u>38</u>	<u>2,449,157</u>	<u>12</u>

Issued:

	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares
	'000	USD'000	RMB'000
At January 1, 2017 and December 31, 2017, 2018 and 2019	934,111	5	30
Re-designation of ordinary shares to Preferred Shares	(3,439)	—	—
At September 30, 2020	<u>930,672</u>	<u>5</u>	<u>30</u>

On February 6, 2018, the Company has obtained all approvals and consents necessary for the split of every one share of the Company, par value of US\$0.0005 per share, to 94.0527 shares, par value of US\$0.0000053 per share (“**Share Split**”). The foregoing Share Split has been carried out in compliance with all applicable Laws in all respects and has been retroactively reflected through in the Track Record Period.

Under the Secondary Shares Purchase Agreement dated January 18, 2020 (the “**Agreement**”), certain ordinary shareholders of the Company, shall sell a total of 3,438,466 ordinary shares to certain Series F-2 preferred shareholders of the Company. Subject to the terms and conditions of Agreement, each ordinary share to be purchased and sold shall, concurrently with the Closing, be reclassified and designated into one (1) Series F-2 Preferred Shares. The re-designation of ordinary shares to Preferred Shares was accounted for as deemed repurchase of ordinary shares and deemed issuance of Series F-2 Preferred Shares. The fair value difference between ordinary shares and Preferred Shares mentioned above was recognized as expenses.

Key terms of the issued Preferred Shares have been set out in Note 32.

25 Other reserves

The following table shows a breakdown of the balance sheet line item ‘other reserves’ and the movements in these reserves during the year/period. A description of the nature and purpose of each reserve is provided below the table.

Group

	Capital reserve	Share-based compensation	Currency translation differences <i>(Note a)</i>	Statutory surplus reserve <i>(Note b)</i>	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As of January 1, 2017	(7,247)	170,624	(302,039)	416	(24,463)	(162,709)
Share-based compensation . .	—	296,535	—	—	—	296,535
Currency translation differences	—	—	881,907	—	—	881,907
Fair value change on convertible redeemable preferred shares due to own credit risk	—	—	—	—	(58,351)	(58,351)
Appropriations to statutory reserves	—	—	—	59,438	—	59,438

	Capital reserve	Share-based compensation	Currency translation differences (Note a)	Statutory surplus reserve (Note b)	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of December 31, 2017.	(7,247)	467,159	579,868	59,854	(82,814)	1,016,820
Share-based compensation	—	701,601	—	—	—	701,601
Currency translation differences	—	—	(1,796,151)	—	—	(1,796,151)
Fair value change on convertible redeemable preferred shares due to own credit risk	—	—	—	—	4,838	4,838
Appropriations to statutory reserves	—	—	—	44,495	—	44,495
As of December 31, 2018.	(7,247)	1,168,760	(1,216,283)	104,349	(77,976)	(28,397)
Share-based compensation	—	742,303	—	—	—	742,303
Currency translation differences	—	—	(910,997)	—	—	(910,997)
Net exercise of share options (Note c)	(186,988)	—	—	—	—	(186,988)
Fair value change on convertible redeemable preferred shares due to own credit risk	—	—	—	—	(17,338)	(17,338)
Appropriations to statutory reserves	—	—	—	80,136	—	80,136
As of December 31, 2019.	<u>(194,235)</u>	<u>1,911,063</u>	<u>(2,127,280)</u>	<u>184,485</u>	<u>(95,314)</u>	<u>(321,281)</u>

	Capital reserve	Share-based compensation	Currency translation differences <i>(Note a)</i>	Statutory surplus reserve <i>(Note b)</i>	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
(Unaudited)						
As of January 1, 2019	(7,247)	1,168,760	(1,216,283)	104,349	(77,976)	(28,397)
Share-based compensation . .	—	564,039	—	—	—	564,039
Currency translation differences	—	—	(1,348,464)	—	—	(1,348,464)
Fair value change on convertible redeemable preferred shares due to own credit risk	—	—	—	—	(10,186)	(10,186)
As of September 30, 2019 .	<u>(7,247)</u>	<u>1,732,799</u>	<u>(2,564,747)</u>	<u>104,349</u>	<u>(88,162)</u>	<u>(823,008)</u>
As of January 1, 2020	(194,235)	1,911,063	(2,127,280)	184,485	(95,314)	(321,281)
Share-based compensation . .	—	933,102	—	—	—	933,102
Currency translation differences	—	—	3,948,658	—	—	3,948,658
Fair value change on convertible redeemable preferred shares due to own credit risk	—	—	—	—	(903)	(903)
Re-designation of ordinary shares to Preferred Shares <i>(Note 24)</i>	(121,731)	—	—	—	—	(121,731)
As of September 30, 2020 .	<u>(315,966)</u>	<u>2,844,165</u>	<u>1,821,378</u>	<u>184,485</u>	<u>(96,217)</u>	<u>4,437,845</u>

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

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

In addition, in accordance with the Law of the PRC on Enterprises with Foreign Investments and the stipulated provisions of the articles of association of wholly foreign-owned subsidiaries in the PRC, appropriation from net profits (after offsetting accumulated losses brought forward from prior years) should be made by these companies to their respective reserve fund. The percentage of net profit to be appropriated to the reserve fund is not less than 10% of the net profit. When the balance of the reserve fund reaches 50% of the registered capital, no need to make such transfer further. With approvals obtained from respective boards of directors of these companies, the reserve fund can be used to offset accumulated deficit or to increase capital.

Company

	Capital reserve	Share-based compensation	Currency translation differences	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As of January 1, 2017	(7,247)	170,624	(587,500)	(24,463)	(448,586)
Share-based compensation	—	296,535	—	—	296,535
Currency translation differences	—	—	1,322,633	—	1,322,633
Fair value change on convertible redeemable preferred shares due to own credit risk	—	—	—	(58,351)	(58,351)
As of December 31, 2017	(7,247)	467,159	735,133	(82,814)	1,112,231
Share-based compensation	—	701,601	—	—	701,601
Currency translation differences	—	—	(1,708,857)	—	(1,708,857)
Fair value change on convertible redeemable preferred shares due to own credit risk	—	—	—	4,838	4,838
As of December 31, 2018	(7,247)	1,168,760	(973,724)	(77,976)	109,813
Share-based compensation	—	742,303	—	—	742,303
Currency translation differences	—	—	(828,082)	—	(828,082)
Fair value change on convertible redeemable preferred shares due to own credit risk	—	—	—	(17,338)	(17,338)
Net exercise of share options (Note c)	(186,988)	—	—	—	(186,988)
As of December 31, 2019	<u>(194,235)</u>	<u>1,911,063</u>	<u>(1,801,806)</u>	<u>(95,314)</u>	<u>(180,292)</u>

	Capital reserve	Share-based compensation	Currency translation differences	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
(Unaudited)					
As of January 1, 2019	(7,247)	1,168,760	(973,724)	(77,976)	109,813
Share-based compensation	—	564,039	—	—	564,039
Currency translation differences	—	—	(1,185,842)	—	(1,185,842)
Fair value change on convertible redeemable preferred shares due to own credit risk	—	—	—	(10,186)	(10,186)
As of September 30, 2019	<u>(7,247)</u>	<u>1,732,799</u>	<u>(2,159,566)</u>	<u>(88,162)</u>	<u>(522,176)</u>
As of January 1, 2020	(194,235)	1,911,063	(1,801,806)	(95,314)	(180,292)
Share-based compensation	—	933,102	—	—	933,102
Currency translation differences	—	—	3,642,134	—	3,642,134
Fair value change on convertible redeemable preferred shares due to own credit risk	—	—	—	(903)	(903)
Re-designation of ordinary shares to Preferred Shares (Note 24)	(121,731)	—	—	—	(121,731)
As of September 30, 2020	<u>(315,966)</u>	<u>2,844,165</u>	<u>1,840,328</u>	<u>(96,217)</u>	<u>4,272,310</u>

Note c: 273,955,853 shares issuable upon listing were issued from such net exercise of options, which allowed employees to use shares issuable to settle exercise price and individual income tax liabilities.

26 Dividends

No dividends have been paid or declared by the Company during each of the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020.

27 Share-based compensation

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

Share options granted to employee

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

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

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

	Number of share options	Weighted average exercise price per share option
		<i>USD</i>
Outstanding as of January 1, 2017	242,250,665	0.02
Granted during the year.	169,443,079	0.04
Forfeited during the year.	(312,045)	0.04
Outstanding as of December 31, 2017.....	<u>411,381,699</u>	<u>0.03</u>
Exercisable as of December 31, 2017	—	—
Outstanding as of January 1, 2018	411,381,699	0.03
Granted during the year.	64,604,067	0.04
Forfeited during the year.	(23,967,262)	0.04
Outstanding as of December 31, 2018.....	<u>452,018,504</u>	<u>0.03</u>
Exercisable as of December 31, 2018	—	—
Outstanding as of January 1, 2019	452,018,504	0.03
Granted during the year.	38,633,407	0.71
Forfeited during the year.	(9,206,519)	0.04
Net exercise of share options*	<u>(279,082,616)</u>	<u>0.03</u>
Outstanding as of December 31, 2019.....	<u>202,362,776</u>	<u>0.16</u>
Exercisable as of December 31, 2019	—	—
(Unaudited)		
Outstanding as of January 1, 2019	452,018,504	0.03
Granted during the period	28,492,880	0.88
Forfeited during the period	(6,900,971)	0.04
Outstanding as of September 30, 2019	<u>473,610,413</u>	<u>0.08</u>
Exercisable as of September 30, 2019.....	—	—
Outstanding as of January 1, 2020	202,362,776	0.16
Granted during the period	59,505,605	0.17
Forfeited during the period	(12,833,104)	0.54
Outstanding as of September 30, 2020	<u>249,035,277</u>	<u>0.14</u>
Exercisable as of September 30, 2020.....	—	—

* For details of net exercise of share options, please refer to Note 25.

The weighted-average remaining contract life for outstanding share options was 8.27 years, 7.50 years, 7.82 years, 6.91 years and 7.64 years as of December 31, 2017, 2018 and 2019 and September 30, 2019 and 2020, respectively.

Fair value of share options

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

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

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
				(Unaudited)	
Fair value per share (USD)	0.37–1.98	1.98–2.88	2.88–4.52	2.88–3.20	4.52–9.68
Exercise price (USD)	0.04	0.04	0.04–4.97	0.04–3.72	0.04–4.97
Risk-free interest rates	2.31%–2.51%	2.40%–3.05%	1.68%–2.69%	1.68%–2.69%	0.65%–1.92%
Dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%
Expected volatility	55.14%–57.59%	54.95%–56.63%	55.20%–57.83%	55.20%–57.83%	57.05%–58.77%
Expected terms	10 years	10 years	10 years	10 years	10 years

The weighted-average fair value of granted share options was US\$0.85, US\$2.72, US\$3.02, US\$2.67 and US\$7.79 per share for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020, respectively.

28 Accounts payables

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

	As of December 31,			As of
	2017	2018	2019	September 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Up to 3 months	1,536,489	1,509,058	7,014,917	7,979,085
3 to 6 months	120,277	175,436	803,711	2,139,156
6 months to 1 year	103,968	121,899	717,250	676,903
Over 1 year	41,783	219,170	519,255	118,206
	<u>1,802,517</u>	<u>2,025,563</u>	<u>9,055,133</u>	<u>10,913,350</u>

29 Other payables and accruals

The breakdown of other payables and accruals are as follows:

	As of December 31,			As of
	2017	2018	2019	September 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Employee benefit payables	150,914	540,525	1,066,601	1,270,519
Refundable deposits from customers . .	3,100	6,403	495,611	1,375,732
Collection on behalf of others	—	1,356	847,064	917,916
Other taxes payable	109,971	256,567	559,750	466,940
Others	7,339	39,768	58,542	61,632
	<u>271,324</u>	<u>844,619</u>	<u>3,027,568</u>	<u>4,092,739</u>

30 Advances from customers

The breakdown of advances from customers are as follows:

	As of December 31,			As of
	2017	2018	2019	September 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2020
Advances from live streaming				
customers	132,498	318,783	1,009,519	1,622,722
Advances from online marketing				
services customers	57,441	151,560	499,093	1,394,859
Others	135	5,210	20,996	13,577
	<u>190,074</u>	<u>475,553</u>	<u>1,529,608</u>	<u>3,031,158</u>

The above mentioned advances from customers represented the contract liability in connection with the advances for the purchase of virtual items and advanced cash receipt for services including online marketing services and others. Revenue recognized from the advances from customers balance as of January 1, 2017, 2018, 2019 and 2020 in each year of 2017, 2018, 2019 and the nine months of 2019 and 2020 was RMB29.9 million, RMB176.8 million, RMB410.8 million, RMB410.8 million and RMB1.4 billion, respectively.

31 Deferred income tax

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

	As of December 31,			As of
	2017	2018	2019	September 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2020
				<i>RMB'000</i>
Deferred tax assets:				
To be recovered after 12 months	942	3,840	56,111	452,213
To be recovered within 12 months . . .	6,869	161,709	821,120	1,729,702
	<u>7,811</u>	<u>165,549</u>	<u>877,231</u>	<u>2,181,915</u>
Deferred tax liabilities:				
To be recovered after 12 months	—	36,854	48,619	58,530
To be recovered within 12 months . . .	—	4,660	5,927	5,153
	<u>—</u>	<u>41,514</u>	<u>54,546</u>	<u>63,683</u>
Offsetting amounts	<u>—</u>	<u>3,629</u>	<u>17,046</u>	<u>30,094</u>
Deferred tax assets after offsetting . .	<u>7,811</u>	<u>161,920</u>	<u>860,185</u>	<u>2,151,821</u>
Deferred tax liabilities after				
offsetting	<u>—</u>	<u>37,885</u>	<u>37,500</u>	<u>33,589</u>

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

	Year ended December 31,			Nine months ended	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the					
year/period	—	7,811	165,549	165,549	877,231
Credited to the consolidated					
income statements	7,811	157,738	711,682	380,191	1,304,684
At the end of the year/period . .	<u>7,811</u>	<u>165,549</u>	<u>877,231</u>	<u>545,740</u>	<u>2,181,915</u>

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

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)	
At the beginning of the year/period	—	—	41,514	41,514	54,546
Business combination	—	40,123	3,843	—	—
Debited to the consolidated income statements	—	1,391	9,189	2,513	9,137
At the end of the year/period	<u>—</u>	<u>41,514</u>	<u>54,546</u>	<u>44,027</u>	<u>63,683</u>

Deferred tax assets:

	Provisions	Tax losses	Fair value changes of financial assets	Credit loss allowance	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1, 2017	—	—	—	—	—	—
Credited to consolidated income statements	6,869	—	—	—	942	7,811
At December 31, 2017	6,869	—	—	—	942	7,811
Credited to consolidated income statements	154,823	—	—	17	2,898	157,738
At December 31, 2018	161,692	—	—	17	3,840	165,549
Credited to consolidated income statements	656,404	—	44,222	3,007	8,049	711,682
At December 31, 2019	<u>818,096</u>	<u>—</u>	<u>44,222</u>	<u>3,024</u>	<u>11,889</u>	<u>877,231</u>
(Unaudited)						
At January 1, 2019	161,692	—	—	17	3,840	165,549
Credited to consolidated income statements	372,804	—	1,117	568	5,702	380,191
At September 30, 2019	<u>534,496</u>	<u>—</u>	<u>1,117</u>	<u>585</u>	<u>9,542</u>	<u>545,740</u>
At January 1, 2020	818,096	—	44,222	3,024	11,889	877,231
Credited to consolidated income statements	904,268	380,197	5,466	4,612	10,141	1,304,684
At September 30, 2020	<u>1,722,364</u>	<u>380,197</u>	<u>49,688</u>	<u>7,636</u>	<u>22,030</u>	<u>2,181,915</u>

The unrecognized deferred tax assets for tax losses as of December 31, 2017, 2018, 2019 and September 30, 2020 are as the table below:

	As of December 31,			As of
	2017	2018	2019	September 30,
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Deductible cumulative tax losses				
— To be carried forward indefinitely	62,882	424,695	818,025	2,738,292
— To be expired within following years*	8,229	402,725	558,200	885,073
	<u>71,111</u>	<u>827,420</u>	<u>1,376,225</u>	<u>3,623,365</u>
Unrecognized deferred tax assets:	<u>12,747</u>	<u>173,219</u>	<u>335,362</u>	<u>716,430</u>

Note:* As of December 31, 2017, 2018, 2019 and September 30, 2020, the deductible cumulative tax losses will expire within 5 years, 10 years, 10 years and 10 years, respectively.

Deferred tax liabilities:

	Fair value changes of financial assets	Business combination	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2017	—	—	—	—
Debited to consolidated income statements	—	—	—	—
At December 31, 2017	—	—	—	—
Business combination	—	40,123	—	40,123
Debited/(credited) to consolidated income statements	3,629	(2,238)	—	1,391
At December 31, 2018	3,629	37,885	—	41,514
Business combination	—	3,843	—	3,843
Debited/(credited) to consolidated income statements	13,389	(4,821)	621	9,189
At December 31, 2019	<u>17,018</u>	<u>36,907</u>	<u>621</u>	<u>54,546</u>
(Unaudited)				
At January 1, 2019	3,629	37,885	—	41,514
Debited/(credited) to consolidated income statements	5,993	(3,495)	15	2,513
At September 30, 2019	<u>9,622</u>	<u>34,390</u>	<u>15</u>	<u>44,027</u>
At January 1, 2020	17,018	36,907	621	54,546
Debited/(credited) to consolidated income statements	12,952	(3,979)	164	9,137
At September 30, 2020	<u>29,970</u>	<u>32,928</u>	<u>785</u>	<u>63,683</u>

32 Convertible redeemable preferred shares

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

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

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

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

(a) Dividends rights

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

preferred shareholders, Series D preferred shareholders, Series C-1 preferred shareholders, Series C preferred shareholders, Series B-1 preferred shareholders, Series B preferred shareholders, Series A preferred shareholders, ordinary shareholders.

(b) Conversion feature

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

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

(c) Redemption feature

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

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

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

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

(d) Liquidation preferences

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

Each holder of Preferred Shares shall be entitled to receive for each Preferred Share held, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of previous Preferred Shares and ordinary shares or any other class or series of shares by reason of their ownership of such shares, the amount equal to one hundred percent (100%) of the applicable preferred issue price, plus all accrued or declared but unpaid dividends on such

Preferred Share. If the assets and funds available for distribution shall be insufficient to permit the payment to such holders of the full preferred preference amount, the liquidation preference amount will be paid to the preferred shareholders in the following order: first to holders of Series F-1 and Series F-2 Preferred Shares, second to holders of Series E-1 Preferred Shares, third to holders of Series E Preferred Shares, fourth to Series D-1 Preferred Shares, fifth to Series D Preferred Shares, sixth to Series C-1 Preferred Shares, seventh to Series C Preferred Shares, eighth to Series B-1 Preferred Shares, ninth to Series B Preferred Shares and lastly to holders of series A Preferred Shares.

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

The movements of the convertible redeemable preferred shares are set out as below:

	<i>RMB'000</i>
At January 1, 2017	4,724,587
Issuance of Series D-1 Preferred Shares	2,419,863
Change in fair value	20,580,727
Includes: change in fair value due to own credit risk.	58,351
Currency translation differences	(1,072,622)
At December 31, 2017	<u>26,652,555</u>
Total unrealized gains and change in fair value for the year included in "Fair value changes of convertible redeemable preferred shares"	20,522,376
At January 1, 2018	26,652,555
Issuance of Series E Preferred Shares	6,300,116
Change in fair value	11,927,677
Includes: change in fair value due to own credit risk.	(4,838)
Currency translation differences	2,331,083
At December 31, 2018	<u>47,211,431</u>
Total unrealized gains and change in fair value for the year included in "Fair value changes of convertible redeemable preferred shares"	11,932,515
At January 1, 2019	47,211,431
Issuance of Series E-1 Preferred Shares	1,273,032
Change in fair value	19,960,452
Includes: change in fair value due to own credit risk.	17,338
Currency translation differences	999,248
At December 31, 2019	<u>69,444,163</u>
Total unrealized gains and change in fair value for the year included in "Fair value changes of convertible redeemable preferred shares"	19,943,114

	<i>RMB'000</i>
(Unaudited)	
At January 1, 2019	47,211,431
Issuance of Series E-1 Preferred Shares	1,273,032
Change in fair value	2,900,276
Includes: change in fair value due to own credit risk.	10,186
Currency translation differences	1,535,472
At September 30, 2019	<u>52,920,211</u>
Total unrealized gains and change in fair value for the period included in “Fair value changes of convertible redeemable preferred shares”	2,890,090
At January 1, 2020	69,444,163
Issuance of Series F-1 & F-2 Preferred Shares	20,956,542
Re-designation of Series F Preferred Shares from ordinary shares (<i>Note 24</i>)	163,809
Change in fair value	89,150,959
Includes: change in fair value due to own credit risk.	903
Currency translation differences	(4,477,642)
At September 30, 2020	<u>175,237,831</u>
Total unrealized gains and change in fair value for the period included in “Fair value changes of convertible redeemable preferred shares”	<u>89,150,056</u>

As of September 30, 2020, the balance of Series A, B, B-1, C, C-1, D, D-1 Preference Shares amounting to RMB122.8 billion were reclassified as current liability in view of their redemption commencement date were within one year from September 30, 2020.

The Group applied the discount cash flow method to determine the underlying equity value of the Company and adopted equity allocation model to determine the fair value of the convertible redeemable preferred shares. Key assumptions are set as below:

	As of December 31,			As of September 30,	
	2017	2018	2019	2019	2020
				(Unaudited)	
Discount rate	24.00%	22.00%	19.00%	20.00%	17.00%
Risk-free interest rate . .	1.90%	2.48%	1.59%	1.71%	0.10%
DLOM	10.00%	10.00%	5.00%	7.50%	5.00%
Volatility	49.92%	50.97%	48.69%	55.88%	54.79%

Discount rate (post-tax) was estimated by weighted average cost of capital as at each valuation date. The directors estimated the risk-free interest rate based on the yield of US Government Bond with maturity life close to the QIPO timing as of valuation date. The DLOM was estimated based on the option-pricing method. Under option-pricing method, the cost of put

option, which can hedge the price change before the privately held share can be sold, was considered as a basis to determine the lack of marketability discount. Volatility was estimated based on annualized standard deviation of the daily return embedded in historical stock prices of comparable companies with a time horizon close to the expected term. Probability weight among redemption, liquidation and IPO scenarios was based on the Company's best estimates. In addition to the assumptions adopted above, the Company's projections of future performance were also factored into the determination of the fair value of Preferred Shares on each valuation date.

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

33 Business combination

(a) Acquisition of Company X

Company X is a company that develops and provides web-based technologies that allows multi person creating, editing and storing documents online.

In May 2017, the Group signed an agreement to invest USD3.2 million into Company X, to acquire 20% of the equity interest of Company X with certain preferential rights. It was recorded as financial assets at fair value through profit or loss. In April 2018, the Group made a loan of USD23.3 million to the founders of Company X, who were obligated to use the loans to repurchase the equity interests from other shareholders of Company X. In September 2018, the Group signed a share purchase agreement to acquire all equity interests held by founders of Company X with cash consideration of USD3.9 million and waive repayment of the USD23.3 million loan to the founders. Upon the completion of transaction, the Group obtained 100% equity interests and has controlled over Company X since then. The fair value of the previously held equity interest immediately before the acquisition date was remeasured and a remeasurement gain of approximately RMB24.3 million was presented in the "Other gains/(losses), net" of the consolidated income statements.

The following table summarizes the total purchase consideration for acquiring Company X, the fair value of assets acquired, liabilities assumed at the acquisition date:

	September 1, 2018
	<i>RMB'000</i>
Consideration	
Purchase consideration	185,380
Fair value of the acquirer's previously held equity interest	46,432
Total purchase consideration	231,812
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	33,890
Prepayments, other receivables and other current assets	5,710
Intangible assets	13,290
Other payables and accruals	(7)
Deferred tax liabilities	(3,323)
Total identifiable net assets	49,560
Goodwill	182,252
	231,812
	September 1, 2018
	<i>RMB'000</i>
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	185,380
Less: Cash and cash equivalents acquired	(33,890)
Net outflow of cash — investing activities	151,490

(b) Acquisition of Company Y

Company Y provides high-quality anime and comics contents for users through its website and mobile application.

In May 2018, the Group entered into a series of agreements with Company Y and its shareholders to purchase 100% of the equity interests of Company Y, with total consideration of RMB342.3 million.

The following table summarizes the consideration paid for Company Y, the fair value of assets acquired, liabilities assumed at the acquisition date:

	June 1, 2018
	<i>RMB'000</i>
Consideration	
Purchase consideration settled in cash	342,345
Total consideration paid by the Company	<u>342,345</u>
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	8,735
Prepayments, other receivables and other current assets	15,157
Property and equipment	1,213
Intangible assets (<i>Note a</i>)	156,569
Accounts payables	(21,992)
Other payables and accruals	(411,431)
Advances from customers	(2,916)
Deferred tax liabilities	<u>(36,800)</u>
Total identifiable net assets	(291,465)
Goodwill	<u>633,810</u>
	<u><u>342,345</u></u>

Note a: The intangible assets acquired mainly contains licences, copyrights, customer relationships and non-compete agreements. For the method of valuation of purchase price allocation, refer to Note 4.5.

Goodwill arising from this acquisition was attributable to the synergies expected from incorporated operations of Company Y and its young generation users.

	June 1, 2018
	<i>RMB'000</i>
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	342,345
Less: Cash and cash equivalents acquired	<u>(8,735)</u>
Net outflow of cash — investing activities	<u><u>333,610</u></u>

(c) Other acquisition

In October 2019, the Group completed another business acquisition of a company which develops 3D video technologies with total consideration of RMB32.4 million, acquired 100% interest in the company with net assets of RMB11.5 million, recognized goodwill and intangible assets of RMB20.9 million and RMB15.3 million, respectively.

(d) Other information

The acquisition-related costs were not significant and had been charged to administrative expenses in the consolidated income statements for the years ended December 31, 2018 and 2019.

The post-acquisition revenue and net loss contributed by the acquired businesses above were not material to the Group during the Track Record Period.

34 Cash flow information*(a) Cash generated from/(used in) operations*

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Loss before income tax	(19,940,501)	(12,401,064)	(19,265,467)	(1,220,502)	(98,119,055)
Adjustments for:					
Depreciation of property and equipment	84,186	828,980	1,405,313	906,771	2,174,192
Depreciation of right-of-use assets	24,085	325,831	692,228	418,679	1,157,218
Amortization of intangible assets	7,229	24,774	62,842	41,997	90,569
Credit loss allowances on financial assets	—	1,040	22,298	14,160	17,817
Share-based compensation expenses	296,535	701,601	742,303	564,039	977,087
(Gains)/losses on disposal of property, equipment and intangible assets	—	(49)	60	60	568
Fair value change of convertible redeemable preferred shares . . .	20,522,376	11,932,515	19,943,114	2,890,090	89,150,056

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i>
Fair value (gains)/losses on financial assets at fair value through profit or loss.	(49,745)	(133,457)	14,041	(220,576)	(465,712)
Finance (expense)/income, net . .	42,905	53,971	97,720	57,905	120,826
Net foreign exchange losses/(gains).	6,061	(1,161)	(10)	378	(45,551)
Changes in working capital: (Increase)/decrease in trade receivables.	(118,741)	7,521	(983,094)	(365,240)	(723,263)
(Increase)/decrease in prepayments, other receivables and other current assets.	(44,147)	(612,497)	(1,312,600)	(209,758)	1,809
(Increase)/decrease in restricted cash	—	(20,698)	19,312	19,541	(3,867)
Increase in accounts payables .	1,019,407	745,886	4,207,304	1,791,540	3,007,203
Increase in advances from customers.	155,071	282,563	1,054,055	897,976	1,501,550
Increase in other payables and accruals	71,034	161,857	2,182,949	923,943	1,065,171
Cash generated from/(used in) operations	<u>2,075,755</u>	<u>1,897,613</u>	<u>8,882,368</u>	<u>6,511,003</u>	<u>(93,382)</u>

(b) Non-cash investing and financing activities

Non-cash transactions are about the changes in accounts payable related to property and equipment and intangible assets addition described in Note 15 and Note 17, the addition of right-of-use assets and lease liabilities described in Note 16 and the re-designation of ordinary shares to Preferred Shares and issuance of Series E-1 Preferred Shares described in Note 24. Excluding these, there were no other material non-cash investing and financing transactions for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020.

(c) Reconciliation of liabilities generated from financing activities

	Liabilities from financing activities			
	Convertible redeemable preferred shares	Lease liabilities	Borrowings	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities from financing activities as of January 1, 2017	4,724,587	—	—	4,724,587
Cash flows	2,419,863	(25,304)	—	2,394,559
Fair value changes of convertible redeemable preferred shares	20,580,727	—	—	20,580,727
Foreign exchange adjustments	(1,072,622)	—	—	(1,072,622)
Leases	—	896,289	—	896,289
Liabilities from financing activities as of December 31, 2017	<u>26,652,555</u>	<u>870,985</u>	<u>—</u>	<u>27,523,540</u>
Cash flows	6,300,116	(265,758)	—	6,034,358
Fair value changes of convertible redeemable preferred shares	11,927,677	—	—	11,927,677
Foreign exchange adjustments	2,331,083	—	—	2,331,083
Leases	—	785,571	—	785,571
Liabilities from financing activities as of December 31, 2018	<u>47,211,431</u>	<u>1,390,798</u>	<u>—</u>	<u>48,602,229</u>
Cash flows	1,273,032	(641,716)	—	631,316
Fair value changes of convertible redeemable preferred shares	19,960,452	—	—	19,960,452
Foreign exchange adjustments	999,248	—	—	999,248
Leases	—	3,875,950	—	3,875,950
Liabilities from financing activities as of December 31, 2019	<u>69,444,163</u>	<u>4,625,032</u>	<u>—</u>	<u>74,069,195</u>
(Unaudited)				
Liabilities from financing activities as of December 31, 2018	47,211,431	1,390,798	—	48,602,229
Cash flows	—	(406,097)	—	(406,097)
Issuance of Series E-1 Preferred Shares	1,273,032	—	—	1,273,032
Fair value changes of convertible redeemable preferred shares	2,900,276	—	—	2,900,276
Foreign exchange adjustments	1,535,472	—	—	1,535,472
Leases	—	1,739,689	—	1,739,689
Liabilities from financing activities as of September 30, 2019	<u>52,920,211</u>	<u>2,724,390</u>	<u>—</u>	<u>55,644,601</u>

	Liabilities from financing activities			
	Convertible redeemable preferred shares	Lease liabilities	Borrowings	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Liabilities from financing activities as of December 31, 2019	69,444,163	4,625,032	—	74,069,195
Cash flows	20,956,542	(1,169,302)	300,000	20,087,240
Re-designation of Series F Preferred Shares from ordinary shares.	163,809	—	—	163,809
Fair value changes of convertible redeemable preferred shares.	89,150,959	—	—	89,150,959
Foreign exchange adjustments.	(4,477,642)	—	—	(4,477,642)
Leases.	—	2,360,961	—	2,360,961
Liabilities from financing activities as of September 30, 2020	<u>175,237,831</u>	<u>5,816,691</u>	<u>300,000</u>	<u>181,354,522</u>

35 Commitments

(a) Capital commitments

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

	As of December 31,			As of
	2017	2018	2019	September 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Intangible assets	—	—	15,057	7,747
Property and equipment.	95,376	25,553	12,571	314,751
Investment.	—	—	—	55,456
	<u>95,376</u>	<u>25,553</u>	<u>27,628</u>	<u>377,954</u>

(b) Short-term lease commitments

The Group's future aggregate minimum lease payments under non-cancellable short-term leases are as follows, all leases with contract terms over one year have been recorded in lease liabilities and right-of-use assets:

	As of December 31,			As of
	2017	2018	2019	September 30,
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Less than 1 year	40,264	23,180	34,137	36,045

36 Related party transactions

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

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

(a) Names and relationships with related parties

The following companies are significant related parties of the Group that had transactions and/or balances with the Group during the Track Record Period.

Company	Relationship
Tencent Holdings Limited and its subsidiaries (the "Tencent Group")	One of the Company's shareholders
Hangzhou Mockuai Technology Co., Ltd.	Investee of the Group
Zhihu Technology Limited.	Investee of the Group

(b) Significant transactions with related parties

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)	
<u>(i) Sales of services</u>					
Investee of the Group	—	—	113,528	35,017	177,316
One of the Company's shareholders	—	—	178,523	21,586	303,662
	—	—	292,051	56,603	480,978

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)	
<u>(ii) Purchases of services</u>					
Investees of the Group	—	103	64	64	369
One of the Company's shareholders	278,672	821,556	1,072,869	742,471	1,596,128
	278,672	821,659	1,072,933	742,535	1,596,497

(c) Balances with related parties

	As of December 31,			As of September 30,
	2017	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<u>(i) Prepayments and other receivables from related parties</u>				
One of the Company's shareholders . .	502	5,043	9,971	7,833

	As of December 31,			As of
	2017	2018	2019	September 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2020
<u>(ii) Trade receivables from related parties</u>				<i>RMB'000</i>
Investee of the Group	—	—	59,536	40,588
One of the Company's shareholders . .	—	—	137,352	44,138
	—	—	196,888	84,726

	As of December 31,			As of
	2017	2018	2019	September 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2020
<u>(iii) Other payables to related parties</u>				<i>RMB'000</i>
Investee of the Group	—	128	424	4,328

	As of December 31,			As of
	2017	2018	2019	September 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2020
<u>(iv) Accounts payables to related parties</u>				<i>RMB'000</i>
One of the Company's shareholders . .	155,384	147,006	338,829	618,630

All the balances with related parties above were business operation related and were considered as trade in nature during Track Record Period. All the balances with the related parties above were unsecured, non-interest bearing and repayable on demand.

(d) Key management personnel compensation

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)	
Wages, Salaries and bonuses	10,292	13,934	17,118	12,824	13,475
Share-based compensation expenses	95,724	39,371	16,711	13,983	30,488
Other social security costs, housing benefits and other employee benefits	427	468	468	352	290
	<u>106,443</u>	<u>53,773</u>	<u>34,297</u>	<u>27,159</u>	<u>44,253</u>

37 Contingencies

As of December 31, 2017, 2018, 2019 and September 30, 2020, the Group did not have any material contingent liabilities.

38 Subsequent events

In August 2020, the Group entered into a share purchase agreement to acquire 100% equity interests in a company at a preliminary consideration of RMB850 million in cash. The company to be acquired is engaged in online payment service in the PRC. As of the date of this report, the acquisition has not yet been completed.

In October 2020, the Company and preferred shareholders entered into agreements to modify the redemption commencement date to April 30, 2022. According to the modification, all convertible redeemable preferred shares would be presented as non-current liabilities after October 2020. The fair value changes attributable to the modification would be recognized in profit or loss.

In the fourth quarter of 2020, 46,535,418 underlying shares represented by share options have been granted to certain employees of the Group under Pre-IPO ESOP Plan, the related terms of these share options are similar to the existing share options, share-based compensation expenses in respect of the employee services received is to be recognized as an expense over the vesting period. The total amount to be expensed is determined by the fair value of the share options granted at the grant date and taking into account the number of share options that are expected to be vested.

The Group entered into a framework agreement with Beijing Shounong Information Industrial Investment Co., Ltd. (“**Beijing Shounong**”) on January 15, 2021, pursuant to which the Group, through Beijing Kuaishou, agreed to purchase certain properties with a total gross floor area of approximately 114.2 thousand square meters at a total consideration (tax inclusive) of approximately RMB2.8 billion and to lease certain properties with a total gross floor area of approximately 119.5 thousand square meters and relevant parking spaces for a total rental fee of approximately RMB22.8 million per month for the first three years, subject to certain conditions and the final terms in the property purchase contract and lease agreement to be entered into. These properties will mainly be used as offices.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to September 30, 2020 and up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to September 30, 2020.

APPENDIX II

REPRODUCTION OF THE PRESS RELEASE DATED 10 FEBRUARY 2021 CONTAINING THE GUARANTOR'S CONSOLIDATED FINANCIAL RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2020

The information set out below is a reproduction of the press release dated 10 February 2021 containing the Guarantor's consolidated financial results for the fourth quarter ended 31 December 2020.

RESULTS AT DECEMBER 31ST 2020

Press release

Paris, February 10th 2021

Q4 20: CONFIRMATION OF THE IMPROVEMENT OF THE COMMERCIAL AND FINANCIAL PERFORMANCES

Resilience of revenues in an environment still marked by the crisis (+1.6%* vs. Q3 20, -2.3%* vs. Q4 19)

Continued discipline in cost management (-3.0%^{(1)*} vs. Q4 19) with a positive jaws effect

Cost of risk at 54 basis points resulting from the very good performance of the loan portfolio while including prudent provisioning

Underlying Group net income of EUR 631m (EUR 470m on a reported basis)

2020: RESPONSIBLE MANAGEMENT OF THE CRISIS, RESILIENCE OF THE BUSINESSES AND SOLIDITY OF THE BALANCE SHEET

Ongoing support for customers, exceptional mobilisation of employees

Underlying Group net income of EUR 1.4bn (reported result EUR -258m)

Underlying operating expenses of EUR 16.5bn⁽¹⁾ (-5.2%⁽¹⁾ vs. 2019)

Cost of risk contained at 64 basis points (including EUR 1.4bn of provisioning on performing loans, i.e. 41% of the total)

Disciplined capital management: CET1 ratio at 13.4%⁽²⁾, around 440 basis points above the regulatory requirement)

Payment of a cash dividend calculated in accordance with the maximum authorised by the European Central Bank (ECB) recommendation: EUR 0.55 per share

Share buy-back programme, in Q4 21, for an amount equivalent to the amount assigned to the dividend payment (around EUR 470m, i.e. an impact of around 13 basis points on the Group's CET1 ratio), subject to the non-renewal of the ECB's recommendation and the authorisation for its implementation

2021 PRIORITY: DISCIPLINED EXECUTION OF THE STRATEGIC ROADMAP

First year of preparation of the **merger of the Societe Generale and Crédit du Nord networks**

Finalisation of the repositioning of **Global Markets**

Ramping up of **growth drivers**

Further development of **Corporate Social Responsibility** dynamics

Increased operational efficiency efforts mainly through the **digitalisation of processes**

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

"The Q4 results provide further confirmation of the rebound in our businesses observed in Q3 after a beginning of the year marked by the impacts of the COVID crisis. Confident in the quality of our franchises and our balance sheet, drawing on the exceptional commitment of our teams, in H2 we defined ambitious and value-creating strategic trajectories for our businesses, demonstrating our ability to adapt and transform in a durably more uncertain environment. We are therefore entering 2021 with confidence and determination with, as a priority, the execution of our strategic roadmap. Consistent with our raison d'être, we will continue to support our customers in all the transformations accelerated by this crisis, whether they concern the growing use of digital technologies or increased attention to corporate social responsibility issues."

(1) Underlying data (see methodology note No. 5 for the transition from accounting data to underlying data)

(2) Phased-in ratio ; fully-loaded ratio of 13.2%

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

1. GROUP CONSOLIDATED RESULTS

In EURm	Q4 20	Q4 19	Change		2020	2019	Change	
Net banking income	5,838	6,213	-6.0%	-2.3%*	22,113	24,671	-10.4%	-7.6%*
Operating expenses	(4,351)	(4,503)	-3.4%	-0.2%*	(16,714)	(17,727)	-5.7%	-3.4%*
<i>Underlying operating expenses(1)</i>	<i>(4,318)</i>	<i>(4,595)</i>	<i>-6.0%</i>	<i>-3.0%*</i>	<i>(16,504)</i>	<i>(17,411)</i>	<i>-5.2%</i>	<i>-2.8%*</i>
Gross operating income	1,487	1,710	-13.0%	-7.8%*	5,399	6,944	-22.2%	-18.8%*
<i>Underlying gross operating income(1)</i>	<i>1,520</i>	<i>1,618</i>	<i>-6.0%</i>	<i>-0.1%*</i>	<i>5,609</i>	<i>7,260</i>	<i>-22.7%</i>	<i>-19.5%*</i>
Net cost of risk	(689)	(371)	+85.7%	+92.4%*	(3,306)	(1,278)	x 2.6	x 2.7*
<i>Underlying net cost of risk (1)</i>	<i>(669)</i>	<i>(371)</i>	<i>+80.3%</i>	<i>+86.8%*</i>	<i>(3,286)</i>	<i>(1,260)</i>	<i>x 2.6</i>	<i>x 2.7*</i>
Operating income	798	1,339	-40.4%	-36.4%*	2,093	5,666	-63.1%	-61.6%*
<i>Underlying operating income(1)</i>	<i>851</i>	<i>1,247</i>	<i>-31.7%</i>	<i>-26.8%*</i>	<i>2,323</i>	<i>6,000</i>	<i>-61.3%</i>	<i>-59.8%*</i>
Net profits or losses from other assets	(94)	(125)	+24.8%	+24.9%*	(12)	(327)	+96.3%	+96.3%*
<i>Underlying net profits or losses from other assets(1)</i>	<i>7</i>	<i>12</i>	<i>-41.7%</i>	<i>-40.7%*</i>	<i>166</i>	<i>59</i>	<i>x 2.8</i>	<i>X2.8*</i>
Net income from companies accounted for by the equity method	3	(154)	n/s	n/s	3	(129)	n/s	n/s
<i>Underlying net income from companies accounted for by the equity method(1)</i>	<i>3</i>	<i>4</i>	<i>n/s</i>	<i>n/s</i>	<i>3</i>	<i>29</i>	<i>n/s</i>	<i>n/s</i>
Impairment losses on goodwill	0	0	n/s	n/s	(684)	0	n/s	n/s
Income tax	(125)	(230)	-45.7%	-46.9%*	(1,204)	(1,264)	-4.8%	+9.2%*
Reported Group net income	470	654	-28.1%*	-17.6%*	(258)	3,248	n/s	n/s
<i>Underlying Group net income(1)</i>	<i>631</i>	<i>875</i>	<i>-27.9%</i>	<i>-20.3%*</i>	<i>1,435</i>	<i>4,061</i>	<i>-64.7%</i>	<i>-63.9%*</i>
ROE	2.4%	3.7%			-1.7%	5.0%		
ROTE	2.7%	5.0%			-0.4%	6.2%		
<i>Underlying ROTe (1)</i>	<i>4.1%</i>	<i>6.2%</i>			<i>1.7%</i>	<i>7.6%</i>		

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

Societe Generale's Board of Directors, which met on February 9th, 2021, under the chairmanship of Lorenzo Bini Smaghi, examined the Societe Generale Group's results for Q4 and approved the results for full-year 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

2020 was impacted by a global health crisis resulting in net banking income for the Group of EUR 22,113 million, down -7.6%* vs. 2019. After a H1 marked by the effects of the health crisis and the dislocation of businesses, the performance of the three business divisions improved significantly in H2, in a still uncertain environment.

Net banking income (excluding PEL/CEL provision) for French Retail Banking was up +2% in H2 2020 vs. H1, with a full-year contraction of -6.1% vs. 2019. The dynamic rebound in H2 was also observed on International Retail Banking & Financial Services' revenues (+2.6%* vs. H1 20); its full-year trend was -2.9%*.

There was also a sharp rebound in Global Banking & Investor Solutions' net banking income in H2 (+17% vs. H1) against the backdrop of the normalisation of market conditions. Revenues were down -12.5% (-11.8%*) in 2020.

Q4 confirmed the improvement in revenues observed in Q3, despite the worsening health crisis in several regions. The three business divisions contributed to the growth in the Group's net banking income which came to EUR 5,838 million, up +1.6%* when adjusted for changes in Group structure and at constant exchange rates vs. Q3 20.

Operating expenses

Underlying operating expenses were substantially lower in 2020 at EUR 16,504 million (-5.2% vs. 2019, -2.8%*), in line with the full-year target.

Operating expenses included a EUR 210 million restructuring charge recognised in Q4 and as a result came to EUR 16,714 million, down -5.7% vs. 2019 (-3.4%*). They included a EUR 316 million restructuring provision in 2019.

All the Group's businesses contributed to this decline: French Retail Banking's costs were down -4.9% vs. 2019, those of International Retail Banking & Financial Services fell by -9.6% in 2020 and those of Global Banking & Investor Solutions by -8.7%.

The Group is committed to a decline in its underlying operating expenses as from 2023 (vs. 2020). Several initiatives, already launched, will contribute to this process with benefits already expected in 2022 (a decline in underlying costs of around EUR 450 million in Global Markets between now and 2022/2023 and around EUR 450 million in French Retail Banking by 2025 - with around 80% already expected to be achieved in 2024 - as well as additional reductions expected in particular following the finalisation of remediation efforts and the industrialisation of processes).

In 2021, the Group intends to continue to strictly manage its costs and is aiming for a positive jaws effect with costs slightly higher.

Underlying operating expenses totalled EUR 4,318 million in Q4 20, down -6.0% vs. Q4 19, after restatement of a restructuring charge of EUR 210 million and an IFRIC 21 adjustment charge of EUR -177 million. Underlying operating expenses were down -3% when adjusted for changes in Group structure and at constant exchange rates, enabling a positive jaws effect.

Cost of risk

The commercial cost of risk amounted to 64 basis points in 2020, representing a net cost of risk of EUR 3,306 million (vs. EUR 1,278 million in 2019). This rise can be attributed primarily to an increase in provisions in respect of performing loans (classified in Stage 1 and Stage 2) for a total amount of EUR 1,367 million, including an impact of EUR 1,010 million related to the review of macro-economic scenarios.

The gross doubtful outstandings ratio remained at low levels throughout the year and amounted to 3.3%⁽¹⁾ at December 31st 2020 (3.1% at December 31st 2019). The Group's gross coverage ratio for doubtful outstandings stood at 52%⁽²⁾ at December 31st 2020 (56% at December 31st 2019).

In Q4, the commercial cost of risk stood at 54 basis points (40 basis points in Q3 20 and 29 basis points in Q4 19). The net cost of risk of EUR 689 million includes provisions related to loans classified in performing (Stage 1 and Stage 2) for a total amount of EUR 367 million.

The total amount of repayment moratoriums, within the meaning of the EBA definition, granted at end-September 2020 was around EUR 35 billion, with around EUR 5 billion still in force at December 31st 2020. Of the total repayment moratoriums granted at 31 December 2020, 2.2% were classified in Stage 3 (credit-impaired loans).

(1) NPL ratio calculated according to the new EBA methodology

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

The Group also granted EUR 19 billion of State-guaranteed loans in all geographies o/w EUR 18 billion in France. Net exposure of the Group on State-guaranteed loans in France (“PGE”) is around EUR 2 billion. At 31 December 2020, 2.3% of State-guaranteed loans are classified in Stage 3 (non-performing loans).

The Group expects a lower commercial cost of risk in 2021 than in 2020.

Net profits or losses from other assets

Net profits or losses from other assets totalled EUR -12 million in 2020 and EUR -94 million in Q4 20.

Group net income

In EURm	Q4 20	Q4 19	2020	2019
Reported Group net income	470	654	(258)	3,248
Underlying Group net income(1)	631	875	1,435	4,061

In %	Q4 20	Q4 19	2020	2019
ROTE (reported)	2.7%	5.0%	-0.4%	6.2%
Underlying ROTE ⁽¹⁾	4.1%	6.2%	1.7%	7.6%

Distribution to shareholders

The Board of Directors has decided to propose the payment of a dividend of EUR 0.55 per share in cash to the Ordinary General Meeting of Shareholders on May 18th, 2021, in accordance with the methodology recommended by the European Central Bank (ECB). The dividend will be detached on May 25th, 2021 and paid on May 27th, 2021.

The Group intends to launch a share buy-back programme, in Q4 2021, for an amount equivalent to the amount assigned to the dividend payment (around EUR 470m, i.e. an impact of around 13 basis points on the Group’s CET1 ratio), subject to the non-renewal of the ECB’s recommendation and the authorisation for its implementation. The fully loaded pro forma ratio would be 13% at end-December 2020 (phased-in pro-forma ratio of 13.3%).

Additional information

Societe Generale’s Board of Directors, which met on January 14th, 2021, decided to submit to the May 2024 General Meeting of Shareholders that will approve the financial statements for the 2023 financial year, the appointment of the firms KPMG and PwC as from January 1st, 2024 as statutory auditors for a 6-year term to replace the firms Deloitte and EY, whose terms of office will expire and can no longer be renewed in accordance with legal provisions. This decision follows a tender process managed under the supervision of the audit and internal control committee. The committee interviewed all the candidates and made its choice independently of the management. It presented the possible different choices to the Board of Directors before formulating its proposal.

(1) Underlying data. See methodology note No. 5 for the transition from accounting data to underlying data

2. THE GROUP'S FINANCIAL STRUCTURE

Group **shareholders' equity** totalled EUR 61.7 billion at December 31st, 2020. Net asset value per share was EUR 62.3 and tangible net asset value per share was EUR 54.8.

The **consolidated balance sheet** totalled EUR 1,462 billion at December 31st, 2020. The net amount of customer loan outstandings at December 31st, 2020, including lease financing, was EUR 440 billion (EUR 430 billion at December 31st, 2019) – excluding assets and securities purchased under resale agreements. At the same time, customer deposits amounted to EUR 451 billion, vs. EUR 410 billion at December 31st, 2019 (excluding assets and securities sold under repurchase agreements).

At end-December 2020, the parent company had issued EUR 34.3 billion of medium/long-term debt (including EUR 3.9 billion of pre-financing for the 2021 programme), having an average maturity of 5.4 years and an average spread of 59 basis points (vs. the 6-month midswap, excluding subordinated debt). The subsidiaries had issued EUR 2.9 billion. At December 31st, 2020, the Group had issued a total of EUR 37.2 billion of medium/long-term debt. The LCR (Liquidity Coverage Ratio) was well above regulatory requirements at 149% at end-December 2020 (153% on average for the quarter), vs. 119% at end-December 2019. At the same time, the NSFR (Net Stable Funding Ratio) was over 100% at end December 2020.

The Group's **risk-weighted assets** (RWA) amounted to EUR 352.4 billion at December 31st, 2020 (vs. EUR 345.0 billion at end-December 2019) according to CRR/CRD4 rules. Risk-weighted assets in respect of credit risk represent 81.7% of the total, at EUR 287.9 billion, up 1.9% vs. December 31st, 2019.

At December 31st, 2020, the Group's **Common Equity Tier 1** ratio stood at 13.4% (or around 440 basis points above the regulatory requirement). The CET1 ratio at December 31st, 2020 includes an effect of +28 basis points for phasing of the IFRS 9 impact. Excluding this effect, the fully-loaded ratio amounts to 13.2%. The Tier 1 ratio stood at 15.7%⁽¹⁾ at end-December 2020 (15.1% at end-December 2019) and the total capital ratio amounted to 18.9%⁽¹⁾ (18.3% at end-December 2019).

The Group aims to operate with a CET1 ratio more than 200 basis points above the regulatory requirement, including after the entry into force of the regulation finalising the Basel III reform whose impact is expected to be around EUR 39 billion⁽²⁾ as from 2023, or around 115 basis points⁽³⁾

In 2021, the CET1 ratio is expected to be at a level significantly higher than 200 basis points above the regulatory requirement.

The **leverage ratio** stood at 4.7%⁽¹⁾ at December 31st, 2020 (4.3% at end-December 2019).

With a level of 30.6%⁽¹⁾ of RWA and 9.2%⁽¹⁾ of leveraged exposure at end-December 2020, the Group's TLAC ratio is above the FSB's requirements for 2020. At December 31st, 2020, the Group was also above its MREL requirements of 8.51% of the TLOF⁽⁴⁾ (which, in December 2017, represented a level of 24.4% of RWA), which were used as a reference for the SRB calibration.

The Group is rated by four rating agencies: (i) Fitch Ratings - long-term rating "A-", stable outlook, senior preferred debt rating "A", short-term rating "F1"; (ii) Moody's - long-term rating (senior preferred debt) "A1", stable outlook, short-term rating "P-1"; (iii) R&I - long-term rating (senior preferred debt) "A", stable outlook; and (iv) S&P Global Ratings - long-term rating (senior preferred debt) "A", negative outlook, short-term rating "A-1".

(1) Excluding IFRS 9 phasing

(2) Including the credit risk, FRTB, operational risk and taking into account the main EU-specific assumptions communicated by the EBA in response to the European Commission's consultation paper (published in December 2020) and excluding the output floor which would not be binding before 2027/2028

(3) On a prospective basis in 2023

(4) Total Liabilities and Own Funds

3. FRENCH RETAIL BANKING

<i>In EURm</i>	Q4 20	Q4 19	Change	2020	2019	Change
Net banking income	1,845	1,957	-5.7%	7,315	7,746	-5.6%
<i>Net banking income excl. PEL/CEL</i>	1,870	1,969	-5.0%	7,381	7,863	-6.1%
Operating expenses	(1,443)	(1,491)	-3.2%	(5,418)	(5,700)	-4.9%
Gross operating income	402	466	-13.7%	1,897	2,046	-7.3%
Net cost of risk	(276)	(149)	+85.2%	(1,097)	(467)	X2.3
Operating income	126	317	-60.3%	800	1,579	-49.3%
Reported Group net income	104	230	-54.8%	666	1,131	-41.1%
<i>RONE</i>	3.7%	8.2%		5.8%	10.0%	
<i>Underlying RONE (1)</i>	3.5%	9.3%		6.2%	11.1%	

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

After the substantial impact of the lockdown on activity at the beginning of the year, French Retail Banking's commercial performance continued to improve in Q4.

The brands continued to expand their activity in the core businesses

French Retail Banking continued to support the economy, accompanying individual, corporate and professional customers.

In the Corporate and Professional customers segment, the Bank supported its customers in France primarily through granting State Guaranteed Loans (PGE), for which it received more than 98,200 applications for a total disbursed amount of EUR 18 billion.

Life insurance saw its inflow grow by +7.5% vs. Q3 20, with the unit-linked share accounting for 39% of new business in Q4 20. Property/casualty premiums and protection insurance delivered good performances, with premiums up +3.9% vs. 2019. The number of personal protection policies was up +5.3% vs. 2019.

Private Banking's net inflow remained buoyant at EUR 553 million in Q4 20 and EUR 2.5 billion in 2020.

Boursorama consolidated its position as the leading online bank in France, with more than 2.6 million clients at end-December 2020. Client onboarding at Boursorama reached a record level, with around 590,000 new clients in 2020 including around 192,000 in Q4 20. Housing loan production experienced strong growth of +22% vs. Q4 19, with a record level in Q4 20. In addition, the number of stock market orders tripled compared to 2019.

Average investment loan outstandings (including leases), rose 25.0% vs. Q4 19 to EUR 88.9 billion (+2.3% excluding State Guaranteed Loans). Average outstanding loans to individuals were up 2.8% at EUR 123.2 billion, bolstered by housing loans which were up +3.5% vs. Q4 19.

Private Banking's assets under management totalled EUR 70.4 billion at end-December 2020.

Average outstanding balance sheet deposits⁽¹⁾ were 15.1% higher than in Q4 19 at EUR 242.6 billion, still driven by sight deposits (+18.7% vs. Q4 19).

As a result, the average loan/deposit ratio stood at 92% in Q4 20 vs. 96% in Q4 19.

(1) Including BMTN (negotiable medium-term notes)

Net banking income excluding PEL/CEL

2020: revenues (excluding PEL/CEL) totalled EUR 7,381 million, down -6.1% vs. 2019, reflecting the effects of Covid-19 and the low interest rate environment. Net interest income (excluding PEL/CEL) was 3.6%⁽¹⁾ lower and commissions declined by -5.7%⁽¹⁾.

Q4 20: revenues (excluding PEL/CEL) totalled EUR 1,870 million, up +0.7% vs. Q3 20 and down -5.0% vs. Q4 19. Net interest income (excluding PEL/CEL) was 4.2%⁽¹⁾ lower than in Q4 19 against a backdrop of low interest rates and a sharp rise in deposits. However, it picked up compared to Q3 20 (+0.4%⁽¹⁾). Commissions were 3.3%⁽¹⁾ lower than in Q4 19 but picked up compared to Q3 20 (+2.5%⁽¹⁾), with a gradual recovery in financial and service commissions.

Operating expenses

2020: operating expenses were lower at EUR 5,418 million (-4.9% vs. 2019 and -5.5% excluding Boursorama). The cost to income ratio (restated for the PEL/CEL provision) stood at 73.4%.

Q4 20: operating expenses were lower at EUR 1,443 million (-3.2% vs. Q4 19), illustrating the Group's work on costs. The cost to income ratio (after linearisation of the IFRIC 21 charge and restated for the PEL/CEL provision) stood at 78.9%.

Cost of risk

2020: the commercial cost of risk amounted to EUR 1,097 million or 52 basis points, higher than in 2019 (year in which it amounted to EUR 467 million or 24bp), divided between EUR 646 million of S1/S2 provisioning and EUR 451 million of S3 (non-performing loans) provisioning.

Q4 20: the commercial cost of risk amounted to EUR 276 million or 50 basis points. It corresponds to EUR 236 million of S1/S2 (performing/underperforming loans) provisioning and EUR 41 million of S3 (non-performing loans) provisioning.

Contribution to Group net income

2020: the contribution to Group net income totalled EUR 666 million (-41.1% vs. 2019). RONE (restated for the PEL/CEL provision) stood at 6.2% in 2020.

Q4 20: the contribution to Group net income totalled EUR 104 million. RONE (after linearisation of the IFRIC 21 charge and restated for the PEL/CEL provision) stood at 3.5% and excluding Boursorama, French Retail Banking's adjusted RONE stood at 5.0%.

(1) Reallocation of pro forma revenues following a change in accounting treatment in Q4 20

4. INTERNATIONAL RETAIL BANKING & FINANCIAL SERVICES

<i>In EURm</i>	Q4 20	Q4 19	Change		2020	2019	Change	
Net banking income	1,919	2,077	-7.6%	+0.3%*	7,524	8,373	-10.1%	-2.9%*
Operating expenses	(1,018)	(1,141)	-10.8%	-2.4%*	(4,142)	(4,581)	-9.6%	-1.6%*
Gross operating income	901	936	-3.7%	+3.6%*	3,382	3,792	-10.8%	-4.5%*
Net cost of risk	(287)	(158)	+81.6%	+94.1%*	(1,265)	(588)	x 2.2	x 2.3
Operating income	614	778	-21.1%	-15.0%*	2,117	3,204	-33.9%	-29.2%*
Net profits or losses from other assets	6	1	x 6.0	x 7.9	15	3	x 5.0	x 5.5
Reported Group net income	376	463	-18.8%*	-11.7%*	1,304	1,955	-33.3%*	-27.1%*
RONE	14.9%	17.3%			12.4%	17.7%		
<i>Underlying RONE (1)</i>	14.3%	16.8%			12.4%	17.9%		

(1) Adjusted for the linearisation of IFRIC 21 and the restructuring provision of EUR 34 million in 2019 (including EUR 5 million in Q4 19)

In International Retail Banking, there was further confirmation of the rebound observed in H2 on loan and deposit production, despite the new lockdown measures in Q4. Outstanding loans totalled EUR 85.9 billion. They rose +2.5%* vs. end-December 2019 (-2.8% at current structure and exchange rates given, in particular, the disposal of SG Antilles and the currency effect in Russia). Outstanding deposits climbed +8.8%* (+2.0% at current structure and exchange rates) vs. December 2019, to EUR 79.6 billion.

For the Europe scope, outstanding loans were up +2.8%* vs. December 2019 at EUR 54.9 billion (+1.0% at current structure and exchange rates), driven by the Czech Republic (+4.6%*, +1.2%) and to a lesser extent Western Europe (+2.0%). Outstanding deposits were up +8.2%* (+5.3% at current structure and exchange rates), with a healthy momentum in the Czech Republic (+8.9%*, +5.4%).

In Russia, outstanding loans rose +2.7%* at constant exchange rates (-21.5% at current exchange rates) while outstanding deposits climbed +13.7%* (-13.0% at current exchange rates).

In Africa, Mediterranean Basin and French Overseas Territories, outstanding loans rose +1.8%* (or -2.7%) vs. December 2019. Outstanding deposits enjoyed a strong momentum, up +7.9%* (+3.4%).

In the Insurance business, the life insurance savings business saw outstandings increase +0.5%* vs. December 2019. There was confirmation of a recovery in gross life insurance inflow (+43% vs. Q3 20), with the good composition of inflow (46% of unit-linked products in Q4 20). Protection insurance increased +1.6%* vs. 2019 and +5.5%* vs. Q4 19. This growth was driven partially by an 11.0%* increase in property/casualty premiums vs. Q4 19 (+9.9%* vs. 2019) and to a lesser extent by a rise in personal protection premiums (+1.9%* vs. Q4 19, -3.3%* vs. 2019). In France, protection premiums were 8%* higher than in Q4 19.

Financial Services to Corporates delivered a resilient commercial performance. The number of contracts for Operational Vehicle Leasing and Fleet Management was stable vs. end-December 2019, at 1.76 million contracts at end-December 2020. Equipment Finance's outstanding loans were slightly lower (-0.8%*) vs. end-December 2019, at EUR 14.1 billion (excluding factoring).

Net banking income

Revenues amounted to EUR 7,524 million in 2020, down -2.9%* (-10.1%) vs. 2019. Net banking income amounted to EUR 1,919 million in Q4 20, up +0.3%* (-7.6%) vs. Q4 19. The increase of +4.1%* vs. Q3 20 illustrates the recovery in activity.

In **International Retail Banking**, net banking income totalled EUR 4,902 million in 2020, down -3.4%* (-12.3%) vs. 2019, marked in particular by reduced activity due to the lockdowns and a fall in net interest income in the Czech Republic and Romania, in conjunction with the decline in rates.

Net banking income amounted to EUR 1,236 million in Q4 20, down -3.5%* vs. Q4 19, excluding the structure effect and the currency effect (-11.2%). In Europe, revenues were down -5.9%* (-11.7%) impacted primarily by the rates in the Czech Republic and Romania in H1. However, activity remained dynamic in consumer credit, with stable revenues vs. Q4 19. Revenues (-2.5%*, -24.3%) held up well for SG Russia⁽¹⁾ despite the lockdown measures and a decline in rates, with particularly dynamic activity in housing loans (production up +18%* vs. Q4 19). Revenues were up +0.9%* (-3.0%) in Africa, Mediterranean Basin and French Overseas Territories vs. Q4 19, with a confirmed recovery in commissions. Revenues were higher in Sub-Saharan Africa in 2020 (+3%* vs. 2019).

The Insurance business saw net banking income decline by -2.1%* vs. 2019, to EUR 887 million. When adjusted for the contribution to the solidarity fund in France, net banking income was down -0.9%* vs. 2019, illustrating a resilient financial performance. Gross inflow was of good quality in 2020, with the unit-linked share accounting for 44%. Net banking income was up +1.1%* (+0.9%) in Q4 20 vs. Q4 19, at EUR 224 million. The second half of 2020 was marked primarily by a rebound in gross life insurance inflow. Moreover, gross inflow continued to be of good quality, with the unit-linked contracts share accounting for 46% in Q4 20.

Financial Services to Corporates' net banking income was down -2.1%* (-7.3%) in 2020, at EUR 1,735 million. However, in 2020, ALD posted a used car sale result (EUR 201 per unit) above the guidance, while margins were higher in Equipment Finance. Financial Services to Corporates' net banking income came to EUR 459 million in Q4 20, up +11.8%* (-0.9%) vs. Q4 19.

Operating expenses

Operating expenses were down -1.6%* (-9.6%) vs. 2019. When restated for restructuring costs related to the simplification of the head office (EUR 34 million in 2019), the tax on financial assets in Romania (EUR 16 million in 2019) and the contribution to COVID guarantee funds in the Mediterranean Basin (EUR 15 million in 2020), operating expenses were 0.8%* lower than in 2019.

Operating expenses were down -2.4%* (-10.8%) in Q4 20 vs. Q4 19. When restated for the tax in Romania, operating expenses were 0.9%* lower, reflecting control of costs.

The cost to income ratio stood at 55.1% in 2020 and 53.0% in Q4 20.

In **International Retail Banking**, operating expenses were down -1.4%* (-10.8%) vs. 2019 and down -4.3%* (-12.8% at current structure and exchange rates) vs. Q4 19 which included the tax in Romania. For the SG Russia⁽¹⁾ scope, the rationalisation of the network and pooling initiatives helped optimise costs (-8.6%* in Q4 20 vs. Q4 19) and gross operating income (+10.9%* vs. Q4 19). For the Africa, Mediterranean Basin and French Overseas Territories scope, costs were lower (-1.8%* vs. Q4 19).

In the **Insurance business**, operating expenses rose +2.5%* (+2.0%) vs. 2019 to EUR 356 million and were slightly higher +0.5%*, (0.0%) than in Q4 19, in conjunction with efforts to control costs.

In **Financial Services to Corporates**, operating expenses were down -0.3%* (-6.5%) vs. 2019 and were 4.4%* higher than in Q4 19 (-5.7%).

(1) SG Russia encompasses the entities Rosbank, Rusfinance Bank, Societe Generale Insurance, ALD Automotive and their consolidated subsidiaries.

Cost of risk

2020: the cost of risk amounted to 96 basis points (or EUR 1,265 million). It was 43 basis points in 2019. The estimate of expected credit losses in Stage 1 and Stage 2 amounts to EUR 389 million.

Q4 20: the commercial cost of risk amounted to 89 basis points in Q4 20 (or EUR 287 million), vs. 102 basis points in Q3 20, and 46 basis points in Q4 19. The Q4 cost of risk includes EUR 79 million for the estimate of expected credit losses in Stage 1 and Stage 2.

Contribution to Group net income

The contribution to Group net income totalled EUR 1,304 million in 2020 (-27.1%*, -33.3% vs. 2019) and EUR 376 million in Q4 20 (-11.7%*, -18.8% vs. Q4 19).

Underlying RONE stood at the high level of 12.4% in 2020, vs. 17.9% in 2019 and 14.3% in Q4 20 vs. 16.8% in Q4 19 (with RONE of 10.0% in International Retail Banking and 20.0% in financial services and insurance).

5. GLOBAL BANKING & INVESTOR SOLUTIONS

<i>In EURm</i>	Q4 20	Q4 19	Change		2020	2019	Change	
Net banking income	2,072	2,186	-5.2%	-2.7%*	7,613	8,704	-12.5%	-11.8%*
Operating expenses	(1,688)	(1,773)	-4.8%	-2.3%*	(6,713)	(7,352)	-8.7%	-7.9%*
Gross operating income	384	413	-7.0%	-4.5%*	900	1,352	-33.4%	-33.0%*
Net cost of risk	(104)	(66)	+57.6%	+64.5%*	(922)	(206)	x 4.5	x 4.5
Operating income	280	347	-19.3%	-17.3%*	(22)	1,146	n/s	n/s
Reported Group net income	280	291	-3.8%*	-1.6%*	57	958	-94.1%*	-94.0%*
RONE	7.8%	8.3%			0.4%	6.3%		
<i>Underlying RONE (1)</i>	<i>9.0%</i>	<i>6.5%</i>			<i>1.3%</i>	<i>7.4%</i>		

(1) Adjusted for restructuring charges in 2020 (EUR 157m), the restructuring provision in 2019 (EUR 227m) and the linearisation of IFRIC 21

Net banking income

2020: Global Banking & Investor Solutions' revenues were down -12.5% vs. 2019. When restated for the impact of restructuring in Global Markets in 2019 and the revaluation of SIX securities (EUR +66 million), they were down -10.0%.

Q4 20: net banking income was down -5.2% (-2.7%* when adjusted for changes in Group structure and at constant exchange rates) at EUR 2,072 million vs. Q4 19 and rebounded +1.9% (+2.4%*) vs. Q3 20.

In 2020, a strategic review carried out by the Group of its Global Markets business contributed to reducing the risk profile on equity and credit structured products in order to reduce the sensitivity of Global Markets' revenues to market dislocations. A cost reduction plan was also launched in 2020, with the objective of an expected net reduction of around EUR 450 million between now and 2022-2023.

In Global Markets & Investor Services, revenues were down -20.1% (-19.3%*) in 2020 vs. 2019, at EUR 4,164 million, after a H1 impacted by the health crisis. When restated for the impact of restructuring in Global Markets in 2019 and the revaluation of SIX securities, they were down -16.9%*.

Net banking income totalled EUR 1,160 million in Q4 20, down -10.8% (-8.2%*) vs. Q4 19.

The performance of Fixed Income & Currency activities was up +14.9% in 2020 vs. 2019 (+21.3% when restated for the impact of activities discontinued in 2019), with revenues of EUR 2,292 million. They were driven by a healthy commercial momentum and particularly favourable market conditions in H1, in all regions. They normalised in H2 2020.

In Q4 20, Fixed Income & Currency activities were hit by a slowdown in client activity, in rate activities and the compression of short-term financing spreads in financing activities. Credit's good performance failed to offset the overall decline in revenues of -16.2% vs. Q4 19.

Equity activities' net banking income was down -49.0% in 2020 vs. 2019, at EUR 1,275 million, with structured products hard hit by the market dislocation in H1. Losses were mitigated by the increased revenues for listed products and equity flow products. Revenues rebounded in H2, in a normalising market environment. The integration of EMC activities was successfully finalised in Q1 20.

Q4 20 provided further confirmation of the improvement in revenues observed in Q3 20, with net banking income up +11.5% (-6.9% vs. Q4 19) and in particular a gradual recovery in structured products. Flow & hedging activities enjoyed strong volumes over the quarter and the Asia region performed well in all products.

Securities Services' assets under custody amounted to EUR 4,315 billion at end-December 2020, slightly lower (-0.3%) than at end-September 2020. Over the same period, assets under administration were up +4.1% at EUR 638 billion.

Securities Services' revenues totalled EUR 597 million in 2020, down -12.2% (when restated for the revaluation of SIX securities) vs. 2019 (-16.4% on a reported basis). They were down -9.5% in Q4 20 vs. Q4 19, at EUR 153 million.

Financing & Advisory revenues totalled EUR 2,546 million in 2020, up +0.6%* vs. 2019 (stable at current structure and exchange rates), with the strengthening of the franchises and ongoing support for clients during this challenging year. Investment Banking performed particularly well, benefiting from a high level of issues in the debt and equity capital markets and buoyant acquisition financing activity.

Financing & Advisory enjoyed solid net banking income of EUR 681 million in Q4 20, increasing by +9.0%* vs. Q4 19 (+5.9% at current structure and exchange rates) and rebounding by +18.3%* vs. Q3 20. This increase reflects the good performance of asset financing activities, the Asset Backed Products platform and the recovery in Global Transaction and Payment Services. Investment Banking revenues continued to grow in Q4 20.

Asset and Wealth Management's net banking income totalled EUR 903 million in 2020, down -4.6% vs. 2019 (-1.3% when restated for the revaluation of SIX securities). It was 4.9% lower in Q4 20 than in Q4 19.

Lyxor's net banking income amounted to EUR 207 million in 2020, up +3.5% vs. 2019, driven by a high level of performance fees. It rebounded by +20.8% in Q4 20 vs. Q3 20 (+12.3% vs. Q4 19), with growth in the Active Management segment. Lyxor confirmed its leadership position in the Green Bond segment in 2020 and enhanced its ESG ETF offering. Lyxor's assets under management totalled EUR 140 billion at end-December 2020, up +5.9% vs. Q4 19.

Private Banking's performance was lower in 2020 (-2.4%, when restated for the revaluation of SIX securities) vs. 2019, with net banking income of EUR 678 million. Revenues were hit by pressures on interest margins despite stable commercial revenues. Net banking income was 10.5% lower in Q4 20 than in Q4 19.

Assets under management were up +2.0% in Q4 20, at EUR 116 billion. Net inflow totalled EUR 1.7 billion in 2020, driven by France.

Operating expenses

2020: underlying operating expenses (restated for the restructuring provision recognised in Q2 19 for EUR 227 million and the restructuring charge recognised in Q4 20 for EUR 157 million, related to the new EUR 450 million cost savings plan between now and 2022/2023), were substantially lower (-7.2%*) than in 2019. This decline reflects the successful cost savings plan (EUR 500 million) implemented in Global Banking & Investor Solutions in 2018. They were down -7.9%* on a reported basis.

Q4 20: underlying operating expenses were down -9.7%* (-2.3%* on a reported basis) vs. Q4 19, with a positive jaws effect in Q4 20.

Net cost of risk

2020: the cost of risk amounted to 57 basis points (or EUR 922 million) vs. 13 basis points in 2019. It includes EUR 310 million of S1/S2 provisioning and EUR 612 million of S3 (non-performing loans) provisioning.

Q4 20: the commercial cost of risk amounted to 28 basis points (or EUR 104 million), vs. 14 basis points in Q3 20 and 17 basis points in Q4 19. It includes EUR 26 million of S1/S2 (performing/underperforming loans) provisioning and EUR 77 million of S3 (credit-impaired loans) provisioning.

Contribution to Group net income

2020: the underlying contribution to Group net income (after linearisation of IFRIC 21 and adjusted for restructuring charges in 2020 and the restructuring provision in 2019) came to EUR 183 million.

Q4 20: the underlying contribution to Group net income amounted to EUR 320 million, up +46%* vs. Q4 19.

Underlying RONE stood at 1.3% in 2020 vs. 7.4% in 2019 and 9.0% in Q4 20 vs. 6.5% in Q4 19.

6. CORPORATE CENTRE

<i>In EURm</i>	Q4 20	Q4 19	2020	2019
Net banking income	2	(7)	(339)	(152)
Operating expenses	(202)	(98)	(441)	(94)
<i>Underlying operating expenses</i>	(162)	(110)	(388)	(94)
Gross operating income	(200)	(105)	(780)	(246)
<i>Underlying gross operating income</i>	(160)	(117)	(727)	(246)
Net cost of risk	(22)	2	(22)	(17)
Net profits or losses from other assets	(105)	(145)	(185)	(394)
Impairment losses on goodwill	-	-	(684)	-
Net income from companies accounted for by the equity method	(1)	(155)	0	(152)
Reported Group net income	(290)	(330)	(2,285)	(796)

(1) Adjusted for the linearisation of IFRIC 21

The Corporate Centre includes:

- the property management of the Group's head office,
- the Group's equity portfolio,
- the Treasury function for the Group,
- certain costs related to cross-functional projects and certain costs incurred by the Group and not re-invoiced to the businesses.

The Corporate Centre's net banking income totalled EUR 2 million in Q4 20 vs. EUR -7 million in Q4 19 and EUR -339 million in 2020 vs. EUR -152 million in 2019. In 2020, it includes notably the change in fair value of financial instruments corresponding to economic hedges of financial debt but that do not meet IFRS hedge accounting criteria.

Operating expenses totalled EUR -202 million in Q4 20 vs. EUR -98 million in Q4 19. They amounted to EUR -441 million in 2020 vs. EUR -94 million in 2019 (which included an operating tax adjustment for EUR +241 million). In 2020, they include a restructuring charge of EUR 53 million recorded in Q4 20.

Gross operating income totalled EUR -200 million in Q4 20 vs. EUR -105 million in Q4 19 and EUR -780 million in 2020 vs. EUR -246 million in 2019.

Net profits or losses from other assets amounted to EUR -105 million in Q4 20 vs. EUR -145 million in Q4 19 and EUR -185 million in 2020 vs. EUR -394 million in 2019 related to the application of IFRS 5 as part of the implementation of the Group's refocusing plan (in 2020, EUR -101 million in respect of the disposal of SG Finans and EUR -69 million for the finalisation of the disposal of Societe Generale de Banque aux Antilles).

Net income from companies accounted for by the equity method is nil in 2020. In 2019, it included an impairment of EUR -158 million corresponding to the Group's entire minority stake (16.8%) in SG de Banque au Liban.

In 2020, the review of Global Markets & Investor Services' financial trajectory led to 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 -290 million in Q4 20 vs. EUR -330 million in Q4 19 and EUR -2,285 million in 2020 vs. EUR -796 million in 2019.

7. OUTLOOK

The Group is aiming for a decline in underlying operating expenses in relation to 2020, as from 2023. In 2021, it will maintain strict discipline and target a positive jaws effect against the backdrop of an improvement in the economic outlook with a slight increase in its costs.

The 2021 cost of risk is expected to be lower than in 2020.

The Group aims to operate with a CET1 ratio more than 200 basis points above the regulatory requirement, including after the entry into force of the regulation finalising the Basel III reform whose impact is expected to be around EUR 39 billion⁽¹⁾ as from 2023, or around 115 basis points⁽²⁾

In 2021, the CET1 ratio is expected to be at a level significantly higher than 200 basis points above the regulatory requirement.

Regarding its distribution policy for the 2021 financial year, the Board of Directors has confirmed the objective defined before the outbreak of the COVID crisis, i.e. a payout ratio of 50% of underlying Group net income⁽³⁾, which may include a share buy-back component (up to 10%)⁽⁴⁾; the dividend component being paid in cash.

Finally, the Group will present its Global Banking & Investor Solutions' strategy to the market on May 10th, 2021 and its focus on CSR in H2.

8. CONCLUSION

The year 2020 will have been marked by a global health crisis, the economic and social (confinements and curfews) consequences have affected the Group's business, particularly in the first half of the year. With a significant improvement in H2 (+11% in H2 20 vs. H1 20), the Group's full-year revenues totalled EUR 22,113 million, down -7.6%* (vs. 2019), confirming the relevance of its diversified business model, the resilience of its franchises and its ability to generate capital.

In this challenging environment, the Group achieved all its financial targets in terms of costs (underlying operating expenses of EUR 16.5 billion), cost of risk (64 basis points, below the target of 70 basis points) and capital (CET1 ratio of 13.4%, i.e. above 12%).

More generally, the Group demonstrated its ability to manage this crisis responsibly throughout the year, by playing its role with its employees, customers and communities.

Moreover, this crisis has proved to be an accelerator of societal trends that the Group had already identified as a priority: Corporate Social Responsibility and digital technology. In 2020, the Group achieved a new milestone in terms of the energy transition by becoming the No. 2 globally in renewable energy financing and No. 1 on the advisory component. Moreover, the Board of Directors has validated a binding objective: the Group's governing bodies will have to include at least 30% women by 2023, ensuring compliance with this objective both in the businesses and the functions. More generally, the Group's extra-financial ratings are among the leaders in the banking sector: highest rating (A1+) assigned by the extra-financial rating agency Vigeo Eiris, position in the first decile of the ISS ESG ranking (C+ Prime), top 14% in the bank MSCI ranking (AA) and first decile of the RobecoSAM ranking with a place of 25th worldwide, after being ranked 1st worldwide on environmental issues in 2019.

In 2021, the Group shall remain fully committed to its priorities (i) its customers (ii) maintaining strict cost discipline, managing the cost of risk and the allocation of capital, (iii) creating value for its shareholders.

(1) Including the credit risk, FRTB, operational risk and taking into account the main EU-specific assumptions communicated by the EBA in response to the European Commission's consultation paper (published in December 2020) and excluding the output floor which would not be binding before 2027/2028

(2) On a prospective basis in 2023

(3) After deducting interest on deeply subordinated notes and undated subordinated notes

(4) Subject to the approval of the General Meeting of Shareholders and regulatory bodies

9. 2021 FINANCIAL CALENDAR

2021 Financial communication calendar

May 6 th , 2021	First quarter 2021 results
May 18 th , 2021	General Meeting
May 25 th , 2021	Dividend detachment
May 27 th , 2021	Dividend payment
August 3 rd , 2021	Second quarter and first half 2021 results
November 4 th , 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, in particular in the Covid-19 crisis context, including matters not yet known to it or its management or not currently considered material, and there can be no assurance that anticipated events will occur or that the objectives set out will actually be achieved. Important factors that could cause actual results to differ materially from the results anticipated in the forward-looking statements include, among others, overall trends in general economic activity and in Societe Generale's markets in particular, regulatory and prudential changes, and the success of Societe Generale's strategic, operating and financial initiatives.

More detailed information on the potential risks that could affect Societe Generale's financial results can be found in the 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.

10. APPENDIX 1: FINANCIAL DATA

GROUP NET INCOME BY CORE BUSINESS

In EURm	Q4 20	Q4 19	Change	2020	2019	Change
French Retail Banking	104	230	-54.8%	666	1,131	-41.1%
International Retail Banking and Financial Services	376	463	-18.8%	1,304	1,955	-33.3%
Global Banking and Investor Solutions	280	291	-3.8%	57	958	-94.1%
Core Businesses	760	984	-22.8%	2 027	4,044	-49.9%
Corporate Centre	(290)	(330)	+12.1%	(2,285)	(796)	n/s
Group	470	654	-28.1%	(258)	3,248	n/s

CHANGES Q4 20/Q3 20 – NET BANKING INCOME, OPERATING EXPENSES AND GROSS OPERATING INCOME

Net Banking Income (in EURm)	Q4 20	Q3 20	Change	
French Retail Banking	1,845	1,836	+0.5%	+0.5%*
International Retail Banking and Financial Services	1,919	1,891	+1.5%	+4.1%*
Global Banking and Investor Solutions	2,072	2,034	+1.9%	+2.4%*
Corporate Centre	2	48	-95.8%	-95.6%*
Group	5,838	5,809	+0.5%	+1.6%*

Operating Expenses (in EURm)	Q4 20	Q3 20	Change	
French Retail Banking	(1,443)	(1,292)	+11.7%	+11.7%*
International Retail Banking and Financial Services	(1,018)	(999)	+1.9%	+4.1%*
Global Banking and Investor Solutions	(1,688)	(1,478)	+14.2%	+14.7%*
Corporate Centre	(202)	(56)	x3.6	x3.6*
Group	(4,351)	(3,825)	+13.8%	+14.6%*

Gross operating income (in EURm)	Q4 20	Q3 20	Change	
French Retail Banking	402	544	-26.1%	-26.1%*
International Retail Banking and Financial Services	901	892	+1.0%	+4.1%*
Global Banking and Investor Solutions	384	556	-30.9%	-30.3%*
Corporate Centre	(200)	(8)	n/s	n/s*
Group	1,487	1,984	-25.1%	-23.7%*

CONSOLIDATED BALANCE SHEET

	31.12.2020	31.12.2019
Cash, due from central banks	168,179	102,311
Financial assets at fair value through profit or loss	429,458	385,739
Hedging derivatives	20,667	16,837
Financial assets measured at fair value through other comprehensive income	52,060	53,256
Securities at amortised cost	15,635	12,489
Due from banks at amortised cost	53,380	56,366
Customer loans at amortised cost	448,761	450,244
Revaluation differences on portfolios hedged against interest rate risk	378	401
Investment of insurance activities	166,854	164,938
Tax assets	5,001	5,779
Other assets	67,341	68,045
Non-current assets held for sale	6	4,507
Investments accounted for using the equity method	100	112
Tangible and intangible assets*	30,088	30,844
Goodwill	4,044	4,627
Total	1,461,952	1,356,495
	31.12.2020	31.12.2019
Central banks	1,489	4,097
Financial liabilities at fair value through profit or loss	390,247	364,129
Hedging derivatives	12,461	10,212
Debt securities issued	138,957	125,168
Due to banks	135,571	107,929
Customer deposits	456,059	418,612
Revaluation differences on portfolios hedged against interest rate risk	7,696	6,671
Tax liabilities	1,223	1,409
Other liabilities*	84,937	85,254
Non-current liabilities held for sale	-	1,333
Liabilities related to insurance activities contracts	146,126	144,259
Provisions	4,775	4,387
Subordinated debts	15,432	14,465
Total liabilities	1,394,973	1,287,925
SHAREHOLDERS' EQUITY		
Shareholders' equity, Group share		
Issued common stocks and capital reserves	22,333	21,969
Other equity instruments	9,295	9,133
Retained earnings	32,076	29,558
Net income	(258)	3,248
Sub-total	63,446	63,908
Unrealised or deferred capital gains and losses	(1,762)	(381)
Sub-total equity, Group share	61,684	63,527
Non-controlling interests	5,295	5,043
Total equity	66,979	68,570
Total	1,461,952	1,356,495

*The amount has been restated compared with the published financial statements for the year ended 31 December 2019 following the IFRS Interpretations Committee (IFRS IC) decisions on 26 November 2019 related to IFRS 16.

11. APPENDIX 2: METHODOLOGY

1 – The financial information presented in respect of the fourth quarter and 2020 was examined by the Board of Directors on February 9th, 2021 and has been prepared in accordance with IFRS as adopted in the European Union and applicable at that date. This information has not been audited.

2 – Net banking income

The pillars' net banking income is defined on page 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 31st, 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:

Q4 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
Reported	(4,351)	(689)	(94)	0	(125)	470	
(+) IFRIC 21 linearisation	(177)				52	(121)	
(-) Restructuring charges ⁽¹⁾	(210)				63	(147)	<i>o/w GBIS (EUR - 157m), Corporate Center (EUR -53m)</i>
(-) Group refocusing plan*		(20)	(101)		(14)	(135)	<i>Corporate center</i>
Underlying	(4,318)	(669)	7	0	(123)	631	

2020 (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
Reported	(16,714)	(3,306)	(12)	(684)	(1,204)	(258)	
(-) Group refocusing plan*		(20)	(178)		(14)	(212)	<i>Corporate center</i>
(-) Goodwill impairment*				(684)		(684)	<i>Corporate center</i>
(-) DTA impairment*					(650)	(650)	<i>Corporate center</i>
(-) Restructuring charges ⁽¹⁾	(210)				63	(147)	<i>o/w GBIS (EUR - 157m), Corporate Center (EUR -53m)</i>
Underlying	(16,504)	(3,286)	166	0	(603)	1,435	

Q4 19 (in EURm)	Operating Expenses	Net cost of risk	Net profit or losses from other assets	Net income from companies under equity method	Income tax	Group net income	Business
Reported	(4,503)	(371)	(125)	(154)	(230)	654	
(+) IFRIC 21 linearisation	(152)				36	(112)	
(-) Restructuring provision*	(60)				20	(40)	o/w RBDF (EUR - 55m), IBFS (EUR - 5m)
(-) Write-off of Group minority stake in SG de Banque au Liban*				(158)		(158)	Corporate center
(-) Group refocusing plan*			(137)		2	(135)	Corporate center
Underlying	(4,595)	(371)	12	4	(216)	875	

2019 (in EURm)	Operating Expenses	Net cost of risk	Net profit or losses from other assets	Net income from companies under equity method	Income tax	Group net income	Business
Reported	(17,727)	(1,278)	(327)	(129)	(1,264)	3,248	
(-) Restructuring provision*	(316)				83	(233)	o/w RBDF (EUR - 55m), IBFS (EUR - 34m), GBIS (EUR - 227m)
(-) Write-off of Group minority stake in SG de Banque au Liban*				(158)		(158)	Corporate center
(-) Group refocusing plan*		(18)	(386)		(18)	(422)	Corporate center
Underlying	(17,411)	(1,260)	59	29	(1,329)	4,061	

(*) exceptional items

(1) Restructuring charges including restructuring provisions and various restructuring charges

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)		Q4 20	Q4 19	2020	2019
French Retail Banking	Net Cost Of Risk	276	149	1,097	467
	Gross loan Outstandings	222,926	197,813	212,185	194,359
	Cost of Risk in bp	50	30	52	24
International Retail Banking and Financial Services	Net Cost Of Risk	287	158	1,265	588
	Gross loan Outstandings	128,965	137,222	132,082	136,303
	Cost of Risk in bp	89	46	96	43
Global Banking and Investor Solutions	Net Cost Of Risk	104	66	922	206
	Gross loan Outstandings	147,508	157,528	160,918	161,865
	Cost of Risk in bp	28	17	57	13
Corporate Centre	Net Cost Of Risk	22	(2)	22	17
	Gross loan Outstandings	14,044	9,714	11,611	9,403
	Cost of Risk in bp	62	(13)	20	17
Societe Generale Group	Net Cost Of Risk	689	371	3,306	1,278
	Gross loan Outstandings	513,443	502,277	516,797	501,929
	Cost of Risk in bp	54	29	64	25

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	Q4 20	Q4 19	2020	2019
Shareholders' equity Group share	61,684	63,527	61,684	63,527
Deeply subordinated notes	(8,830)	(9,501)	(8,830)	(9,501)
Undated subordinated notes	(264)	(283)	(264)	(283)
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	19	4	19	4
OCI excluding conversion reserves	(942)	(575)	(942)	(575)
Dividend provision	(467)	(1,869)	(467)	(1,869)
ROE equity end-of-period	51,201	51,303	51,201	51,303
Average ROE equity	51,294	51,415	52,088	50,586
Average Goodwill	(3,928)	(4,544)	(4,172)	(4,586)
Average Intangible Assets	(2,477)	(2,327)	(2,432)	(2,243)
Average ROTE equity	44,889	44,544	45,484	43,757
Group net Income (a)	470	654	(258)	3,248
Underlying Group net income (b)	631	875	1,435	4,061
Interest on deeply subordinated notes and undated subordinated notes (c)	(164)	(178)	(611)	(715)
Cancellation of goodwill impairment (d)	0	85	684	200
Ajusted Group net Income (e) = (a)+ (c)+(d)	306	561	(185)	2,733
Ajusted Underlying Group net Income (f)=(b)+(c)	467	697	824	3,346
Average ROTE equity (g)	44,889	44,544	45,484	43,757
ROTE [quarter: (4*e/g), 12M: (e/g)]	2.7%	5.0%	-0.4%	6.2%
Average ROTE equity (underlying) (h)	45,050	44,619	47,177	43,983
Underlying ROTE [quarter: (4*f/h), 12M: (f/h)]	4.1%	6.2%	1.7%	7.6%

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

In EURm	Q4 20	Q4 19	Change	2020	2019	Variation
French Retail Banking	11,186	11,165	+0.2%	11,427	11,263	+1.5%
International Retail Banking and Financial Services	10,112	10,675	-5.3%	10,499	11,075	-5.2%
Global Banking and Investor Solutions	14,287	13,943	+2.5%	14,302	15,201	-5.9%
Core Businesses	35,585	35,783	-0.6%	36,228	37,539	-3.5%
Corporate Centre	15,709	15,632	+0.5%	15,860	13,047	+21.6%
Group	51,294	51,415	-0.2%	52,088	50,586	+3.0%

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	2020	2019	2018
Shareholders' equity Group share	61,684	63,527	61,026
Deeply subordinated notes	(8,830)	(9,501)	(9,330)
Undated subordinated notes	(264)	(283)	(278)
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	19	4	(14)
Bookvalue of own shares in trading portfolio	301	375	423
Net Asset Value	52,910	54,122	51,827
Goodwill	(3,928)	(4,510)	(4,860)
Intangible Assets	(2,484)	(2,362)	(2,224)
Net Tangible Asset Value	46,498	47,250	44,743
Number of shares used to calculate NAPS**	848,859	849,665	801,942
Net Asset Value per Share	62.3	63.7	64.6
Net Tangible Asset Value per Share	54.8	55.6	55.8

** The number of shares considered is the number of ordinary shares outstanding as at December 31st, 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)	2020	2019	2018
Existing shares	853,371	834,062	807,918
Deductions			
Shares allocated to cover stock option plans and free shares awarded to staff	2,987	4,011	5,335
Other own shares and treasury shares		149	842
Number of shares used to calculate EPS**	850,385	829,902	801,741
Group net Income	(258)	3,248	4,121
Interest on deeply subordinated notes and undated subordinated notes	(611)	(715)	(719)
Capital gain net of tax on partial buybacks			
Adjusted Group net income	(869)	2,533	3,402
EPS (in EUR)	(1.02)	3.05	4.24
Underlying EPS* (in EUR)	0.97	4.03	5.00

(*) 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 December 31st, 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.

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

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

Societe Generale

Societe Generale is one of the leading European financial services groups. Based on a diversified and integrated banking model, the Group combines financial strength and proven expertise in innovation with a strategy of sustainable and responsible 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

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