

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).

3,400,000 European Style Cash Settled Short Certificates
relating to the ordinary shares of JD Health International Inc.
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 an inverse leverage mechanism and the Certificates will amplify the movements in the increase, and in the decrease, of the value of the Underlying Stock (as defined below) and if the investment results in a loss, any such loss will be increased by the leverage factor of the Certificates. As such, investors could lose more than they would if they had invested directly in the Underlying Stock.

The Certificates are classified as capital markets products other than prescribed capital markets 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.

Table of Contents

	<i>Page</i>
Risk Factors	6
Terms and Conditions of the Certificates	16
Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities	25
Summary of the Issue	39
Information relating to the European Style Cash Settled Short Certificates on Single Equities	41
Information relating to the Company	56
Information relating to the Designated Market Maker	57
Supplemental Information relating to the Guarantor	59
Supplemental General Information	60
Placing and Sale	62
Appendix I	
Appendix II	

RISK FACTORS

The following are risk factors relating to the Certificates:

- (a) investment in Certificates involves substantial risks including market risk, liquidity risk, and the risk that the Issuer and/or the Guarantor will be unable to satisfy its/their obligations under the Certificates. Investors should ensure that they understand the nature of all these risks before making a decision to invest in the Certificates. You should consider carefully whether Certificates are suitable for you in light of your experience, objectives, financial position and other relevant circumstances. Certificates are not suitable for inexperienced investors;
- (b) the Certificates constitute general unsecured obligations of the Issuer and of no other person, and the Guarantee constitutes direct unconditional unsecured senior preferred obligations of the Guarantor and of no other person. In particular, it should be noted that the Issuer issues a large number of financial instruments, including Certificates, on a global basis and, at any given time, the financial instruments outstanding may be substantial. If you purchase the Certificates, you are relying upon the creditworthiness of the Issuer and the Guarantor and have no rights under the Certificates against any other person;
- (c) since the Certificates relate to the price of the Underlying Stock, certain events relating to the Underlying Stock may cause adverse movements in the value and the price of the Underlying Stock, as a result of which, the Certificate Holders (as defined in the Conditions of the Certificates) may, in extreme circumstances, sustain a significant loss of their investment if the price of the Underlying Stock has risen sharply;
- (d) due to their nature, the Certificates can be volatile instruments and may be subject to considerable fluctuations in value. The price of the Certificates may fall in value as rapidly as it may rise due to, including but not limited to, variations in the frequency and magnitude of the changes in the price of the Underlying Stock, the time remaining to expiry, the currency exchange rates and the creditworthiness of the Issuer and the Guarantor;
- (e) if, whilst any of the Certificates remain unexercised, trading in the Underlying Stock is suspended or halted on the relevant stock exchange, trading in the Certificates may be suspended for a similar period;
- (f) as indicated in the Conditions of the Certificates and herein, a Certificate Holder must tender a specified number of Certificates at any one time in order to exercise. Thus, Certificate Holders with fewer than the specified minimum number of Certificates in a particular series will either have to sell their Certificates or purchase additional Certificates, incurring transactions costs in each case, in order to realise their investment;
- (g) investors should note that in the event of there being a Market Disruption Event (as defined in the Conditions) determination or payment of the Cash Settlement Amount (as defined in the Conditions) may be delayed, all as more fully described in the Conditions;
- (h) certain events relating to the Underlying Stock require or, as the case may be, permit the Issuer to make certain adjustments or amendments to the Conditions. Investors may refer to the Conditions 4 and 6 on pages 30 to 34 and the examples and illustrations of adjustments set out in the "Information relating to the European Style Cash Settled Short Certificates on Single Equities" section of this document for more information;

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

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

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

- (q) there is no assurance that the Air Bag Mechanism will prevent investors from losing the entire value of their investment, in the event of (i) an overnight increase in the Underlying Stock, where there is a 20% or greater gap between the previous day closing price and the opening price of the Underlying Stock the following day, as the Air Bag Mechanism will only be triggered when market opens the following day or (ii) a sharp intraday increase in the price of the Underlying Stock of 20% or greater within the 15 minutes Observation Period compared to the reference price, being: (1) if air bag has not been previously triggered on the same day, the previous closing price of the Underlying Stock, or (2) if one or more air bag have been previously triggered on the same day, the latest New Observed Price. Investors may refer to pages 49 to 50 of this document for more information;
- (r) 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;
- (s) 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;
- (t) 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;
- (u) 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;

- (v) 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;
- (w) 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;
- (x) the Certificates are linked to the Underlying Stock and subject to the risk that the price of the Underlying Stock may rise. The following is a list of some of the significant risks associated with the Underlying Stock:
 - Historical performance of the Underlying Stock does not give an indication of future performance of the Underlying Stock. It is impossible to predict whether the price of the Underlying Stock will fall or rise over the term of the Certificates; and
 - The price of the Underlying Stock may be affected by the economic, financial and political events in one or more jurisdictions, including the stock exchange(s) or quotation system(s) on which the Underlying Stock may be traded;
- (y) the value of the Certificates depends on the Leverage Inverse Strategy performance built in the Certificate. The Calculation Agent will make the Leverage Inverse Strategy last closing level and a calculation tool available to the investors on a website;
- (z) 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;
- (aa) 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;
- (bb) the reform of HIBOR may adversely affect the value of the Certificates

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

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

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

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

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

- (cc) 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;

(dd) 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

(ee) 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:	3,400,000 European Style Cash Settled Short Certificates relating to the ordinary shares of JD Health International Inc. (the “ Underlying Stock ”)
ISIN:	LU2184318793
Company:	JD Health International Inc. (RIC: 6618.HK)
Underlying Price ³ and Source:	HK\$108.2 (Reuters)
Calculation Agent:	Société Générale
Strike Level:	Zero
Daily Leverage:	-5x (within the Leverage Inverse Strategy as described below)
Notional Amount per Certificate:	SGD 1.20
Management Fee (p.a.) ⁴ :	0.40%
Gap Premium (p.a.) ⁵ :	6.50%, is a hedging cost against extreme market movements overnight.
Stock Borrowing Cost ⁶ :	The annualised costs for borrowing stocks in order to take an inverse exposure on the Underlying Stock.
Rebalancing Cost ⁶ :	The transaction costs (if applicable), computed as a function of leverage and daily inverse performance of the Underlying Stock.
Launch Date:	3 March 2021
Closing Date:	8 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 Inverse Strategy. Please note that the Stock Borrowing Cost may be changed on giving 5 Business Days' notice to investors. Any change in the Stock Borrowing Cost will be announced on the SGXNET.

Expected Listing Date:	9 March 2021
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:	<p>The Certificates may only be exercised on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, in a Board Lot or integral multiples thereof. Certificate Holders shall not be required to deliver an exercise notice. Exercise of Certificates shall be determined by whether the Cash Settlement Amount (less any Exercise Expenses) is positive. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates shall be deemed to have been automatically exercised at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. The Cash Settlement Amount less the Exercise Expenses in respect of the Certificates shall be paid in the manner set out in Condition 4(c) of the Conditions. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, and Certificate Holders shall not be entitled to receive any payment from the Issuer in respect of the Certificates.</p>
Cash Settlement Amount:	<p>In respect of each Certificate, shall be an amount payable in the Settlement Currency equal to:</p> <p>Closing Level multiplied by the Notional Amount per Certificate</p> <p>Please refer to the “Information relating to the European Style Cash Settled Short Certificates on Single Equities” section on pages 41 to 55 of this document for examples and illustrations of the calculation of the Cash Settlement Amount.</p>
Hedging Fee Factor:	<p>In respect of each Certificate, shall be an amount calculated as: Product (for t from 2 to Valuation Date) of $(1 - \text{Management Fee} \times (\text{ACT}(t-1;t) \div 360)) \times (1 - \text{Gap Premium}(t-1) \times (\text{ACT}(t-1;t) \div 360))$, where:</p> <p>“t” refers to “Observation Date” which means each Underlying Stock Business Day (subject to Market Disruption Event) from (and</p>

including) the Underlying Stock Business Day immediately preceding the Expected Listing Date to the Valuation Date; and

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

If the Issuer determines, in its sole discretion, that on any Observation Date a Market Disruption Event has occurred, then that Observation Date shall be postponed until the first succeeding Underlying Stock Business Day on which there is no Market Disruption Event, unless there is a Market Disruption Event on each of the five Underlying Stock Business Days immediately following the original date that, but for the Market Disruption Event, would have been an Observation Date. In that case, that fifth Underlying Stock Business Day shall be deemed to be the Observation Date notwithstanding the Market Disruption Event and the Issuer shall determine, its good faith estimate of the level of the Leverage Inverse Strategy and the value of the Certificate on that fifth Underlying Stock Business Day in accordance with the formula for and method of calculation last in effect prior to the occurrence of the first Market Disruption Event taking into account, inter alia, the exchange traded or quoted price of the Underlying Stock and the potential increased cost of hedging by the Issuer as a result of the occurrence of the Market Disruption Event.

An “**Underlying Stock Business Day**” is a day on which The Stock Exchange of Hong Kong Limited (the “**HKEX**”) is open for dealings in Hong Kong during its normal trading hours and banks are open for business in Hong Kong.

Please refer to the “Information relating to the European Style Cash Settled Short Certificates on Single Equities” section on pages 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 Inverse Strategy (as described below) on the Valuation Date

The calculation of the closing level of the Leverage Inverse Strategy is set out in the “Specific Definitions relating to the Leverage Inverse Strategy” section on pages 21 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:	<p>The “Air Bag Mechanism” refers to the mechanism built in the Leverage Inverse Strategy and which is designed to reduce the Leverage Inverse Strategy exposure to the Underlying Stock during extreme market conditions. If the Underlying Stock rises by 15% or more (“Air Bag Trigger Price”) during the trading day (which represents approximately 75% loss after a 5 times inverse leverage), the Air Bag Mechanism is triggered and the Leverage Inverse Strategy is adjusted intra-day. The Air Bag Mechanism reduces the impact on the Leverage Inverse Strategy if the Underlying Stock rises further, but will also maintain a reduced exposure to the Underlying Stock in the event the Underlying Stock starts to fall after the Air Bag Mechanism is triggered, thereby reducing its ability to recoup losses.</p> <p>Trading of Certificates is suspended for at least 30 minutes after the Air Bag is triggered.</p> <p>The Leverage Inverse Strategy is floored at 0 and the Certificates cannot be valued below zero.</p> <p>Please refer to the “Extraordinary Strategy Adjustment for Performance Reasons (“Air Bag Mechanism”)” section on pages 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.</p>
Adjustments and Extraordinary Events:	The Issuer has the right to make adjustments to the terms of the Certificates if certain events, including any capitalisation issue, rights issue, extraordinary distributions, merger, delisting, insolvency (as more specifically set out in the terms and conditions of the Certificates) occur in respect of the Underlying Stock. For the avoidance of doubt, no notice will be given if the Issuer determines that adjustments will not be made.
Underlying Stock Currency:	Hong Kong Dollar (“ HKD ”)
Settlement Currency:	Singapore Dollar (“ SGD ”)
Exercise Expenses:	Certificate Holders will be required to pay all charges which are incurred in respect of the exercise of the Certificates.
Relevant Stock Exchange for the Certificates:	The Singapore Exchange Securities Trading Limited (the “ SGX-ST ”)
Relevant Stock Exchange for the Underlying Stock:	HKEX

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

Specific Definitions relating to the Leverage Inverse Strategy

Description of the Leverage Inverse Strategy

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

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

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

Leverage Inverse Strategy Formula

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

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

On Observation Date(1):

$$LSL_1 = 1000$$

On each subsequent Observation Date(t):

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

LR_{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:

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

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

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

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

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

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

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

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

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), 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.

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 gross of any applicable withholding taxes.

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

DayCount 365
BasisRate

Extraordinary Strategy Adjustment for Performance Reasons (“Air Bag Mechanism”)

Extraordinary Strategy Adjustment for Performance Reasons If the Calculation Agent determines that an Intraday Restrike Event has occurred during an Observation Date(t) (the **Intraday Restrike Date**, noted hereafter **IRD**), an adjustment (an **Extraordinary Strategy Adjustment for Performance Reasons**) shall take place during such Observation Date(t) in accordance with the following provisions.

(1) Provided the last Intraday Restrike Observation Period as of such Intraday Restrike Date does not end on the TimeReferenceClosing, the Leverage Inverse Strategy Closing Level on the Intraday Restrike Date (LSL_{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)}	<p>means, in respect of IR(k), the Intraday Leverage Inverse Strategy Level in accordance with the following provisions :</p> <p>(1) for k = 1 :</p> $ILSL_{IR(1)} = \text{Max}[LSL_{IRD-1} \times (1 + ILR_{IR(0),IR(1)} - FC_{IRD-1,IRD} - SB_{IRD-1,IRD} - IRC_{IR(0),IR(1)}), 0]$ <p>(2) for k > 1 :</p> $ILSL_{IR(k)} = \text{Max}[ILSL_{IR(k-1)} \times (1 + ILR_{IR(k-1),IR(k)} - IRC_{IR(k-1),IR(k)}), 0]$
ILR_{IR(k-1),IR(k)}	<p>means the Intraday Leveraged Return between IR(k-1) and IR(k), calculated as follows:</p> $ILR_{IR(k-1),IR(k)} = \text{Leverage} \times \left(\frac{IS_{IR(k)}}{IS_{IR(k-1)}} - 1 \right)$
IRC_{IR(k-1),IR(k)}	<p>means the Intraday Rebalancing Cost of the Leverage Inverse Strategy in respect of IR(k) on a given Intraday Restrike Date, calculated as follows :</p> $IRC_{IR(k-1),IR(k)} = \text{Leverage} \times (\text{Leverage} - 1) \times \left(\left \frac{IS_{IR(k)}}{IS_{IR(k-1)}} - 1 \right \right) \times TC$
IS_{IR(k)}	<p>means the Underlying Stock Price in respect of IR(k) computed as follows:</p> <p>(1) for k=0</p> $IS_{IR(0)} = S_{IRD-1} \times Rfactor_{IRD}$ <p>(2) for k=1 to n</p> <p>means in respect of IR(k), the highest price of the Underlying Stock during the respective Intraday Restrike Observation Period</p> <p>(3) with respect to IR(C)</p> $IS_{IR(C)} = S_{IRD}$ <p>In each case, subject to the adjustments and provisions of the Conditions.</p>
IR(k)	<p>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;</p> <p>For k=1 to n, means the kth Intraday Restrike Event on the relevant Intraday Restrike Date.</p>
IR(C)	<p>means the scheduled close for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto) on the relevant Intraday Restrike Date.</p>
n	<p>means the number of Intraday Restrike Events that occurred on the relevant Intraday Restrike Date.</p>
Intraday Restrike Event	<p>means in respect of an Observation Date(t):</p> <p>(1) provided no Intraday Restrike Event has previously occurred on such Observation Date (t), the increase at any Calculation Time of the Underlying Stock price by 15% or more compared with the relevant Underlying Stock</p>

Price $IS_{IR(0)}$ as of such Calculation Time.

(2) if k Intraday Restrike Events have occurred on the relevant Intraday Restrike Date, the increase at any Calculation Time of the Underlying Stock price by 15% or more compared with the relevant Underlying Stock Price $IS_{IR(k)}$ as of such Calculation Time.

Calculation Time	means any time between the TimeReferenceOpening and the TimeReferenceClosing, provided that the relevant data is available to enable the Calculation Agent to determine the Leverage Inverse Strategy Level.
TimeReferenceOpening	means the scheduled opening time for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto).
TimeReferenceClosing	means the scheduled closing time for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto).
Intraday Restrike Event Observation Period	<p>means in respect of an Intraday Restrike Event, the period starting on and excluding the Intraday Restrike Event Time and finishing on and including the sooner between (1) the time falling 15 minutes after the Intraday Restrike Event Time and (2) the TimeReferenceClosing.</p> <p>Where, during such period, the Calculation Agent determines that (1) the trading in the Underlying Stock is disrupted or subject to suspension or limitation or (2) the Relevant Stock Exchange for the Underlying Stock is not open for continuous trading, the Intraday Restrike Event Observation Period will be extended to the extent necessary until (1) the trading in the Underlying Stock is no longer disrupted, suspended or limited and (2) the Relevant Stock Exchange for the Underlying Stock is open for continuous trading.</p>
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:	JD Health International Inc.
The Certificates:	European Style Cash Settled Short Certificates relating to the Underlying Stock
Number:	3,400,000 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 qualified in its entirety by reference to the detailed information appearing elsewhere in this document and the Base Listing Document.

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

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

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

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

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

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

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

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

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

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

B) Trading the Certificates before Expiry

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

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

Illustration of the Calculation of Hedging Fee Factor

Hedging Fee Factor	=	Product of the Daily Fees
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Daily Fees	=	Daily Management Fee Adjustment	
		1 – Management Fee x ACT (t-1;t) / 360	
		x	
		Daily Gap Premium Adjustment	
		1 – Gap Premium (t-1) x ACT (t-1;t) / 360	

Illustration of the Calculation of Cash Settlement Amount

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

Value of Certificates	=	<table border="1"> <tr><th>t=0</th></tr> <tr><td>Notional Amount</td></tr> </table>	t=0	Notional Amount	x	<table border="1"> <tr><th>t=1</th></tr> <tr> <td>Leverage Inverse Strategy daily performance⁸</td> <td>x</td> <td>Daily Fees</td> </tr> </table>	t=1	Leverage Inverse Strategy daily performance ⁸	x	Daily Fees	x	<table border="1"> <tr><th>t=2</th></tr> <tr> <td>Leverage Inverse Strategy daily performance</td> <td>x</td> <td>Daily Fees</td> </tr> </table>	t=2	Leverage Inverse Strategy daily performance	x	Daily Fees	x ...	<table border="1"> <tr><th>t=i</th></tr> <tr> <td>Leverage Inverse Strategy Daily performance</td> <td>x</td> <td>Daily Fees</td> </tr> </table>	t=i	Leverage Inverse Strategy Daily performance	x	Daily Fees
			t=0																			
Notional Amount																						
t=1																						
Leverage Inverse Strategy daily performance ⁸	x	Daily Fees																				
t=2																						
Leverage Inverse Strategy daily performance	x	Daily Fees																				
t=i																						
Leverage Inverse Strategy Daily performance	x	Daily Fees																				

Value of Certificates	=	<table border="1"> <tr><th>t=0</th></tr> <tr><td>Notional Amount</td></tr> </table>	t=0	Notional Amount	x	Product of the daily Leverage Inverse Strategy Performance		x	Product of the Daily Fees (Hedging Fee Factor)	
			t=0							
Notional Amount										
<table border="1"> <tr> <td>Leverage Inverse Strategy daily performance</td> <td>x</td> <td>Leverage Inverse Strategy daily performance</td> </tr> </table>	Leverage Inverse Strategy daily performance	x	Leverage Inverse Strategy daily performance	<table border="1"> <tr> <td>Daily Fees</td> <td>x</td> <td>Daily Fees</td> </tr> </table>	Daily Fees	x	Daily Fees			
Leverage Inverse Strategy daily performance	x	Leverage Inverse Strategy daily performance								
Daily Fees	x	Daily Fees								

Final Value of Certificates	=	<table border="1"> <tr><th>t=0</th></tr> <tr><td>Notional Amount</td></tr> </table>	t=0	Notional Amount	x	<table border="1"> <tr> <td>Final Reference Level x Final Exchange Rate</td> <td>÷</td> <td>Initial Reference Level x Initial Exchange Rate</td> </tr> </table>		Final Reference Level x Final Exchange Rate	÷	Initial Reference Level x Initial Exchange Rate	x	<table border="1"> <tr><td>Hedging Fee Factor</td></tr> </table>	Hedging Fee Factor
			t=0										
Notional Amount													
Final Reference Level x Final Exchange Rate	÷	Initial Reference Level x Initial Exchange Rate											
Hedging Fee Factor													

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

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

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

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

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

Example of Calculation of Hedging Fee Factor and Cash Settlement Amount

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

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

Underlying Stock:	Ordinary shares of JD Health International Inc.
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:

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

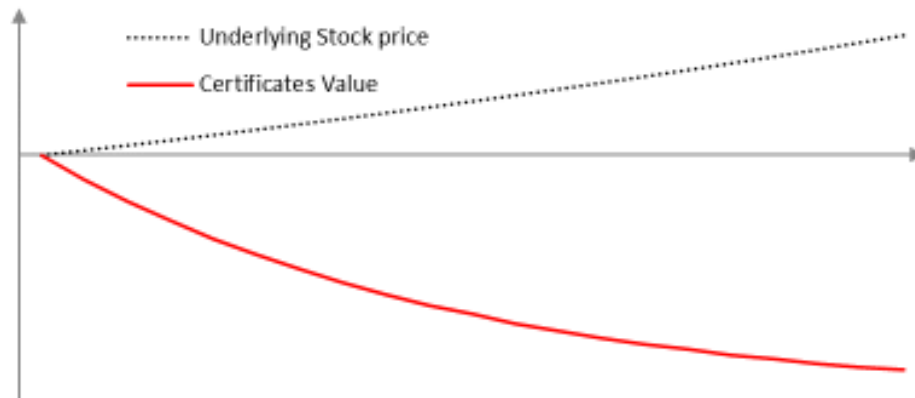
$$\begin{aligned} \text{Cash Settlement Amount} &= \text{Closing Level} \times \text{Notional Amount per Certificate} \\ &= 119.66\% \times 1.20 \text{ SGD} \\ &= \mathbf{1.436 \text{ SGD}} \end{aligned}$$

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

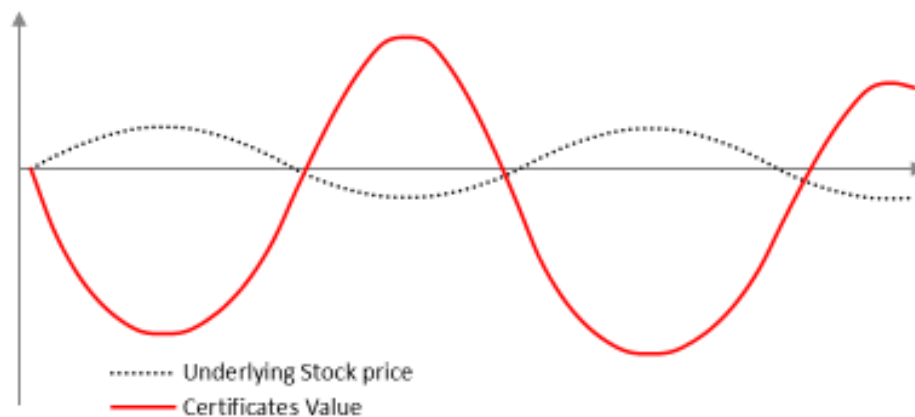
Scenario 1 – Upward Trend



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	1.08	0.97	0.87	0.79	0.71
Accumulated Return		-10.00%	-19.00%	-27.10%	-34.39%	-40.95%

Scenario 2 – Downward Trend

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

Value of the Certificates						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		10.0%	10.0%	10.0%	10.0%	10.0%
Price at end of day	1.2	1.32	1.45	1.60	1.76	1.93
Accumulated Return		10.00%	21.00%	33.10%	46.41%	61.05%

Scenario 3 – Volatile Market

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

Value of the Certificates						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		-10.0%	10.0%	-10.0%	10.0%	-10.0%
Price at end of day	1.2	1.08	1.19	1.07	1.18	1.06
Accumulated Return		-10.00%	-1.00%	-10.90%	-1.99%	-11.79%

Description of Air Bag Mechanism

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

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

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

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

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

Air Bag Mechanism timeline

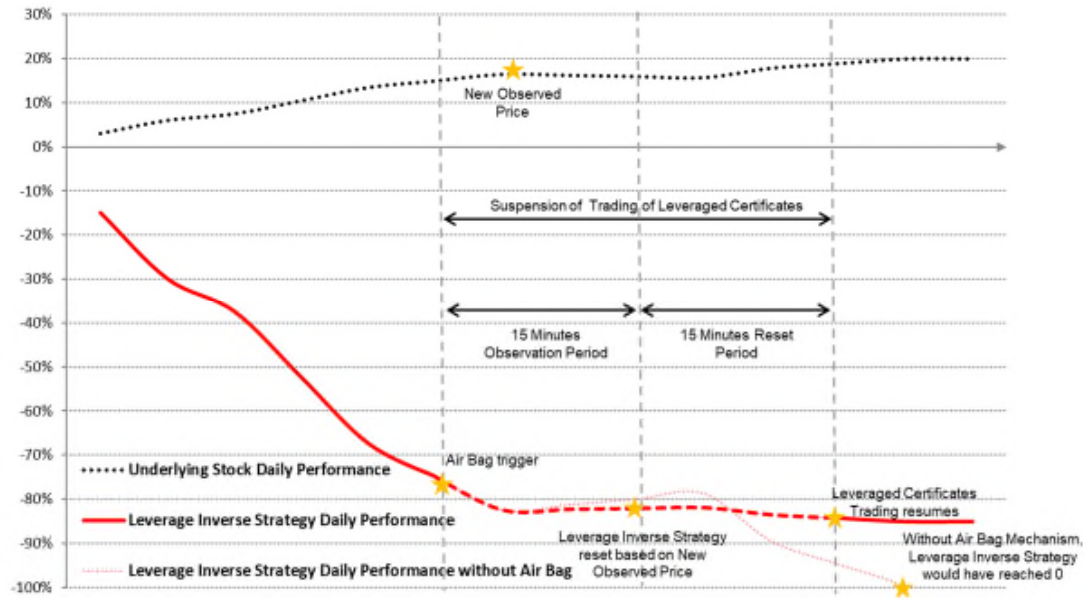
Air Bag Trigger	Observation Period	Resumption of Trading
More than 45 minutes before Market Close	First 15 minutes after Air Bag Trigger	Trading resumes the same day between 30 and 45 minutes after Air Bag Trigger
45 minutes before Market Close		Next trading day at Market Open
30 to 45 minutes before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

With **Market Close** defined as:

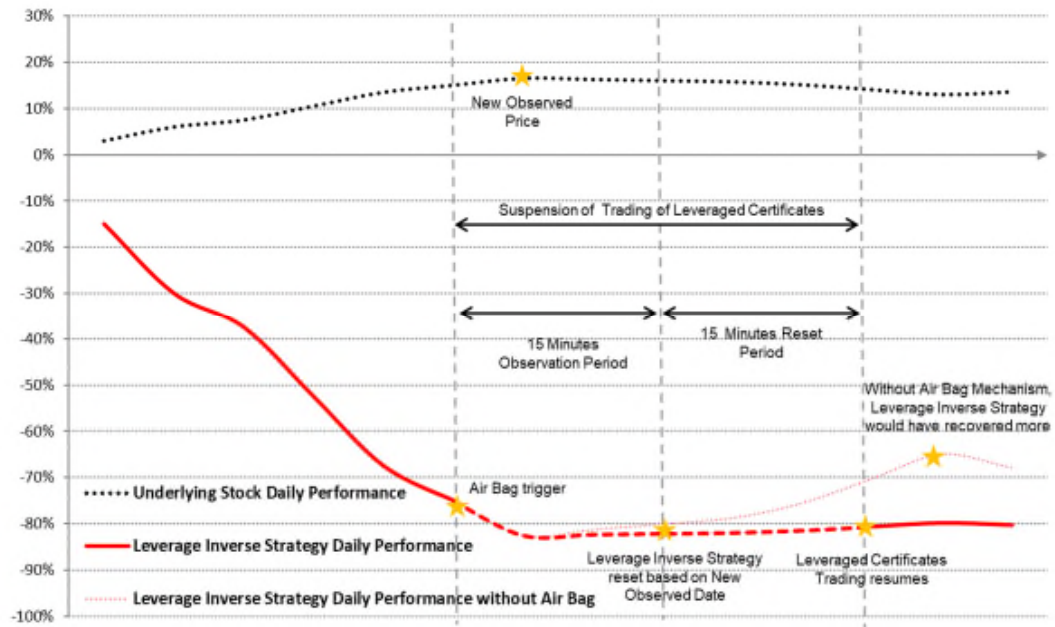
- Underlying Stock closing time with respect to the Observation Period
- The sooner between Underlying Stock closing time and SGX closing time with respect to the Resumption of Trading

Illustrative examples of the Air Bag Mechanism⁹

Scenario 1 – Upward Trend after Air Bag trigger



Scenario 2 – Downward Trend after Air Bag trigger



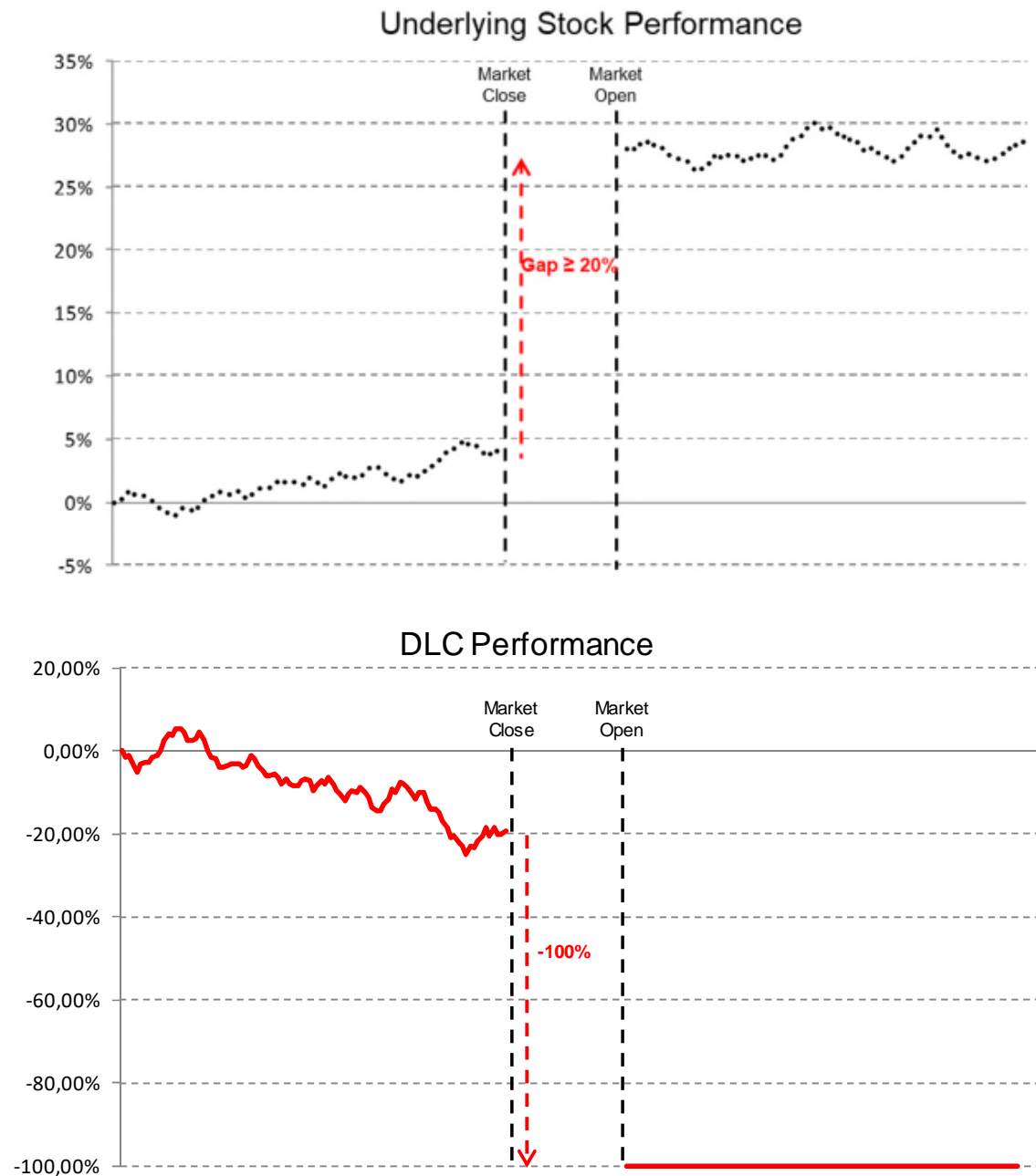
⁹ The illustrative examples are not exhaustive.

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

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

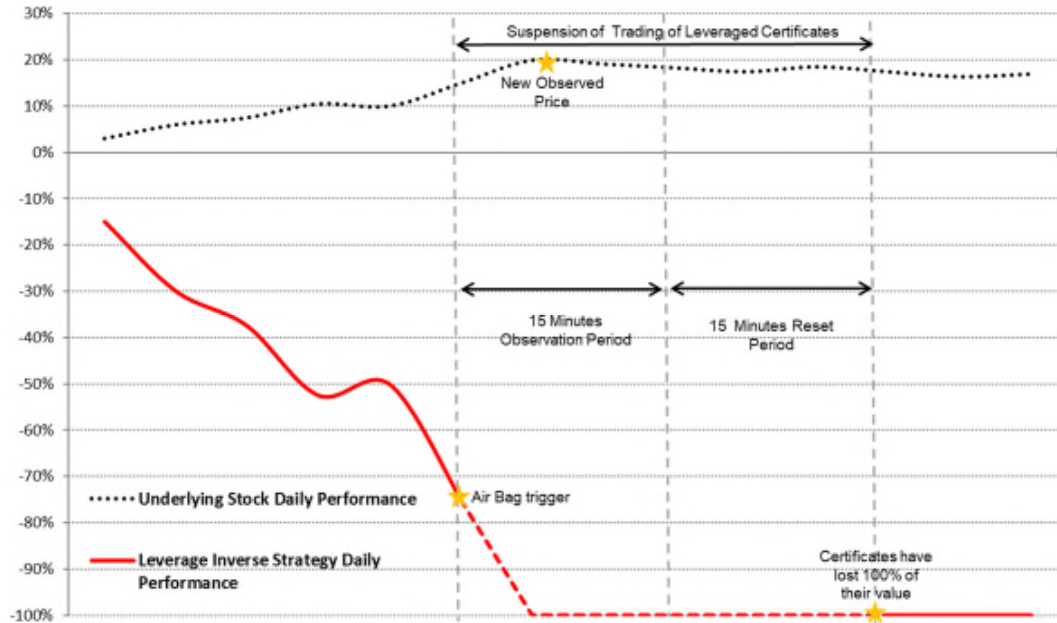
Scenario 1 – Overnight rise of the Underlying Stock

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



Scenario 2 – Sharp intraday rise of the Underlying Stock

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



Examples and illustrations of adjustments due to certain corporate actions

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

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

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

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

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

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

Where:

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

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

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

1. Stock split

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

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

$$S_t = \$51$$

$$Div_t = \$0$$

$$DivExc_t = \$0$$

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	1.08	-10%

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

2. Share Consolidation

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

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

$$S_t = \$202$$

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

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

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

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

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

As a consequence:

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

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

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
1.20	1.14	-5%

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

3. 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.

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

$$S_t = \$84$$

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

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

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

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

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

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	0.90	-25%

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

4. 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	1.08	-10%

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

5. 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	0.90	-25%

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

INFORMATION RELATING TO THE COMPANY

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

JD Health International Inc. (the “**Company**”) is the largest online healthcare platform in China. It is also pioneering the digitalization and transformation of the healthcare industry. The Company’s technology-driven platform is centered on the supply chain of pharmaceutical and healthcare products and strengthened by healthcare services, encompassing a user’s full life span for all healthcare needs. The retail pharmacy and the online healthcare services can satisfy users’ needs across all aspects of the healthcare products and services sector and provide easily accessible, convenient, high-quality yet affordable healthcare products and services for everyone in China.

The Company’s healthcare business has operated as a stand-alone business unit of JD Group since February 2014, and the Company launched our online consultation services in December 2017. Through a series of reorganizations, the Company was incorporated as an exempted company with limited liability in the Cayman Islands on November 30, 2018 as the holding company of the current businesses, which mainly comprise retail pharmacy business and online healthcare business.

The information set out in Appendix I of this document relates to the audited combined financial information of the Company and its subsidiaries as of and for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020 and has been extracted and reproduced from the Company’s prospectus dated 26 November 2020. 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 COMBINED FINANCIAL INFORMATION AS OF AND FOR THE YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019 AND THE SIX MONTHS ENDED 30 JUNE 2020 OF JD HEALTH INTERNATIONAL INC. AND ITS SUBSIDIARIES

The information set out below is a reproduction of the audited combined financial information of the Company and its subsidiaries as of and for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020 and has been extracted and reproduced from the Company's prospectus dated 26 November 2020.

The following is the text of a report set out on pages I-1 to I-84, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF JD HEALTH INTERNATIONAL INC. AND MERRILL LYNCH FAR EAST LIMITED, HAITONG INTERNATIONAL CAPITAL LIMITED AND UBS SECURITIES HONG KONG LIMITED

Introduction

We report on the historical financial information of JD Health International Inc. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-84, which comprises the combined statements of financial position of the Group as of December 31, 2017, 2018 and 2019 and June 30, 2020, the statements of financial position of the Company as of December 31, 2018 and 2019 and June 30, 2020, and the combined statements of profit or loss, the combined statements of comprehensive income/(loss), the combined statements of changes in equity and the combined statements of cash flows of the Group for each of the three years ended December 31, 2019 and the six months ended June 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-84 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated November 26, 2020 (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 (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1.2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' 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 (the "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 accountants' 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 accountants consider 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 and presentation set out in Note 1.2 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 of the Company, 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 accountants' report, a true and fair view of the Group's financial position as of December 31, 2017, 2018 and 2019 and June 30, 2020, of the Company's financial position as of December 31, 2018 and 2019 and June 30, 2020 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1.2 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 combined statement of profit or loss, the combined statement of comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the six months ended June 30, 2019 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 1.2 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 (the "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 accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1.2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange 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 28 to the Historical Financial Information which states that no dividend was declared or paid by the Company or its subsidiaries in respect of the Track Record Period.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
November 26, 2020

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 accountants' report.

The Historical Financial Information in this report was prepared based on the consolidated financial statements of the Group and the financial statements of the Remaining Listing Business as defined in the Note 1.2 to the Historical Financial Information for the Track Record Period (collectively the "Underlying Financial Statements"). The Underlying Financial Statements have been prepared in accordance with the accounting policies which conform with International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board (the "IASB") and were audited by us in accordance with International Standards on Auditing issued by the IAASB.

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

COMBINED STATEMENTS OF PROFIT OR LOSS

	Notes	Year ended December 31,			Six months ended June 30,	
		2017	2018	2019	2019	2020
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	5	5,553,128	8,169,057	10,842,140	4,988,537	8,777,490
Cost of revenue		(4,172,630)	(6,190,099)	(8,029,868)	(3,656,862)	(6,559,923)
Gross profit		1,380,498	1,978,958	2,812,272	1,331,675	2,217,567
Fulfillment expenses		(636,150)	(927,877)	(1,169,654)	(521,170)	(911,008)
Selling and marketing expenses		(257,979)	(391,822)	(746,014)	(257,545)	(544,375)
Research and development expenses		(122,667)	(218,282)	(338,239)	(150,897)	(278,175)
General and administrative expenses		(107,417)	(133,855)	(124,922)	(66,311)	(84,648)
Other (losses)/gains		(221)	3,562	565	229	(1,887)
Finance income	7	4	84	31,783	27	60,327
Finance costs		(82)	(150)	(35,502)	(81)	(1,745)
Fair value changes of convertible preferred shares	23	—	—	(1,263,130)	—	(5,705,251)
Impairment losses under expected credit loss model, net of reversal		(7)	(4,386)	(1,859)	(938)	477
Share of results of a joint venture		—	—	—	—	(8,607)
Profit/(loss) before income tax	6	255,979	306,232	(834,700)	334,989	(5,257,325)
Income tax expense	11	(77,445)	(91,305)	(137,105)	(98,735)	(103,590)
Profit/(loss) for the year/period		<u>178,534</u>	<u>214,927</u>	<u>(971,805)</u>	<u>236,254</u>	<u>(5,360,915)</u>
Profit/(loss) for the year/period attributable to:						
Owners of the Company		178,534	214,927	(971,805)	236,254	(5,358,752)
Non-controlling interests		—	—	—	—	(2,163)
		<u>178,534</u>	<u>214,927</u>	<u>(971,805)</u>	<u>236,254</u>	<u>(5,360,915)</u>

COMBINED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit/(loss) for the year/period	178,534	214,927	(971,805)	236,254	(5,360,915)
Other comprehensive income/(loss)					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange differences arising on translation of foreign operations	33,584	(35,617)	(9,809)	9,835	1,686
<i>Items that may not be reclassified subsequently to profit or loss:</i>					
Exchange differences on translation from functional currency to reporting currency	(33,584)	35,617	34,920	(9,835)	(41,555)
Other comprehensive income/(loss) for the year/period	—	—	25,111	—	(39,869)
Total comprehensive income/(loss) for the year/ period	178,534	214,927	(946,694)	236,254	(5,400,784)
Total comprehensive income/(loss) for the year/ period attributable to:					
Owners of the Company	178,534	214,927	(946,694)	236,254	(5,398,621)
Non-controlling interests	—	—	—	—	(2,163)
	178,534	214,927	(946,694)	236,254	(5,400,784)

COMBINED STATEMENTS OF FINANCIAL POSITION

	Notes	As of December 31,			As of June 30,
		2017	2018	2019	2020
		RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Intangible assets		5,720	2,760	600	804
Property and equipment		797	1,344	5,628	8,979
Investment in a joint venture	13	—	—	—	658,838
Financial assets at fair value through profit or loss	14	—	7,409	7,450	143,934
Right-of-use assets	15	2,965	3,025	10,567	59,905
Deferred tax assets	11	673	953	1,198	19,865
Prepayments, other receivables and other assets	16	63	319	27,191	9,220
Total non-current assets		10,218	15,810	52,634	901,545
Current assets					
Inventories	17	884,047	1,115,295	1,278,339	1,999,886
Trade and note receivables	18	3,091	20,032	21,552	29,053
Prepayments, other receivables and other assets	16	6,606	10,933	957,749	1,410,765
Financial assets at fair value through profit or loss	14	—	—	—	1,012,396
Term deposits	19	—	—	1,395,240	2,831,800
Restricted cash	20	—	3,864	5,891	9,159
Cash and cash equivalents	20	7,401	16,213	4,965,272	3,200,320
Total current assets		901,145	1,166,337	8,624,043	10,493,379
Total assets		<u>911,363</u>	<u>1,182,147</u>	<u>8,676,677</u>	<u>11,394,924</u>
Equity					
Paid-in capital/share capital	25	2,000	2,000	7	7
Reserves		714,669	841,991	909,753	896,350
Accumulated losses		(54,045)	(94,770)	(1,368,791)	(6,727,543)
Equity attributable to owners of the Company		<u>662,624</u>	<u>749,221</u>	<u>(459,031)</u>	<u>(5,831,186)</u>
Non-controlling interests		<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,128)</u>
Total equity		<u>662,624</u>	<u>749,221</u>	<u>(459,031)</u>	<u>(5,832,314)</u>
Liabilities					
Non-current liabilities					
Convertible preferred shares	23	—	—	7,584,420	13,609,415
Financial liabilities at fair value through profit or loss	24	—	—	—	135,906
Lease liabilities	15	1,594	2,411	6,412	36,100
Total non-current liabilities		<u>1,594</u>	<u>2,411</u>	<u>7,590,832</u>	<u>13,781,421</u>
Current liabilities					
Trade payables	21	172,650	340,229	444,984	1,744,114
Contract liabilities	5	31,227	40,519	87,687	189,348
Lease liabilities	15	1,664	715	4,851	17,473
Accrued expenses and other payables	22	41,604	49,052	1,007,354	1,494,882
Total current liabilities		<u>247,145</u>	<u>430,515</u>	<u>1,544,876</u>	<u>3,445,817</u>
Total liabilities		<u>248,739</u>	<u>432,926</u>	<u>9,135,708</u>	<u>17,227,238</u>
Total equity and liabilities		<u>911,363</u>	<u>1,182,147</u>	<u>8,676,677</u>	<u>11,394,924</u>

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As of December 31,		As of June 30,
		2018	2019	2020
		RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Investment in a subsidiary		—*	—*	—*
Total non-current assets		—*	—*	—*
Current assets				
Prepayments, other receivables and other assets	16	—*	787,594	1,499,741
Term deposits	19	—	1,395,240	2,831,800
Cash and cash equivalents	20	—	4,961,023	3,151,829
Total current assets		—*	7,143,857	7,483,370
Total assets		—*	7,143,857	7,483,370
Equity				
Share capital	25	—*	7	7
Reserves	26	2,166	811,802	771,887
Accumulated losses		(2,166)	(1,252,372)	(6,902,008)
Total equity		—*	(440,563)	(6,130,114)
Liabilities				
Non-current liabilities				
Convertible preferred shares	23	—	7,584,420	13,609,415
Total non-current liabilities		—	7,584,420	13,609,415
Current liabilities				
Accrued expenses and other payables		—*	—	4,069
Total current liabilities		—*	—	4,069
Total liabilities		—*	7,584,420	13,613,484
Total equity and liabilities		—*	7,143,857	7,483,370

* less than RMB1,000.

COMBINED STATEMENTS OF CHANGES IN EQUITY

		Attributable to owners of the Company						Non-controlling interests	Total equity
	Notes	Paid-in capital/ share capital	Contribution reserves	Other reserves **	Accumulated losses	Sub-total			
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of January 1, 2017		2,000	461,442	—	(22,424)	441,018	—	—	441,018
Profit for the year		—	—	—	178,534	178,534	—	—	178,534
Total comprehensive income for the year		—	—	—	178,534	178,534	—	—	178,534
Share-based payments expenses	27	—	—	30,420	—	30,420	—	—	30,420
Net contribution from/(return to) JD Group***		—	222,807	—	(210,155)	12,652	—	—	12,652
As of December 31, 2017		2,000	684,249	30,420	(54,045)	662,624	—	—	662,624
Profit for the year		—	—	—	214,927	214,927	—	—	214,927
Total comprehensive income for the year		—	—	—	214,927	214,927	—	—	214,927
Issuance of ordinary shares by the Company	25	—*	—	—	—	—*	—	—	—*
Share-based payments expenses	27	—	—	33,471	—	33,471	—	—	33,471
Net contribution from/(return to) JD Group***		—	93,851	—	(255,652)	(161,801)	—	—	(161,801)
As of December 31, 2018		2,000	778,100	63,891	(94,770)	749,221	—	—	749,221
Loss for the year		—	—	—	(971,805)	(971,805)	—	—	(971,805)
Other comprehensive income for the year		—	—	25,111	—	25,111	—	—	25,111
Total comprehensive income/(loss) for the year		—	—	25,111	(971,805)	(946,694)	—	—	(946,694)
Issuance of ordinary shares by the Company	25	7	—	—	—	7	—	—	7
Share-based payments expenses	27	—	—	52,728	—	52,728	—	—	52,728
Net return to JD Group***		—	(259,671)	—	(302,216)	(561,887)	—	—	(561,887)
Effect arising from reorganization	25	(2,000)	—	—	—	(2,000)	—	—	(2,000)
Effect arising from Series A Preferred Shares financing****		—	249,594	—	—	249,594	—	—	249,594
As of December 31, 2019		7	768,023	141,730	(1,368,791)	(459,031)	—	—	(459,031)
As of January 1, 2020		7	768,023	141,730	(1,368,791)	(459,031)	—	—	(459,031)
Loss for the period		—	—	—	(5,358,752)	(5,358,752)	(2,163)	—	(5,360,915)
Other comprehensive loss for the period		—	—	(39,869)	—	(39,869)	—	—	(39,869)
Total comprehensive loss for the period		—	—	(39,869)	(5,358,752)	(5,398,621)	(2,163)	—	(5,400,784)
Share-based payments expenses	27	—	—	26,466	—	26,466	—	—	26,466
Acquisition of a non-wholly owned subsidiary		—	—	—	—	—	1,035	—	1,035
As of June 30, 2020		7	768,023	128,327	(6,727,543)	(5,831,186)	(1,128)	—	(5,832,314)
(Unaudited)									
As of January 1, 2019		2,000	778,100	63,891	(94,770)	749,221	—	—	749,221
Profit for the period		—	—	—	236,254	236,254	—	—	236,254
Total comprehensive income for the period		—	—	—	236,254	236,254	—	—	236,254
Issuance of ordinary shares by the Company	25	7	—	—	—	7	—	—	7
Share-based payments expenses	27	—	—	17,713	—	17,713	—	—	17,713
Net return to JD Group***		—	(259,671)	—	(302,216)	(561,887)	—	—	(561,887)
Effect arising from Series A Preferred Shares financing****		—	249,594	—	—	249,594	—	—	249,594
As of June 30, 2019		2,007	768,023	81,604	(160,732)	690,902	—	—	690,902

* less than RMB1,000.

** Other reserves consist of share-based payment expenses from the deemed contribution of JD.com, Inc. and exchange differences on foreign currency translation recognized in other comprehensive income/(loss).

COMBINED STATEMENTS OF CHANGES IN EQUITY—continued

- *** The net contribution from/(return to) JD Group represents the funding and assets provided by JD Group or the retained profits returned to JD Group arising from the Listing Business prior to the Closing Date of Series A Preferred Shares financing (as defined in Note 1.2).
- **** The effect arising from Series A Preferred Shares financing represents the profits generated/funds utilized by the Remaining Listing Business as defined in Note 1.2 in JD Group and was recognized as the amounts due from/due to related parties after the Closing Date of Series A Preferred Shares financing.

COMBINED STATEMENTS OF CASH FLOWS

As detailed and defined in Note 1.2, during the Track Record Period, the Listing Business were carried out by the PRC Operating Entities and certain subsidiaries and consolidated affiliated entities of JD Group other than the PRC Operating Entities. No separate bank accounts were maintained by the Remaining Listing Business (as defined in Note 1.2). The treasury and cash disbursement functions of the Remaining Listing Business were centrally administrated under JD Group. The net cash flows generated by the Remaining Listing Business were kept in the bank accounts of JD Group. Prior to the Closing Date of Series A Preferred Share financing as set out in Note 1.2, the Group was not able to receive and retain the profits arising from the Remaining Listing Business. Accordingly, the funds generated or utilized by JD Group were presented as movements in the equity while there are no cash and cash equivalents balance for the Remaining Listing Business and there were no cash received/paid directly by the Group in relation to the operation of the Remaining Listing Business. After the Closing Date of Series A Preferred Share financing, the Group was eligible to receive and retain the profits arising from the Remaining Listing Business accumulated in JD Group since January 1, 2017. Accordingly, the profits and funds generated or utilized by the Remaining Listing Business in JD Group on behalf of the Group since January 1, 2017 were recognized as the amounts due from/to related parties without any cash flow from/to the Remaining Listing Business.

For the purpose of presenting a completed set of financial information of the Group, the following comprises the information of cash inflow/outflow of the Group and cash inflow/outflow of the Remaining Listing Business which was received/paid via JD Group prior to completion of the Reorganization and the Spin-off.

	Note	Year ended December 31,			Six months ended June 30,	
		2017	2018	2019	2019	2020
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Operating activities						
Cash generated from operations	31	114,230	278,744	522,741	559,273	458,934
Interest received		4	67	24,079	35	22,990
Income tax paid		(78,118)	(91,585)	(137,350)	(98,936)	(122,257)
Net cash generated from operating activities		<u>36,116</u>	<u>187,226</u>	<u>409,470</u>	<u>460,372</u>	<u>359,667</u>
Investing activities						
Withdrawal of restricted cash		—	9,055	7,275	5,205	6,772
Placement of restricted cash		—	(12,919)	(9,302)	(3,411)	(10,040)
Placement of term deposits		—	—	(1,414,160)	—	(1,401,880)
Purchase of financial assets at fair value through profit or loss		—	(7,409)	—	—	(1,012,220)
Payments for investment in a joint venture		—	—	—	—	(667,904)
Prepayments for investments in equity investees		—	—	(26,747)	—	(773)
Net cash outflow on acquisition of a non-wholly owned subsidiary		—	—	—	—	(3,501)
Purchases of property and equipment		(842)	(2,013)	(5,186)	(2,248)	(6,640)
Purchases of intangible assets		(7,077)	(403)	(503)	—	(395)
Payments for right-of-use assets		(704)	—	—	—	(482)
Net cash used in investing activities		<u>(8,623)</u>	<u>(13,689)</u>	<u>(1,448,623)</u>	<u>(454)</u>	<u>(3,097,063)</u>

COMBINED STATEMENTS OF CASH FLOWS—continued

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Financing activities					
Repayment for borrowings	—	—	—	—	(5,000)
Principal portion of lease payments	(290)	(1,797)	(1,530)	(548)	(10,488)
Interest paid	(82)	(150)	(243)	(81)	(686)
(Payment to)/advance from JD Group	(32,927)	(977)	202,234	90,760	754,963
Proceeds from issuance of ordinary shares	—	—	7	7	—
Net proceeds from issuance of convertible preferred shares	—	—	6,310,651	893,711	168,862
Payment for reorganization	—	—	(2,000)	—	—
Net cash (used in)/ generated from financing activities	<u>(33,299)</u>	<u>(2,924)</u>	<u>6,509,119</u>	<u>983,849</u>	<u>907,651</u>
Net (decrease)/increase in cash and cash equivalents	<u>(5,806)</u>	<u>170,613</u>	<u>5,469,966</u>	<u>1,443,767</u>	<u>(1,829,745)</u>
Net contribution from/(return to) JD Group	12,652	(161,801)	(561,887)	(561,887)	—
Cash and cash equivalents at the beginning of the year/period	555	7,401	16,213	16,213	4,965,272
Effects of foreign exchange rate changes on cash and cash equivalents	—	—	40,980	—	64,793
Cash and cash equivalents at the end of the year/period	<u>7,401</u>	<u>16,213</u>	<u>4,965,272</u>	<u>898,093</u>	<u>3,200,320</u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION**1. General information, reorganization and basis of preparation and presentation of Historical Financial Information****1.1 General information**

The Company was incorporated in the Cayman Islands in November 2018 as an exempted company registered under the laws of the Cayman Islands. The addresses of the registered office and principal place of business of the Company are stated in the section “Corporate Information” of the prospectus. The Company acts as an investment holding company and its subsidiaries, as set out in Note 33 (collectively the “Group”), engage in a comprehensive “Internet + healthcare” ecosystem, providing pharmaceutical and healthcare products, internet healthcare, health management, intelligent healthcare solutions to the customers, and a variety of marketing services to the business partners (collectively the “Listing Business”). The Group’s principal operations and geographic markets are in the People’s Republic of China (the “PRC”).

JD Jiankang Limited is the immediate parent company of the Company and owned by JD.com, Inc., which is the Company’s ultimate parent company. JD.com, Inc., its subsidiaries and consolidated affiliated entities, excluding the Group, are collectively referred to as “JD Group”.

1.2 History, reorganization and basis of preparation and presentation of Historical Financial Information

The Historical Financial Information has been prepared based on the accounting policies set out in Note 2, which conform with IFRSs issued by the IASB and the conventions applicable for the Reorganization (details are set out below).

Historically and up to the completion of the equity transfers of the relevant entities as mentioned below and the spin-off as defined below, the Listing Business was carried out by (1) Yinchuan JD Online Hospital Co., Ltd. (“Yinchuan JD Online Hospital”) and Jingdong Shanyuan (Qingdao) E-commerce Co., Ltd., two wholly-owned domestic companies of JD Group, and their subsidiaries established in the PRC (collectively the “PRC Operating Entities”) and (2) certain subsidiaries and consolidated affiliated entities of JD Group (collectively the “Remaining JD Group”, and the portion of the Listing Business carried out by the Remaining JD Group is referred to as “Remaining Listing Business”).

The Group underwent a reorganization (the “Reorganization”) that involves equity transfers of the PRC Operating Entities to the Company and its subsidiaries, which principally involved the following:

On November 30, 2018, the Company was incorporated in the Cayman Islands with an authorized share capital of United States dollars (“USD”) 50,000 divided into 50,000 shares at USD1.00 each, of which 1 share was allotted to and subscribed by JD Jiankang Limited.

In December 2018, JD Health (Cayman), Inc. (“JD Health Cayman”) was incorporated in the Cayman Islands and 1 share was allotted to and subscribed by the Company. Since then, JD Health Cayman is wholly owned by the Company.

In January 2019, JD Health (HK) Limited (“JD Health HK”) was incorporated in Hong Kong and 1 share was allotted to and subscribed by JD Health Cayman. Since then, JD Health HK is wholly owned by JD Health Cayman.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**1. General information, reorganization and basis of preparation and presentation of Historical Financial Information—continued****1.2 History, reorganization and basis of preparation and presentation of Historical Financial Information—continued**

In June 2019, Beijing Jingdong Jiankang Co., Ltd. (“Beijing Jingdong Jiankang”) was incorporated in the PRC as a wholly foreign-owned subsidiary of JD Health HK.

In June 2019, Suqian Jingdong Tianning Jiankang Technology Co., Ltd. (“Suqian Jingdong Tianning”) was incorporated in the PRC by three of the JD Group’s management members (“Nominee Shareholders”). In the same month, Beijing Jingdong Jiankang, Suqian Jingdong Tianning and its Nominee Shareholders entered into a series of agreements, which enables Beijing Jingdong Jiankang to obtain control over Suqian Jingdong Tianning and its subsidiaries. See the section headed “Contractual Arrangements” below for further details.

Subsequently in July 2019, all the equity interests of the PRC Operating Entities were transferred to Suqian Jingdong Tianning at a cash consideration of RMB2 million. Upon the completion of the transfer, the PRC Operating Entities became the subsidiaries of Suqian Jingdong Tianning and the Reorganization was completed. As both Suqian Jingdong Tianning and the PRC Operating Entities were under the common control of JD Group, the transfers of the PRC Operating Entities have been accounted for as business combination involving entities under common control using the principle of merger accounting.

Upon the completion of the Reorganization, the Company became the holding company of the PRC Operating Entities.

The Company is in the process of a spin-off for the Remaining Listing Business, which includes the transfer of relevant management and employees, operating assets and liabilities, retained profits, as well as the replacement of the business contracts of counter parties to the Group (the “Spin-off”). Upon the completion of the Spin-off, the entire Listing Business will be operated and controlled by the Group.

Prior to the completion of Reorganization, the Company and those companies newly set up during the Reorganization do not involve in any other business and the Reorganization has not resulted in any change of economic substance and their operations do not meet the definition of a business. The Reorganization are merely the recapitalization of the PRC Operating Entities with no change in management of such business and its ultimate owners. The Group resulting from the Reorganization and the Spin-off is regarded as a continuation of the Listing Business under JD Group. The Historical Financial Information has been prepared on the basis as if the Company had always been the holding company of the Listing Business. For the purpose of this report, the Historical Financial Information has been prepared and presented using the carrying value of the Listing Business for all periods presented as if the Reorganization had been completed before the Track Record Period.

The combined statements of profit or loss, combined statements of comprehensive income/(loss), combined statements of changes in equity and combined statements of cash flows of the Group for the Track Record Period include the results, changes in equity and cash flows of the companies now comprising the Group and the Remaining Listing Business as if the current group structure had been in existence and the Listing Business had been operated by the Group throughout the Track Record Period, or since their respective dates of incorporation, where there is a shorter period.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**1. General information, reorganization and basis of preparation and presentation of Historical Financial Information—continued****1.2 History, reorganization and basis of preparation and presentation of Historical Financial Information—continued**

The combined statements of financial position of the Group as of December 31, 2017, 2018, 2019 and June 30, 2020 have been prepared to present the assets and liabilities of the companies now comprising the Group and the Remaining Listing Business at the carrying amounts shown in the financial statements of the relevant entities, as if the current group structure had been in existence and the Listing Business had been operated by the Group at those dates taking into account their respective dates of incorporation.

Throughout the Spin-off, to the extent the assets, liabilities, income and expenses that are specifically identified to the Listing Business, such items are included in the Historical Financial Information throughout the Track Record Period. To the extent the assets, liabilities, income and expenses that are impracticable to identify specifically, these items are allocated to the Listing Business on the basis set out below (such items include certain fulfillment expenses, selling and marketing expenses, research and development expenses, general and administrative expenses and income tax expense). Items that do not meet the criteria above are not included in the Historical Financial Information of the Group.

Where the balances with JD Group do not meet the definition of financial assets or financial liabilities with the Remaining JD Group under the IFRSs, they are classified as an equity component and presented in the manner of equity, typically aggregated with the retained profits of the Remaining Listing Business, as “net contribution from/(return to) JD Group”.

In May 2019, the Company entered into a subscription agreement for the series A preferred shares (the “Series A Preferred Shares”) financing with certain third-party investors (the “Series A Share Subscription Agreement”), details are set out in Note 23. Based on the terms stipulated in the Series A Share Subscription Agreement, pricing policies of certain related party transactions between JD Group and the Group were established and became effective since the end of June 2019 (the “Closing Date”), which include logistics and warehousing services, technology and traffic support services, marketing services, loyalty program services, payment services, shared services and others. Such arrangements of the related party transactions affected the Historical Financial Information as below.

Prior to the Closing Date Series A Preferred Shares financing, expenses which are impracticable to be specifically identified to the Listing Business are determined on the following basis: (1) items included in selling and marketing expenses, research and development expenses, general and administrative expenses that are impracticable to be specifically identified were allocated from the JD Group’s respective expenses based on proportion of the fulfilled order volume of the Listing Business to that of the Listing Business and JD Group; (2) order processing fees (payment fees) generated from orders of the Listing Business included in fulfillment expenses were allocated based on the percentage of the fulfilled order volume of the Listing Business to that of the Listing Business and JD Group; (3) income tax expense was calculated based on the tax rate of the entities that the Listing Business were spun off from, as if the Listing Business was a separate tax reporting entity.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

1. General information, reorganization and basis of preparation and presentation of Historical Financial Information—continued**1.2 History, reorganization and basis of preparation and presentation of Historical Financial Information—continued**

After the Closing Date of Series A Preferred Shares financing, revenue or expenses that were generated from/charged by JD Group in accordance with the related party transactions listed out in Series A Share Subscription Agreement were recognized by the Group directly in accordance to terms stipulated on the Series A Share Subscription Agreement. Other items of expenses which are impracticable to be specifically identified to the Listing Business are determined as same as before the Series A Share Subscription Agreement became effective.

The directors of the Company believe that the method of the allocation and the recognition of the above expense items form a reasonable basis of presenting the operating results of the Listing Business on a stand-alone basis for the Track Record Period. Other than those items mentioned above, all other items of assets and liabilities, income and expenses of the Listing Business are specifically identified.

No financial statements have been prepared for the Company since the Company is incorporated in a jurisdiction where there is no statutory audit requirement.

Contractual Arrangements

In June 2019, to comply with the relevant laws and regulations in the PRC which prohibit or restrict foreign ownership of the companies engaged in retail pharmaceutical product business and the online hospital service carried out by the Group, Beijing Jingdong Jiankang entered into a series of contractual arrangements (collectively, the “Contractual Arrangements”) with Suqian Jingdong Tianning and its Nominee Shareholders, including loan agreement, exclusive purchase option agreement, exclusive technology consulting and services agreement, equity pledge agreement, powers of attorney, and business operation agreement. These Contractual Arrangements can be extended at Beijing Jingdong Jiankang’s options prior to the expiration date.

The Contractual Arrangements enable Beijing Jingdong Jiankang to control Suqian Jingdong Tianning by:

- Irrevocably exercising equity holders’ voting rights of Suqian Jingdong Tianning;
- Exercising effective financial and operational control over of Suqian Jingdong Tianning;
- Receiving substantially all of the economic interest returns generated by Suqian Jingdong Tianning in consideration for the technology consulting and services provided by Beijing Jingdong Jiankang. Beijing Jingdong Jiankang has obligation to grant interest-free loans to the relevant Nominee Shareholders of Suqian Jingdong Tianning with the sole purpose of providing funds necessary for the capital contribution to Suqian Jingdong Tianning;
- Obtaining an irrevocable and exclusive right which Beijing Jingdong Jiankang may exercise at any time to purchase all or part of the equity interests in Suqian Jingdong Tianning from the Nominee Shareholders at a minimum purchase price permitted under the PRC laws and regulations; and

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

1. General information, reorganization and basis of preparation and presentation of Historical Financial Information—continued**1.2 History, reorganization and basis of preparation and presentation of Historical Financial Information—continued**

- Obtaining a pledge over the entire equity interests of Suqian Jingdong Tianning from its Nominee Shareholders as collateral security for all of Suqian Jingdong Tianning's payments due to Beijing Jingdong Jiankang and to secure performance of Suqian Jingdong Tianning's obligation under the Contractual Arrangements.

In April 2020, two of the Nominee Shareholders have been changed to another two management members of the Group. The original Contractual Arrangements were terminated and replaced with a separate series of the Contractual Arrangements which were terminated and replaced with the current set of the Contractual Arrangements in September 2020. No substantial terms of the Contractual Arrangements were modified.

As of June 30, 2020, the Group had net liabilities of RMB5,832.3 million and accumulated loss of RMB6,727.5 million, primarily due to the significant fair value changes of convertible preferred shares. The convertible preferred shares can be automatically converted into ordinary shares upon the initial public offering. The details of these convertible preferred shares are set out in Note 23. Under any circumstances, no significant cash flow impact is expected in the next twelve months from the date of the report for the convertible preferred shares. In addition, the Group has performed a working capital forecast for the next twelve months. Taking into account the financial resources available to the Group, including cash and cash equivalents on hand, the directors of the Company believe that the Group will have sufficient cash resources to satisfy its future working capital in the next twelve months from the date of the report. The directors of the Company consider that it is appropriate that the Historical Financial Information is prepared on a going concern basis.

2. Summary of significant accounting policies**2.1 Application of IFRSs**

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied the accounting policies which conform with the International Accounting Standards ("IASs"), the IFRSs, amendments to IFRSs and the related interpretations issued by the IASB, including IFRS 15 *Revenue from Contracts with Customers*, IFRS 16 *Leases* and IFRS 9 *Financial Instruments*, throughout the Track Record Period, except that the Group has early adopted the amendment to IFRS 16 *COVID-19—Related Rental Concessions* on January 1, 2020.

The application of amendment to IFRS 16 *COVID-19—Related Rental Concessions* from January 1, 2020 has had no material impact on the Group's financial positions and performances during the Track Record Period or on the disclosures set out in the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2. Summary of significant accounting policies—continued

2.1 Application of IFRSs—continued

New and amended standards not yet adopted by the Group

New standards and amendments to existing standards that have been issued but not yet effective for the financial year beginning January 1, 2020 and not been early adopted by the Group during the Track Record Period are as follows:

Standards/Amendments	Content	Effective for annual periods beginning on or after
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform—Phase 2	January 1, 2021
Amendments to IFRS 3	Reference to the Conceptual Framework	January 1, 2022
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	January 1, 2022
Amendments to IAS 37	Onerous Contracts—Cost of Fulfilling a Contract	January 1, 2022
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018-2020	January 1, 2022
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023
IFRS 17	Insurance Contracts and related Amendments	January 1, 2023
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group expects that amendments listed above are unlikely to have any material impact on the Group's consolidated financial statements in the future.

The Historical Financial Information has been prepared in accordance with accounting policies which conform with IFRSs issued by IASB. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these combined financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2. Summary of significant accounting policies—continued****2.1 Application of IFRSs—continued**

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

2.2 Basis of Combination

The Historical Financial Information incorporates the financial statements of the Company and entities (including affiliated entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2. Summary of significant accounting policies—continued****2.2 Basis of Combination—continued**

- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Combination of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year/period are included in the combined statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

2.3 Merger accounting for business combination involving business under common control

The Historical Financial Information incorporates the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognized in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets and liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2. Summary of significant accounting policies—continued****2.3 Merger accounting for business combination involving business under common control—continued**

The combined statements of profit or loss includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period.

2.4 Investments in subsidiaries

Investments in subsidiaries are stated in the statements of financial position of the Company at cost less identified impairment loss, if any.

2.5 Investment in a joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results, and assets and liabilities of joint ventures are incorporated in these combined financial statements using the equity method of accounting. The financial statements of the joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in a joint venture is initially recognized in the combined statements of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the joint venture. Changes in net assets of the joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2. Summary of significant accounting policies—continued****2.5 Investment in a joint venture—continued**

its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, which forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognized in the Group's combined financial statements only to the extent of interests in the joint venture that are not related to the Group.

2.6 Revenue from contracts with customers

The Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

The Group mainly through its and JD Group's mobile apps and www.jd.com website engages primarily in the sale of pharmaceutical and healthcare products sourced from manufacturers and distributors in the PRC, offers an online marketplace that enables third-party merchants to sell their products to consumers, and provides internet healthcare, health management and intelligent healthcare solutions services to its customers. Customers place orders for those products or services online primarily through the Group's and JD Group's mobile apps and www.jd.com website. Payment for the purchased products or services is generally made either before delivery or upon delivery.

The Group evaluates whether it is appropriate to record the gross amounts of product sales or services provided and related costs, or the net amount earned as commissions. When the Group is a

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2. Summary of significant accounting policies—continued****2.6 Revenue from contracts with customers—continued**

principal, that the Group obtains control of the specified goods or services before they are transferred to the customers, the revenue should be recognized in the gross amount of consideration to which it expects to be entitled in exchange for the specified goods or services transferred. When the Group is an agent and its obligation is to facilitate third parties in fulfilling their performance obligation for specified goods or services, in which case the Group does not control the specified goods or services provided by third parties before those goods or services are transferred to the customer, the revenue should be recognized in the net amount for the amount of commission which the Group earns in exchange for arranging for the specified goods or services to be provided by other parties.

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price (“SSP”) basis. The SSP of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If an SSP is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Product Revenue

The Group primarily sells pharmaceutical and healthcare products through online direct sales. The Group recognizes the product revenue from the online direct sales on a gross basis as the Group is acting as a principal in these transactions and is responsible for fulfilling the promise to provide the specified goods. Product revenue is recognized at the point of delivery of products, net of discounts and return allowances.

Service Revenue

The service revenue primarily consists of commission fees charged to third-party merchants for participating in the online marketplace mainly through the Group’s and JD Group’s mobile apps and www.jd.com website. The Group generally is acting as an agent and its performance obligation is to arrange for the provision of the specified goods or services by those third-party merchants. Upon successful sales, the Group charges the third-party merchants a fixed rate commission fee based on the sales amount, net of discounts and return allowances. Commission fee revenue is recognized on a net basis at the point of delivery of products.

The Group provides online marketing services to advertisers including third-party merchants and suppliers on its and JD Group’s various website channels and third-party marketing affiliate’s websites, including but not limited to advertising placements such as banners, links, logos and buttons, and pay for performance marketing services on which third-party merchants and suppliers are charged based on display per thousand impressions or per effective click on their products or service listings. The Group recognizes revenue from pay for performance marketing services at point of time when each effective click is generated. The Group recognizes revenue from advertising placements ratably

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2. Summary of significant accounting policies—continued****2.6 Revenue from contracts with customers—continued**

over time as the customer simultaneously receives and consumes the benefits throughout the period during which the advertising services are provided or on the number of times that the advertisement has been displayed based on cost per thousand impressions.

The Group provides internet healthcare, health management and intelligent healthcare solutions services to customers on the Group's and JD Group's mobile apps and www.jd.com website. The services mainly include online consultation, hospital or doctor referral, health check-ups, genetic testing and beauty care. The Group recognizes revenue overtime during the service period or at point in time when such services are rendered. Revenue from such services is recognized on a gross basis when the Group has the ability to determine the pricing and nature of the services, and is responsible for the services provided as the Group is acting as a principal and obtains control of the specified services before they are transferred to the customers. Revenue is recognized on a net basis when the Group charges commissions from such services as the Group is acting as an agent.

The Group also renders platform services through its platform to the platform merchants, such as order management, client management, and other merchants operational and maintenance supports. The platform usage fee collected from platform merchants shall be recognized as revenue over the service period as the platform merchants simultaneously receive the relevant services throughout the period.

2.7 Contract balances

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

Unearned revenue consists of payments received or awards to customers related to unsatisfied performance obligations at the end of the period, included in contract liabilities in the Group's combined statements of financial position.

Timing of revenue recognition may differ from the timing of invoicing to customers. Trade receivables represent amounts invoiced and revenue recognized prior to invoicing when the Group has satisfied the Group's performance obligation and has the unconditional right to payment.

For online retail business with return conditions, the Group estimates the possibility of return based on the historical experience. Changes in judgements on these assumptions and estimates could materially impact the amount of revenue recognized, liabilities and assets estimated for return allowances. Liabilities for return allowances are included in "Accrued expenses and other payables". The estimated return of product sold associated with the Group's liabilities for return allowances are the Group's assets, which are included in "Prepayments, other receivables and other assets".

The Group applied a practical expedient to expense costs as incurred for costs to obtain a contract with a customer when the amortization period would have been one year or less. The Group has no material incremental costs of obtaining contracts with customers that the Group expects the benefit of those costs to be longer than one year which need to be recognized as assets.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2. Summary of significant accounting policies—continued****2.8 Cost of revenue**

Cost of revenue consists primarily of purchase price of products, inbound shipping charges and write-downs of inventories. Shipping charges to receive products from the suppliers are included in inventories, and recognized as cost of revenue upon sale of the products to the customers.

The Group periodically receives considerations from certain vendors, representing rebates for products sold and subsidies for the sales of the vendors' products over a period of time. The rebates are not sufficiently separable from the Group's purchase of the vendors' products and they do not represent a reimbursement of costs incurred by the Group to sell vendors' products. The Group accounts for the rebates received from its vendors as a reduction to the prices it pays for the products purchased and therefore the Group records such amounts as a reduction of cost of revenue when recognized in the combined statements of profit or loss.

2.9 Fulfillment expenses

Fulfillment expenses consist primarily of (i) expenses incurred in the Group's sales and procurement operations, including personnel cost and miscellaneous expenses, (ii) expenses charged by JD Group for warehousing and logistic services, payment services and customer services, and (iii) lease expenses of warehouses and physical stores.

2.10 Research and development expenses

Research expenditures are recognized as an expenses 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 June 30, 2020.

2.11 Leases**Definition of a lease**

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2. Summary of significant accounting policies—continued****2.11 Leases—continued****The Group as a lessee***Allocation of consideration to components of a contract*

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless such allocation cannot be made reliably. Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term leases

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the combined statements of financial position.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2. Summary of significant accounting policies—continued****2.11 Leases—continued**

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognized as expense in the period in which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments. The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the combined statements of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liabilities, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2. Summary of significant accounting policies—continued**2.12 Foreign currency translation**

The Group's reporting currency is RMB. The functional currency of the Company is USD as its key activities and transactions are denominated in USD. The functional currency of the Group's subsidiaries incorporated in Cayman Islands, BVI and Hong Kong is USD. The Group's PRC subsidiaries and consolidated affiliated entities determined their functional currency to be RMB.

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity ("foreign currencies") are recognized at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

For the purposes of presenting the combined financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of reserve (attributed to non-controlling interests as appropriate).

2.13 Employee benefits*Employee leave entitlement*

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

Pension obligations and other social welfare benefits

Full time employees of the Group in the PRC participate in a government mandated defined contribution plan, pursuant to which certain pension benefits, medical care, employee housing fund and other welfare benefits are provided to the employees. Chinese labor regulations require that the PRC subsidiaries, including consolidated affiliated entities of the Group make contributions to the government for these benefits based on certain percentages of the employees' salaries, up to a maximum amount specified by the local government. The Group has no legal obligation for the benefits beyond the contributions made. The Group's contributions to the defined contribution plans are expensed as incurred and not reduced by contributions forfeited by those employees who leave the plans prior to vesting fully in the contributions.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2. Summary of significant accounting policies—continued****2.13 Employee benefits—continued***Bonus plan*

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

Short-term employee benefits

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries, annual leave) after deducting any amount already paid.

2.14 Share-based payments

Share-based awards to the Group's employees are granted under a share incentive plan of JD Group ("JD Group Share Incentive Plan"). The combined financial statements include allocation of the expenses recorded at JD Group based on the Group's employees participating under JD Group Share Incentive Plan. JD Group grants its service-based restricted share units ("RSUs") and share options to the Group's eligible employees, which are treated as deemed contribution from JD Group and recorded in other reserves in the Group's combined statements of financial position.

Equity-settled share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed using graded vesting method over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (other reserves). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to other reserves. For RSUs/share options that vest immediately at the date of grant, the fair value of the RSUs/share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognized in other reserves will continue to be held in other reserves. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in other reserves will continue to be held in other reserves.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2. Summary of significant accounting policies—continued****2.14 Share-based payments—continued**

When RSUs granted are vested, the amount previously recognized in other reserves will continue to be held in other reserves.

2.15 Taxation

Income tax expense represents the sum of the current tax and deferred tax.

The current tax is based on taxable profit for the Track Record Period. Taxable profit differs from profit/(loss) before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the combined financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognizes the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2. Summary of significant accounting policies—continued****2.15 Taxation—continued**

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities results in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognized in profit or loss.

2.16 Property and equipment

Property and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property and equipment are stated in the combined statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The estimated useful lives are as follows:

<u>Category</u>	<u>Estimated useful lives</u>
Electronic equipment	3-5 years
Office equipment	5 years
Vehicles	5 years

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

2.17 Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2. Summary of significant accounting policies—continued****2.17 Intangible assets—continued**

The estimated useful lives of intangible assets are as follows:

<u>Category</u>	<u>Estimated useful lives</u>
Domain names	15 years
Licenses	2 years
Software	3-5 years

2.18 Impairment on property and equipment, right-of-use assets and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its property and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

2.19 Inventories

Inventories, consisting of products available for sale, are stated at the lower of cost and net realizable value. Net realizable value represents the estimated selling price for inventories less all costs necessary to make the sale. Cost of inventory is determined using the weighted average method.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2. Summary of significant accounting policies—continued****2.19 Inventories—continued**

Adjustments are recorded to write down the cost of inventory to the estimated net realizable value due to slow-moving merchandise and damaged goods, which is dependent upon factors such as historical and forecasted consumer demand, and promotional environment. The Group takes ownership, risks and rewards of the products purchased, but has arrangements to return unsold goods with certain vendors. Write downs are recorded in cost of revenue in the combined statements of profit or loss.

2.20 Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade and note receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss (“FVTPL”)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

(a) Financial assets***Classification and subsequent measurement of financial assets***

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2. Summary of significant accounting policies—continued****2.20 Financial instruments—continued****(a) Financial assets—continued**

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income (“FVTOCI”):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

Amortized cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in “other (losses)/gains”.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including trade and note receivables, other receivables, term deposit, restricted cash, cash and cash equivalent), which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group’s historical credit loss

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2. Summary of significant accounting policies—continued****2.20 Financial instruments—continued****(a) Financial assets—continued**

experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognizes lifetime ECL for trade and note receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as of the reporting date with the risk of a default occurring on the financial instrument as of the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2. Summary of significant accounting policies—continued****2.20 Financial instruments—continued****(a) Financial assets—continued**

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2. Summary of significant accounting policies—continued****2.20 Financial instruments—continued****(a) Financial assets—continued**

probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by the directors of the Company to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortized cost of the financial asset.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and note receivables and other receivables where the corresponding adjustment is recognized through a loss allowance account.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2. Summary of significant accounting policies—continued****2.20 Financial instruments—continued****(b) Financial liabilities and equity***Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest method or at FVTPL.

Financial liabilities at amortized cost

Financial liabilities including trade payables and other payables are subsequently measured at amortized cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, canceled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

(c) Derivative financial instruments

Derivatives are initially recognized at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognized in profit or loss.

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortized cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**2. Summary of significant accounting policies—continued****2.20 Financial instruments—continued****(c) Derivative financial instruments—continued**

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

(d) Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the combined statements of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognized amounts; and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(e) Convertible preferred shares

Series A Preferred Shares issued by the Company are convertible at the option of the holders of Series A Preferred Shares or automatically converted under certain events. Series A Preferred Shares are not redeemable, but the Company is required to pay dividends to the holders of Series A Preferred Shares up to the purchase price of Series A Preferred Shares when certain conditions are met. The details of these convertible preferred shares are set out in Note 23.

Each Series A Preferred Shares shall be convertible, at the option of the holder of the Series A Preferred Shares, at any time after the date of issuance of such Series A Preferred Shares, into such number of fully paid and non-assessable ordinary shares as is determined by dividing the Series A Preferred Shares purchase price by the conversion price then applicable to such Series A Preferred Shares. The conversion price is subject to adjustments when any equity securities of the Company are issued at a price per share lower than the purchase price of Series A Preferred Shares.

The convertible preferred shares include contractual obligation to deliver dividend up to the purchase price to holders of Series A Preferred Shares, and when the convertible preferred shares are converted to fully paid and non-assessable ordinary shares of the Company, the number of ordinary shares to be converted is not fixed due to the potential adjustments aforementioned to the conversion price under certain circumstances. The convertible preferred shares are initially recognized at fair value. The Group does not account for the embedded derivatives separately from the host contract and designates the entire convertible preferred shares as financial liabilities at FVTPL with fair value change recognized in “fair value changes of convertible preferred shares” in profit or loss. Any directly attributable transaction costs are recognized as finance costs in profit or loss.

3. Critical accounting estimates and judgements

The preparation of the Historical Financial Information requires the directors of the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities, related disclosures of contingent liabilities at the balance sheet date, and the reported revenue and expenses during the Track Record Period in the combined financial statements and accompanying notes.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**3. Critical accounting estimates and judgements—continued**

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 Group's financial position and results of operation are addressed below:

Consolidation of affiliated entities

The Group obtained control over a PRC domestic company, Suqian Jingdong Tianning, by entering into a series of the Contractual Arrangements with the PRC domestic company and its respective Nominee Shareholders. Nevertheless, the Contractual Arrangements and other measures may not be as effective as direct legal ownership in providing the Group with direct control over the PRC domestic company and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the PRC domestic company. The directors of the Company, based on the advice of its legal counsel, consider that the Contractual Arrangements among Beijing Jingdong Jiankang, Suqian Jingdong Tianning and its respective Nominee Shareholders are in compliance with the relevant PRC Laws and are legally enforceable.

Impairment of inventories

Adjustments are recorded to write down the cost of inventory to the estimated net realizable value due to slow-moving merchandise and damaged goods, which is dependent upon factors such as historical and forecasted consumer demand, and promotional environment.

Rebates and subsidies

Rebates are earned upon reaching minimum purchase thresholds for a specified period. When volume rebates can be reasonably estimated based on the Group's past experiences and current forecasts, a portion of the rebates is recognized as the Group makes progress towards the purchase threshold. Subsidies are calculated based on the volume of products sold through the Group and are recorded as a reduction of cost of revenue when the sales have been completed and the amount is determinable.

Estimation of the fair value of the convertible preferred shares

The convertible 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 option-pricing method and equity allocation model to determine the fair value of the convertible preferred shares. Key assumptions and key inputs such as the timing of the liquidation, redemption or Initial Public Offerings ("IPO") event as well as the probability of the various scenarios were based on the Group's best estimates. Further details are included in Note 23.

Estimation of the fair value of the call option and put option

The fair value of the call option and put option associated with the investment in a joint venture of the Group, in the absence of an active market, is estimated by using appropriate valuation

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3. Critical accounting estimates and judgements—continued

techniques. The Group applied the Black-Scholes model to determine the fair value of the options. Key assumptions and key inputs such as the timing of expiration and volatility were based on the Group's best estimates and subject to uncertainty and might materially differ from the actual results. Further details are included in Note 14 and Note 24.

4. Segment information

The Group operates a comprehensive "Internet + healthcare" ecosystem, providing pharmaceutical and healthcare products, internet healthcare, health management and intelligent healthcare solutions to the customers. The Group does not distinguish revenue, costs and expenses between segments in its internal reporting, and reports costs and expenses by nature as a whole.

The Group's chief operating decision maker, who has been identified as the Chief Executive Officer ("CEO"), reviews the combined results when making decisions about allocating resources and assessing performance of the Group as a whole and hence, the Group has only one reportable segment. The Group does not distinguish between markets or segments for the purpose of internal reports. As the Group's non-current assets are all located in the PRC and most of all the Group's revenue are derived from the PRC, no geographical information is presented. During the Track Record Period, there was no revenue derived from transactions with a single external customer which amounted to 10% or more of the Group's revenue.

5. Revenue

(a) Disaggregation of revenue from contracts with customers:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Type of goods or services:					
Product revenue:					
Sales of pharmaceutical and healthcare products	4,907,244	7,254,582	9,434,984	4,365,153	7,693,261
Service revenue:					
Marketplace, advertising and other services	645,884	914,475	1,407,156	623,384	1,084,229
Total	<u>5,553,128</u>	<u>8,169,057</u>	<u>10,842,140</u>	<u>4,988,537</u>	<u>8,777,490</u>
Timing of revenue recognition:					
A point in time	5,405,314	8,020,266	10,673,558	4,901,825	8,682,679
Over time	147,814	148,791	168,582	86,712	94,811
Total	<u>5,553,128</u>	<u>8,169,057</u>	<u>10,842,140</u>	<u>4,988,537</u>	<u>8,777,490</u>

The Group applies the practical expedient of not disclosing the transaction price allocated to the remaining performance obligation as the original expected duration of all the contracts of the Group are within one year or less.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

5. Revenue—continued

(b) Contract liabilities

The Group collected payments in advance from customers primarily for sales of pharmaceutical and healthcare products and marketplace service fees. The Group has recognized the following liabilities related to contracts with customers under “contract liabilities”:

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Contract liabilities	<u>31,227</u>	<u>40,519</u>	<u>87,687</u>	<u>189,348</u>

As of January 1, 2017, contract liabilities amounted to RMB23 million.

The directors of the Company expect that all of the contract liabilities as of June 30, 2020 will be recognized as revenue within one year.

(c) Revenue recognized in relation to contract liabilities

The following table shows the amount of the revenue recognized during the Track Record Period relates to carried-forward contract liabilities:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue recognized that was included in the contract liabilities balance at the beginning of the year/period:	<u>22,554</u>	<u>31,227</u>	<u>40,519</u>	<u>40,519</u>	<u>87,687</u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

6. Profit/(loss) before income tax

Profit/(loss) before income tax has been arrived at after charging:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cost of inventories sold	4,158,973	6,176,645	8,011,511	3,647,419	6,464,009
Provision for impairment of inventories	1,351	1,120	981	805	74,665
Expenses of logistics and warehousing services allocated/provided by JD Group*	472,941	660,943	818,932	372,091	591,328
Expenses of technology and traffic support services allocated/provided by JD Group*	276,483	424,871	528,154	239,876	424,124
Expenses related to other support services allocated by JD Group*	148,874	168,333	62,825	54,078	9,459
Promotion and advertising expenses	63,191	140,570	456,681	135,834	319,751
Employee benefit expenses (Note 8)	70,086	113,413	272,028	86,644	254,068
Expenses of payment services allocated/provided by JD Group*	51,355	86,881	133,045	58,104	94,918
Depreciation of property and equipment and right-of-use assets and amortization of intangible assets	3,087	6,266	7,423	3,491	8,591
Auditor's remuneration	—	—	708	—	—

* Prior to the Closing Date of Series A Preferred Shares financing, the expenses of logistics and warehousing services, the expenses of technology and traffic support services, the expenses related to other support services and expenses of payment services were allocated on the basis as set out in Note 1.2. After the Closing Date of Series A Preferred Shares financing, the expenses aforesaid were charged by JD Group in accordance with the terms and pricing policies of the related party transactions listed out in Series A Share Subscription Agreement and are set out in Note 32, except for the expenses related to other support services which are allocated on the basis as set out in Note 1.2.

7. Finance income

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Interest income from term deposits and bank balances	4	84	31,783	27	60,327

8. Employee benefit expenses

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Salaries and bonuses	30,199	61,072	168,849	52,673	187,874
Share-based payments expenses (Note 27)	30,420	33,471	52,728	17,713	26,466
Welfare, medical and other benefits	9,467	18,870	50,451	16,258	39,728
Total	70,086	113,413	272,028	86,644	254,068

The employee benefit expenses include the remuneration of directors and the CEO during the Track Record Period.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

9. Directors' and the CEO's emoluments

Directors' and the CEO's remuneration for the Track Record Period, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, is as follows:

(a) The remuneration of directors and the CEO is set out below:

Name	For the year ended December 31, 2017				
	Salaries and bonuses	Share-based compensation expenses	Pension costs—defined contribution plans	Welfare, medical and other benefits	Total
	RMB'000	RMB'000 (Note 27)	RMB'000	RMB'000	RMB'000
CEO:					
Lijun Xin ¹	<u>1,398</u>	<u>23,258</u>	<u>51</u>	<u>267</u>	<u>24,974</u>

Name	For the year ended December 31, 2018				
	Salaries and bonuses	Share-based compensation expenses	Pension costs—defined contribution plans	Welfare, medical and other benefits	Total
	RMB'000	RMB'000 (Note 27)	RMB'000	RMB'000	RMB'000
CEO:					
Lijun Xin ¹	<u>1,870</u>	<u>23,751</u>	<u>55</u>	<u>273</u>	<u>25,949</u>
Non-executive director:					
Nani Wang ^{2/6}	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>1,870</u>	<u>23,751</u>	<u>55</u>	<u>273</u>	<u>25,949</u>

Name	For the year ended December 31, 2019				
	Salaries and bonuses	Share-based compensation expenses	Pension costs – defined contribution plans	Welfare, medical and other benefits	Total
	RMB'000	RMB'000 (Note 27)	RMB'000	RMB'000	RMB'000
Executive director and CEO:					
Lijun Xin ¹	<u>2,594</u>	<u>16,421</u>	<u>51</u>	<u>279</u>	<u>19,345</u>
Non-executive directors:					
Nani Wang ^{2/6}	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Lei Xu ^{3/6}	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Sidney Xuande Huang ^{3/6}	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Jingyang Wu ⁴	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Guiyong Cui ⁵	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>2,594</u>	<u>16,421</u>	<u>51</u>	<u>279</u>	<u>19,345</u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

9. Directors' and the CEO's emoluments—continued

(a) The remuneration of directors and the CEO is set out below:—continued

Name	For the six months ended June 30, 2019 (unaudited)				
	Salaries and bonuses	Share-based compensation expenses	Pension costs – defined contribution plans	Welfare, medical and other benefits	Total
	RMB'000	RMB'000 (Note 27)	RMB'000	RMB'000	RMB'000
Executive director and CEO:					
Lijun Xin ¹	1,233	7,055	28	138	8,454
Non-executive directors:					
Nani Wang ^{2/6}	—	—	—	—	—
Lei Xu ^{3/6}	—	—	—	—	—
Sidney Xuande Huang ^{3/6}	—	—	—	—	—
	<u>1,233</u>	<u>7,055</u>	<u>28</u>	<u>138</u>	<u>8,454</u>

Name	For the six months ended June 30, 2020				
	Salaries and bonuses	Share-based compensation expenses	Pension costs – defined contribution plans	Welfare, medical and other benefits	Total
	RMB'000	RMB'000 (Note 27)	RMB'000	RMB'000	RMB'000
Executive director and CEO:					
Lijun Xin ¹	2,355	4,511	23	141	7,030
Non-executive directors:					
Lei Xu ^{3/6}	—	—	—	—	—
Sidney Xuande Huang ^{3/6}	—	—	—	—	—
Jingyang Wu ⁴	—	—	—	—	—
Guiyong Cui ⁵	—	—	—	—	—
	<u>2,355</u>	<u>4,511</u>	<u>23</u>	<u>141</u>	<u>7,030</u>

Notes:

1. Appointed as the person in charge of the Group (similar to the CEO) since January 2017, and appointed as executive director since June 2019 and CEO since July 2019.
2. Appointed as non-executive director since November 2018 and resigned in June 2019.
3. Appointed as non-executive director since June 2019.
4. Appointed as non-executive director since July 2019.
5. Appointed as non-executive director since October 2019.
6. These non-executive directors served as senior management in JD Group and their emoluments are borne and paid by JD Group.

No emoluments were paid or payable to the non-executive directors of the Company during the Track Record Period.

The emoluments of the executive director and the CEO shown above were mainly for his management services rendered to the Company and the Group.

(b) Benefits and interests of directors

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

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

9. Directors' and the CEO's emoluments—continued**(c) Directors' termination benefits**

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

(d) 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.

(e) Information about loans, quasi-loans and other dealings in favor of directors, their controlled bodies and connected entities

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

(f) 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.

10. Five highest paid employees

The five highest paid employees include one director whose remuneration is set out in Note 9 during the Track Record Period. The emoluments payable to the remaining four individuals, who are neither a director nor the CEO of the Company, during the Track Record Period, were as follows:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Salaries and bonuses	2,463	3,281	4,714	2,308	3,821
Share-based payments expenses	4,258	6,803	13,239	5,730	7,627
Pension costs—defined contribution plans	184	204	182	105	94
Welfare, medical and other benefits	222	496	513	255	258
Total	<u>7,127</u>	<u>10,784</u>	<u>18,648</u>	<u>8,398</u>	<u>11,800</u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

10. Five highest paid employees—continued

The number of the highest paid employees whose emoluments fell within the following bands:

	Number of individuals				
	Year ended December 31,			Six months ended	
	2017	2018	2019	2019	2020
				(Unaudited)	
Emolument bands (in Hong Kong dollars (“HKD”))					
Nil to HKD3,000,000	3	3	2	2	2
HKD3,000,001 to HKD6,000,000	1	—	—	2	2
HKD6,000,001 to HKD9,000,000	—	1	2	—	—
Total	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>

During the Track Record Period, no emoluments were paid by the Group to the five highest paid employees as an inducement to join or upon joining the Group or as compensation for the loss of office. None of directors, the CEO and employees waived or agreed to waive any emoluments during the Track Record Period.

11. Income tax expense

*Income tax**Cayman Islands*

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

British Virgin Islands

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

Hong Kong

On March 21, 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on March 28, 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HKD2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HKD2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong profits tax of the qualifying group entity is calculated at 8.25% on the first HKD2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HKD2 million.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

11. Income tax expense—continued

PRC

Under the PRC Enterprise Income Tax Law (the “EIT Law”), the standard enterprise income tax rate for PRC operating entities is 25%.

Certain enterprises will benefit from a preferential tax rate of 15% under the EIT Law if they are located in applicable PRC regions as specified in the catalog of encouraged industries in western regions (initially effective through the end of 2010 and further extended to 2030) (“Western Regions Catalog”), subject to certain general restrictions described in the EIT Law and the related regulations. During the Track Record Period, the Group’s online marketing service business that is subject to the spin-off from JD Group, was operated by the entities qualified as the enterprises within the Western Regions Catalog and enjoyed 15% preferential income tax rate. Therefore, the enterprise income tax (the “EIT”) of such online marketing service business was estimated by treating as separate tax payer using the tax rate of 15%.

Withholding tax on undistributed dividends

The EIT law also imposes a withholding income tax of 10% on dividends distributed by a foreign investment enterprise (“FIE”) to its immediate holding company outside of China, if such immediate holding company is considered as a non-resident enterprise without any establishment or place within China or if the received dividends have no connection with the establishment or place of such immediate holding company within China, unless such immediate holding company’s jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. According to the arrangement between Mainland China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion in August 2006, dividends paid by an FIE in China to its immediate holding company in Hong Kong will be subject to withholding tax at a rate of no more than 5% (if the foreign investor owns directly at least 25% of the shares of the FIE). The Company has not declared or paid, or planned to declare, any dividend to its shareholders from the profits generated during the Track Record Period. Therefore the Company has not recorded any withholding tax on any profits generated by the PRC Operation Entities.

The income tax expense of the Group is analyzed as follows:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Current income tax:					
PRC EIT	78,118	91,585	137,350	98,936	122,257
Deferred income tax	(673)	(280)	(245)	(201)	(18,667)
Total	<u>77,445</u>	<u>91,305</u>	<u>137,105</u>	<u>98,735</u>	<u>103,590</u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

11. Income tax expense—continued

The income tax expense for the year/period can be reconciled to the profit/(loss) before income tax per the combined statements of profit or loss as follows:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit/(loss) before income tax	255,979	306,232	(834,700)	334,989	(5,257,325)
Tax calculated at PRC statutory income tax rate of 25%	63,995	76,558	(208,675)	83,747	(1,314,331)
Tax effects of:					
—Expenses that are not deductible in determining taxable profit	7,662	8,384	9,082	2,666	5,532
—Super deduction for research and development expenses	(44)	(553)	(10,767)	(2,651)	(10,984)
—Utilization of tax losses not previously recognized	(48)	(189)	(370)	(4)	(8,445)
—Different tax rates available to different jurisdictions	—	—	311,980	1,773	1,412,268
—Preferential income tax rates applicable to subsidiaries and consolidated affiliated entities	(1,807)	(1,994)	(7,517)	(3,166)	(3,876)
—Share of results of a joint venture	—	—	—	—	2,152
—Tax losses/deductible temporary differences not recognized	7,687	9,099	43,372	16,370	21,274
Total income tax expense	<u>77,445</u>	<u>91,305</u>	<u>137,105</u>	<u>98,735</u>	<u>103,590</u>

Deferred tax

The following is the analysis of the deferred tax balances for financial reporting purposes:

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets	<u>673</u>	<u>953</u>	<u>1,198</u>	<u>19,865</u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

11. Income tax expense—continued

The following is the deferred tax assets recognized and movements thereon during the Track Record Period:

	Provision for impairment of inventories
	RMB'000
As of January 1, 2017	—
Credited to profit or loss	673
As of December 31, 2017	673
Credited to profit or loss	280
As of December 31, 2018	953
Credited to profit or loss	245
As of December 31, 2019	1,198
Credited to profit or loss	18,667
As of June 30, 2020	19,865

As of December 31, 2017, 2018 and 2019 and June 30, 2020, the Group had deductible temporary differences of RMB7,000, RMB6,437,000, RMB7,311,000 and RMB6,834,000, respectively, from certain PRC entities. No deferred tax assets have been recognized in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilized.

As of December 31, 2017, 2018 and 2019 and June 30, 2020, the Group had unused tax losses of RMB50 million, RMB79 million, RMB251 million and RMB303 million, respectively, from certain PRC entities. Due to the unpredictability of future profit streams, no deferred tax asset had been recognized for these unused tax losses. As of June 30, 2020, these unrecognized tax losses will expire from 2020 to 2025.

12. Earnings/(loss) per share

Earnings/(loss) per share information is not presented as its inclusion, for the purpose of the Historical Financial Information, is not considered meaningful due to the Spin-off and the combined basis of presentation of Historical Financial Information of the Group as disclosed in Note 1.2.

13. Investment in a joint venture

	As of June 30, 2020
	RMB'000
At the beginning of the period	—
Cost of investment in an unlisted joint venture	667,445
Share of post-acquisition loss and other comprehensive income/(loss)	(8,607)
At the end of the period	658,838

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

13. Investment in a joint venture—continued

In April 2020, the Group entered into a series of agreements with Tangshan Hongci Healthcare Management Co., Ltd.* (“Tangshan Hongci”) (唐山弘慈醫療管理有限公司) and its shareholders, pursuant to which the Group injected approximately RMB668 million in cash to Tangshan Hongci for an equity interest of 49% on June 1, 2020. The Group accounts for the investee as a joint venture due to the veto rights that the Group entitled in making significant decisions in the board and shareholder meetings, which enable the Group to share the control with the existing shareholder of Tangshan Hongci. In addition, the Group entered into a loan agreement with Tangshan Hongci, pursuant to which the Group shall provide a three-year interest-bearing loan of approximately RMB227 million to Tangshan Hongci. As of June 30, 2020, the loan has not been paid by the Group.

Associated with the investment into Tangshan Hongci, the Group is entitled to a call option to acquire additional equity interest of 21% or above in Tangshan Hongci at a pre-determined schedule with the consideration calculated based on a pre-determined formula. Upon initial recognition, the Group's call option was classified as financial asset measured at FVTPL. Further details are set out in Note 14. The Group did not consider the call option may provide a potential voting power since it is not substantive as the option was out-of-the-money.

In addition, the Group has granted a put option to the existing shareholder of Tangshan Hongci, by which the existing shareholder shall have the right to request the Group to buy out their shares at a pre-determined schedule with put price calculated based on a pre-determined formula when the joint venture achieved certain pre-determined operating targets. Upon initial recognition, the put option granted by the Group was classified as financial liability measured at FVTPL. Further details are set out in Note 24.

The details of the investment in the joint venture as of June 30, 2020 are as follows:

<u>Name of entity</u>	<u>Place of incorporation and principal place of operation</u>	<u>Principal activities</u>	<u>Percentage of equity interest</u>	<u>Percentage of voting rights</u>
Tangshan Hongci	Mainland China	Healthcare enterprise management services	49%	49%

Set out below is the summarized financial information of the joint venture.

	<u>As of June 30, 2020</u> RMB'000
Summarized consolidated statement of financial position	
Non-current assets	2,831,311
Current assets	1,051,061
Non-current liabilities	2,123,895
Current liabilities	342,001
Equity attributable to owners of Tangshan Hongci	869,780
Non-controlling interest	546,696

* The English name of the joint venture is translated from its registered Chinese name for identification only.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

13. Investment in a joint venture—continued

	As of June 30, 2020 RMB'000
Reconciliation to carrying amount	
Equity attributable to owners of Tangshan Hongci	869,780
Proportion of the Group's ownership interest in Tangshan Hongci	49%
Adjustment:	
—Goodwill, intangible asset, revaluation of property and land use right and others	232,646
Carrying amount	658,838
Summarized consolidated statement of profit or loss and other comprehensive income/(loss)	For the period from June 1, 2020 to June 30, 2020 RMB'000
Revenue for the period	21,725
Loss and total comprehensive loss for the period	(26,660)

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

14. Financial assets at FVTPL

	As of December 31, 2018 RMB'000	2019 RMB'000	As of June 30, 2020 RMB'000
Non-current:			
Equity investments in a private company	7,409	7,450	7,569
Call option*	—	—	136,365
	7,409	7,450	143,934
Current:			
Wealth management products**	—	—	1,012,396
	7,409	7,450	1,156,330

* Details are set out in Note 13.

** The wealth management products purchased by the Group are structured products with the expected rates of return indexed to foreign exchange rate or interest rate ranging from 3.00% to 3.65% for the six months ended June 30, 2020. The Group managed and evaluated the performance of investments on a fair value basis in accordance with the Group's risk management and investment strategy. The fair values are based on cash flow discounted using the expected return based on observable market inputs and are within level 2 of the fair value hierarchy.

The fair value of call option was estimated as of the date of grant and June 30, 2020, using a Black-Scholes model, taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used:

	As of the date of grant and June 30, 2020
Expected volatility	34.8%
Risk-free interest rate	2.04%

Volatility was estimated based on annualized standard deviation of daily stock price return of comparable companies for the period before valuation date and with similar span as time to expiration. The Group estimated the risk-free interest rate based on the yield of government bond with maturity

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

14. Financial assets at FVTPL—continued

matching the time to expiration as of the valuation date. In addition to the assumptions adopted above, projections of future performance were also factored into the determination of the fair value of the call option on valuation date.

15. Leases

The Group leases certain of its offline pharmacies, offices, warehouses and staff quarters under operating lease arrangements, which are negotiated for terms ranging from 1 to 6 years.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the Track Record Period are as follows:

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount at the beginning of the year/period	2,140	2,965	3,025	10,567
Additions	1,779	1,665	9,667	53,280
Depreciation charge	(954)	(1,605)	(2,125)	(3,942)
Carrying amount at the end of the year/period	<u>2,965</u>	<u>3,025</u>	<u>10,567</u>	<u>59,905</u>

(b) Lease liabilities

The carrying amounts of the Group's lease liabilities and the movements during the Track Record Period are as follows:

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount at the beginning of the year/period	2,473	3,258	3,126	11,263
New leases	1,075	1,665	9,667	52,798
Accretion of interest recognized	82	150	243	643
Payments	(372)	(1,947)	(1,773)	(11,131)
Carrying amount at the end of the year/period	<u>3,258</u>	<u>3,126</u>	<u>11,263</u>	<u>53,573</u>
Analyzed as:				
Non-current	1,594	2,411	6,412	36,100
Current	<u>1,664</u>	<u>715</u>	<u>4,851</u>	<u>17,473</u>
	<u>3,258</u>	<u>3,126</u>	<u>11,263</u>	<u>53,573</u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

15. Leases—continued

(b) Lease liabilities—continued

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Present value of lease liability				
—within one year	1,664	715	4,851	17,473
—between 1 and 2 years	234	1,574	3,206	13,457
—between 2 and 5 years	1,360	837	3,012	22,313
—over 5 years	—	—	194	330
	<u>3,258</u>	<u>3,126</u>	<u>11,263</u>	<u>53,573</u>

The lease liabilities were measured at the present value of the lease payments that are not yet paid using incremental borrowing rates. The weighted average incremental borrowing rates are set out in Note 30. All leases are entered at fixed rates.

The maturity analysis of lease liabilities at each reporting date and total cash outflow for leases during the Track Record Period are set out in Note 30 and Note 31, respectively.

The expenses relating to short-term leases are set out in Note 6.

16. Prepayments, other receivables and other assets

The Group

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Current:				
Amounts due from related parties	34	307	929,665	1,175,379
Receivable from cancellation of investments*	—	—	—	102,803
Advance to suppliers	531	515	11,140	70,914
Interest receivable	—	17	7,721	45,058
Recoverable value-added tax	2,036	6,676	5,905	10,192
Estimated return of products sold	2,945	2,962	2,396	3,272
Prepaid expense	978	394	822	2,403
Others	82	62	100	744
	<u>6,606</u>	<u>10,933</u>	<u>957,749</u>	<u>1,410,765</u>
Non-current:				
Prepayments for investments in equity investees	—	—	26,760	8,000
Others	63	319	431	1,220
	<u>63</u>	<u>319</u>	<u>27,191</u>	<u>9,220</u>

* Represents the amount to be received from a third party which the Group planned to invest in previously.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

16. Prepayments, other receivables and other assets—continued

The Company

	As of December 31, 2019 RMB'000	As of June 30, 2020 RMB'000
Current:		
Amounts due from related parties	779,885	1,454,756
Interest receivable	7,709	44,985
	<u>787,594</u>	<u>1,499,741</u>

17. Inventories

Inventories consist of the following:

	As of December 31, 2017 RMB'000	2018 RMB'000	2019 RMB'000	As of June 30, 2020 RMB'000
Products	886,740	1,119,108	1,283,133	2,079,345
Less: impairment provision	(2,693)	(3,813)	(4,794)	(79,459)
	<u>884,047</u>	<u>1,115,295</u>	<u>1,278,339</u>	<u>1,999,886</u>

18. Trade and note receivables

	As of December 31, 2017 RMB'000	2018 RMB'000	2019 RMB'000	As of June 30, 2020 RMB'000
Trade receivables from third parties	3,098	17,472	27,080	30,713
Less: allowance for ECL	(7)	(4,393)	(6,252)	(5,775)
Note receivables	—	6,953	724	4,115
	<u>3,091</u>	<u>20,032</u>	<u>21,552</u>	<u>29,053</u>

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

As of January 1, 2017, trade and note receivables amounted to RMB0.5 million.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

18. Trade and note receivables—continued

The Group's trading terms with some of its customers are on credit. The Group primarily allows a credit period of 30 days. Trade receivables are settled in accordance with the terms of the respective contracts. Aging analysis of trade receivables based on invoice date is as follows:

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	3,098	7,815	13,921	21,503
3 to 6 months	—	2,858	3,799	2,480
6 to 12 months	—	6,799	8,791	3,623
Over 12 months	—	—	569	3,107
	3,098	17,472	27,080	30,713
Less: allowance for ECL	(7)	(4,393)	(6,252)	(5,775)
	<u>3,091</u>	<u>13,079</u>	<u>20,828</u>	<u>24,938</u>

The Group held notes received for future settlement of trade receivables with insignificant amount. The Group continues to recognize their full carrying amounts at the end of each reporting period. All notes received by the Group are with a maturity period of less than one year.

As of December 31, 2017, 2018 and 2019 and June 30, 2020, included in the Group's trade receivables balance were debtors with aggregate carrying amount of nil, RMB9 million, RMB11 million and RMB7 million, respectively, which were past due but not impaired as of the reporting date. The Group has not provided an impairment loss as the Group is satisfied with the subsequent settlements and the credit quality of these customers had not seen deteriorated. The Group does not hold any collateral over these balances.

19. Term deposits

The Group and the Company

	As of December 31,	As of June 30,
	2019	2020
	RMB'000	RMB'000
Term deposits in USD	<u>1,395,240</u>	<u>2,831,800</u>

The Group's term deposits are bank deposits with original maturities over three months and redeemable on maturity. The weight-average interest rates of the term deposits were 2.70% and 2.65% per annum for the years ended December 31, 2019 and the six months ended June 30, 2020, respectively.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

20. Cash and cash equivalents and restricted cash

*Cash and cash equivalents***The Group**

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	<u>7,401</u>	<u>16,213</u>	<u>4,965,272</u>	<u>3,200,320</u>

The Company

	As of December 31,	As of June 30,
	2019	2020
	RMB'000	RMB'000
Cash and bank balances	<u>4,961,023</u>	<u>3,151,829</u>

Restricted cash

Restricted cash represents deposits held in designated bank accounts for issuance of bank acceptance. The Group held restricted cash of nil, RMB4 million, RMB6 million and RMB9 million as of December 31, 2017, 2018 and 2019 and June 30, 2020, respectively.

21. Trade payables

Trade payables primarily consist of payables to suppliers.

The credit period of trade payables is ranging from 30 to 60 days. An aging analysis of the trade payables based on the invoice date at the end of each reporting period is as follows:

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	<u>172,650</u>	<u>340,229</u>	<u>444,984</u>	<u>1,744,114</u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

22. Accrued expenses and other payables

Accrued expenses and other payables consists of the following:

The Group

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due to a related party	15,653	14,676	925,850	1,238,610
Deposits to be returned to former investor**	—	—	—	83,270
Salary and welfare payables	8,223	11,388	53,931	74,901
Tax payable	2,352	2,778	3,344	59,135
Deposits received*	5,160	8,480	11,378	19,123
Liabilities for return allowances	2,624	3,109	2,295	3,392
Others	7,592	8,621	10,556	16,451
Total	<u>41,604</u>	<u>49,052</u>	<u>1,007,354</u>	<u>1,494,882</u>

* Mainly represents the deposits received from third-party merchants from the online marketplace business.

** Represents the amount to be paid to a third party with which the Group established an investment holding company for future investment. However, such investment arrangement was terminated and the Group obtained the ownership of the investment holding company and is obligated to return the investment deposits received from the third party.

23. Convertible preferred shares

In May 2019, the Company entered into Series A Share Subscription Agreement with a group of third-party investors. The Company issued 186,276,119 Series A Preferred Shares at USD5.00 (equivalent to RMB34.81) per share for a total cash proceed of approximately USD931 million (equivalent to RMB6,482 million), representing 13.5% of the ownership of the Company on a fully diluted basis. The Series A Preferred Shares are convertible at the option of the holders of Series A Preferred Shares or automatically converted under certain events.

In February 2020, the Company underwent a 1:2 share split, having 372,552,238 Series A Preferred Shares issued and outstanding with a par value of USD0.0000005 per share. All preferred shares and per share information were adjusted retrospectively for all periods presented to reflect the share split.

The rights, preferences and privileges of Series A Preferred Shares are as follows:

Dividend Rights

Dividends shall only be payable to the Series A Preferred Shares investors in cash on a pro rata basis for each Series A Preferred Share held by them at an annual simple rate ("Rate X") of series A purchase price if a qualified IPO has not occurred by the fifth anniversary after the Closing Date.

For the period from the fifth anniversary of the Closing Date till the end of the fiscal year of 2024, the Company shall accrue, declare and pay dividends to the Series A Preferred Shares investors in cash on a pro rata basis for each Series A Preferred Share held by them at an annual simple rate ("Rate Y") of series A purchase price, which is higher than the Rate X.

For each fiscal year from 2025 until the date of the earlier of the qualified IPO and all the dividends that have been accrued for a Series A Preferred Share has reached the purchase price of Series A Preferred Shares, the Company shall accrue, declare and pay dividends to holders of the

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

23. Convertible preferred shares—continued*Dividend Rights—continued*

Series A Preferred Shares in cash on a pro rata basis for each Series A Preferred Share held by them at Rate Y of series A purchase price per annum, after that no further obligation for the Company to accrue, declare and pay preferred dividends to the holders of the Series A Preferred Shares.

Upon the qualified IPO by the end of the fiscal year during which the seventh anniversary of the Closing Date occurs, any and all preferred dividends that have been accrued or declared prior to the qualified IPO shall be automatically and immediately canceled and terminated, and each holder of Series A Preferred Shares shall duly and unconditionally pay the Company an amount equal to the total amount of all the preferred dividends that the Company has paid to such holder before the consummation of the qualified IPO, and the Company will have no obligation to pay any of such preferred dividends.

However, the maximum amount of the preferred dividends can be paid is limited to an amount determined by the accumulated profit and the working capital of the Company.

Voting Rights

Each Series A Preferred Share shall carry such number of votes as is equal to the number of votes of ordinary shares then issuable upon the conversion of such Series A Preferred Shares. The holders of the Series A Preferred Shares and the holders of ordinary shares shall vote together and not as a separate class.

Liquidation Rights

In case of any liquidation event, all assets and funds of the Company legally available for distribution to the holders (after satisfaction of all creditors' claims and claims that may be preferred by law) shall be distributed to the holders of the Company as follows:

The Series A Preferred Shares shareholders shall be entitled to receive the amount equal to one hundred percent of the applicable purchase price of such Series A Preferred Shares plus interest on such purchase price at Rate X and minus all declared and paid dividends on such Series A Preferred Shares.

Conversion Rights

Each of the Series A Preferred Shares shall be convertible, at the option of the holders of the Series A Preferred Shares, at any time after the date of issuance of such Series A Preferred Shares, into such number of fully paid and non-assessable ordinary shares as is determined by dividing the Series A Preferred Shares purchase price by the conversion price then applicable to such Series A preferred share. The conversion price of each Series A Preferred Shares is the same as its original issuance price if no adjustments to conversion price have occurred. The conversion price is subject to adjustments when any equity securities of the Company are issued at a price per share lower than the purchase price of Series A Preferred Shares. As of June 30, 2020, each Series A Preferred Shares shall automatically be converted into ordinary shares at the conversion price then applicable to such Series A Preferred Shares, (i) upon the consummation of an IPO; or (ii) with respect to the Series A Preferred Shares, in the event that Series A Preferred Shares shareholders holding at least 70% of the Series A Preferred Shares in issue elect to convert the Series A Preferred Shares.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

23. Convertible preferred shares—continued

Conversion Rights—continued

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

	RMB'000
As of January 1, 2019	—
Issuance of Series A Preferred Shares	6,313,002
Change in fair value	1,263,130
Currency translation differences	8,288
As of December 31, 2019	7,584,420
Issuance of Series A Preferred Shares	168,862
Change in fair value	5,705,251
Currency translation differences	150,882
As of June 30, 2020	<u>13,609,415</u>

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

	As of December 31, 2019	As of June 30, 2020
Discount rate	15.0%	14.0%
Risk-free interest rate	2.28%	1.27%
Discount for lack of marketability (“DLOM”)	20%	20%
Volatility	30%	32%

Discount rate was estimated by weighted average cost of capital as of each valuation date. The Group estimated the risk-free interest rate based on the yield of government bond with maturity matching the time to expiration as of the valuation date plus country risk spread. The DLOM was estimated based on the option-pricing method. Under the option pricing method, the cost of put option, which can hedge the price change before the private 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 daily stock price return of comparable companies for the period before respective valuation date and with similar span as time to expiration. 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 the Series A Preferred Shares on each valuation date.

24. Financial liabilities at FVTPL

	As of June 30, 2020 RMB'000
Put option*	<u>135,906</u>

* Details are set out in Note 13.

The fair value of put option was estimated as of the date of grant and June 30, 2020, using a Black-Scholes model, taking into account the terms and conditions upon which the option is granted.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

24. Financial liabilities at FVTPL—continued

The following table lists the inputs to the model used:

	<u>As of the date of grant and June 30, 2020</u>
Expected volatility	37.8%
Risk-free interest rate	1.72%

Volatility was estimated based on annualized standard deviation of daily stock price return of comparable companies for the period before valuation date and with similar span as time to expiration. The Group estimated the risk-free interest rate based on the yield of government bond with maturity matching the time to expiration as of the valuation date. In addition to the assumptions adopted above, projections of future performance were also factored into the determination of the fair value of the put option on valuation date.

25. Paid-in capital/share capital**The Group**

In July 2019, all the equity interests of PRC Operating Entities were transferred to Suqian Jingdong Tianning at an amount of RMB2,000,000. For the purpose of the presentation of the combined statements of financial position, the paid-in capital/share capital of the Group represents the paid-in capital of PRC Operating Entities as of December 31, 2017 prior to the incorporation of the Company, and the paid-in capital of PRC Operating Entities and the share capital of the Company as of December 31, 2018 prior to the transfer of the equity interest of PRC Operating Entities but post to the incorporation of the Company, and the share capital of the Company as of December 31, 2019 and June 30, 2020 upon completion of the transfer of equity interests of PRC Operating Entities.

The Company**Authorized**

The Company was incorporated in the Cayman Islands as an exempted company registered under the laws of the Cayman Islands in November 2018 with an authorized share capital of USD50,000 divided into 50,000 shares of a par value of USD1.00 each. Upon incorporation of the Company, one share was issued at par value of USD1.00, equivalent to approximately RMB6.93.

In June 2019, each authorized and issued share at a par value of USD1.00 was subdivided into 1,000,000 shares at a par value of USD0.000001 each, such that the authorized shares of 50,000 of the Company was divided into 50,000,000,000 shares, out of which 49,781,223,881 shares were ordinary shares of a nominal or par value of USD0.000001 each and 218,776,119 shares were preferred shares at a nominal or par value of USD0.000001 each, of which 218,776,119 are designated as Series A Preferred Shares.

In February 2020, Company underwent another 1:2 share split to each authorized and issued shares, such that the share capital of the Company is USD50,000 divided into 99,562,447,762 Ordinary Shares of a nominal or par value of USD0.0000005 each and 437,552,238 preferred shares at a nominal or par value of USD0.0000005 each, of which 437,552,238 are designated as Series A Preferred Shares.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

25. Paid-in capital/share capital—continued

The Company—continued

Issued

	<u>Number of ordinary shares</u>	<u>Nominal value of ordinary shares</u> USD	<u>Nominal value of ordinary shares</u> RMB
As of January 1, 2018	—	—	—
Issuance of ordinary shares ¹	1	1	7
As of December 31, 2018	1	1	7
Split of shares ²	999,999	—	—
Issuance of ordinary shares ²	1,073,626,866	1,074	7,381
As of December 31, 2019	1,074,626,866	1,075	7,388
Split of shares ³	1,074,626,866	—	—
As of June 30, 2020	2,149,253,732	1,075	7,388
	<u>Number of ordinary shares</u>	<u>Nominal value of ordinary shares</u> USD	<u>Nominal value of ordinary shares</u> RMB
(Unaudited)			
As of January 1, 2019	1	1	7
Split of shares ²	999,999	—	—
Issuance of ordinary shares ²	1,073,626,866	1,074	7,381
As of June 30, 2019	1,074,626,866	1,075	7,388
	<u>As of December 31,</u>	<u>As of June 30,</u>	
	<u>2018</u>	<u>2019</u>	<u>2020</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Presented as	—*	7	7

* less than RMB1,000.

Notes:

1. The Company was incorporated on November 30, 2018 with an authorized share capital of USD1.00, consisting of 1 ordinary shares of USD1.00 par value each, of which 1 share had been issued. The issued ordinary share was fully paid in April 2019.
2. In June 2019, the 1 ordinary share was subdivided by 1:1,000,000 and additional 1,073,626,866 new shares were issued at a par value of USD0.000001 per share to JD Jiankang Limited. The newly issued ordinary shares were fully paid in June 2019.
3. In February 2020, the Company underwent another 1:2 share split, having 2,149,253,732 ordinary shares issued and outstanding with a par value of USD0.0000005 per share.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

26. Reserves

The Company

	<u>Reserves</u> <u>RMB'000</u>
As of January 1, 2018	—
Share-based payments expenses	2,166
As of December 31, 2018	2,166
Contribution from the Remaining Listing Business	768,023
Share-based payments expenses	16,422
Currency translation differences	25,191
As of December 31, 2019	811,802
Share-based payments expenses	4,511
Currency translation differences	(44,426)
As of June 30, 2020	<u>771,887</u>

27. Share-based payments

During the Track Record Period, the Group did not have its own share incentive plan. The employees of the Group are eligible for JD Group Share Incentive Plan, which includes share options and RSUs. Accordingly, the Group accounted for such plans by measuring the services received from the grantees in accordance with the requirement applicable to equity-settled share-based payment transactions, and recognized a corresponding increase in equity as a deemed contribution from JD Group in accordance with IFRS 2.

The table below sets forth share-based payments expenses for RSUs and share options during the Track Record Period:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u> (Unaudited)	<u>RMB'000</u>
RSUs	28,459	29,908	51,380	16,770	25,881
Share options	<u>1,961</u>	<u>3,563</u>	<u>1,348</u>	<u>943</u>	<u>585</u>
	<u>30,420</u>	<u>33,471</u>	<u>52,728</u>	<u>17,713</u>	<u>26,466</u>

JD Group Share Incentive Plan

JD Group granted share-based awards to eligible employees and non-employees pursuant to the share incentive plan, which was adopted on November 13, 2014 and governed the terms of the awards.

The RSUs and share options are generally service-based and scheduled to be vested over two to ten years. One-second, one-third, one-fourth, one-fifth, one-sixth, or one-tenth of the awards, depending on different vesting schedules of JD Group Share Incentive Plan, shall be vested upon the end of the calendar year in which the awards were granted or the first anniversary dates of the grants, and the remaining of the awards shall be vested on straight line basis at the end of the remaining calendar or the anniversary years.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

27. Share-based payments—continued

JD Group Share Incentive Plan—continued

The Group recognizes share-based payments expenses in its combined statements of profit or loss based on awards ultimately expected to vest, after considering estimated forfeitures of the Group. Forfeitures are estimated based on JD Group's historical experience and revised in the subsequent periods if actual forfeitures differ from those estimates. The impact of the revision of the original estimates, if any, is recognized in the profit and loss over the remaining vesting period, with a corresponding adjustment to other reserves.

Share options

A summary of activities of the service-based share options is presented as follows:

	Number of share options	Weighted average exercise price USD	Weighted average remaining contractual term Year
Outstanding as of January 1, 2017	439,500	8.28	
Exercised	(133,748)	3.96	
Outstanding as of December 31, 2017	305,752	10.16	6.9
Exercised	(8,748)	3.96	
Outstanding as of December 31, 2018	297,004	10.35	6.0
Exercised	(17,756)	3.96	
Transfer*	14,250	3.96	
Outstanding as of December 31, 2019	293,498	10.42	5.0
Exercised	(12,000)	3.96	
Outstanding as of June 30, 2020	281,498	10.70	4.6
(Unaudited)			
Outstanding as of January 1, 2019	297,004	10.35	6.0
Exercised	(17,256)	3.96	
Transfer*	1,000	3.96	
Outstanding as of June 30, 2019	280,748	10.72	5.6

* The transfer represents the addition or deduction of share options that were previously granted to employees who transferred into or out of the Listing Business during the Track Record Period.

The number of exercisable share options as of December 31, 2017, 2018, 2019 and June 30, 2020 was 92,660, 161,500, 226,826 and 223,158, respectively.

The fair value of share options was estimated using the binominal option-pricing model. The determination of estimated fair value of share-based payment awards on the grant date is affected by the fair value of JD.com, Inc.'s ordinary shares as well as assumptions regarding a number of complex and subjective variables. These variables include the expected volatility of the shares of JD.com, Inc. over the expected term of the awards, actual and projected employee share option exercise behaviors, a risk-free interest rate and expected dividends, if any.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

27. Share-based payments—continued

JD Group Share Incentive Plan—continued

RSUs

	Number of RSUs	Weighted-average grant-date fair value
		USD
Unvested as of January 1, 2017	1,571,067	12.53
Granted	113,000	15.76
Vested	(116,622)	11.17
Transfer*	(13,531)	12.02
Unvested as of December 31, 2017	1,553,914	12.87
Granted	270,900	19.56
Vested	(151,844)	11.89
Transfer*	(61,428)	14.48
Unvested as of December 31, 2018	1,611,542	14.03
Granted	454,140	14.67
Vested	(374,976)	13.65
Transfer*	1,485,538	14.61
Forfeited or canceled	(22,456)	16.06
Unvested as of December 31, 2019	3,153,788	14.43
Granted	394,410	19.80
Vested	(462,110)	14.85
Transfer*	(370,904)	11.03
Forfeited or canceled	(21,934)	17.34
Unvested as of June 30, 2020	2,693,250	15.59
(Unaudited)		
Unvested as of January 1, 2019	1,611,542	14.03
Granted	275,180	14.80
Vested	(243,576)	14.73
Transfer*	332,648	16.72
Unvested as of June 30, 2019	1,975,794	14.50

* The transfer represents the addition or deduction of RSUs that were previously granted to employees who transferred into or out of the Listing Business during the Track Record Period.

The estimated compensation cost of RSUs was based on the fair value of JD.com, Inc.'s ordinary shares on the date of the grant. The Group recognizes the compensation cost, net of estimated forfeitures, over the vesting term of the RSUs.

28. Dividends

No dividends had been paid or declared by the Company or its subsidiaries for the Track Record Period.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

29. Commitments

Except for the commitment of loan to the Group's joint venture as disclosed in Note 13, the Group had no other material commitments as of December 31, 2017, 2018 and 2019 and June 30, 2020.

30. Financial instruments

30.1 Financial instruments by categories

The Group

	Notes	As of December 31,			As of June 30,
		2017	2018	2019	2020
		RMB'000	RMB'000	RMB'000	RMB'000
Financial assets					
Financial assets at fair value:					
Financial assets at FVTPL	14	—	7,409	7,450	1,156,330
Financial assets at amortized cost		10,671	40,814	7,325,872	7,395,536
Financial liabilities					
Financial liabilities at fair value:					
Convertible preferred shares	23	—	—	7,584,420	13,609,415
Financial liabilities at FVTPL	24	—	—	—	135,906
Financial liabilities at amortized cost		199,455	372,006	1,392,771	3,101,442

The Company

	Note	As of December 31,	As of June 30,
		2019	2020
		RMB'000	RMB'000
Financial assets			
Financial assets at amortized cost.....		7,143,857	7,483,370
Financial liabilities			
Financial liabilities at fair value:			
Convertible preferred shares	23	7,584,420	13,609,415

30.2 Financial risk management

The Group's activities expose it to a variety of financial risks, such as 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 directors of the Company.

The Group's major financial instruments include financial assets at FVTPL, trade and note receivables and other receivables, term deposits, restricted cash, cash and cash equivalents, convertible preferred shares, lease liabilities, financial liabilities at FVTPL, trade payables and other payables. Details of the financial instruments are disclosed in respective notes. The policies on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

30. Financial instruments—continued

30.2 Financial risk management—continued

(a) Market risk

Foreign exchange risk

The functional currency of the Group's entities incorporated in Cayman Islands, BVI and Hong Kong is USD. The Group's PRC subsidiaries and consolidated affiliated entities determined their functional currency to be RMB. Foreign exchange risk arises when future commercial transactions or recognized financial assets and liabilities are denominated in a currency that is not the respective functional currency of the Group's entities. In addition, the Company has intra-group balances with several subsidiaries denominated in foreign currency which also expose the Group to foreign currency risk.

During the Track Record Period, exchange gains and losses from those foreign currency transactions denominated in a currency other than the functional currency were insignificant. The directors of the Company consider that any reasonable changes in foreign exchange rates of other currencies against the two major functional currencies would not result in a significant change in the Group's results, as the net carrying amounts of financial assets and liabilities denominated in a currency other than the respective subsidiaries' functional currency are considered to be not significant. Accordingly, no sensitivity analysis is presented for foreign exchange risk.

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Group to cash flow interest rate risk, whereas fixed rate instruments expose the Group to fair value interest risk. The Group's cash flow interest rate risk primarily arose from cash and cash equivalents and restricted cash, details of which have been disclosed in Note 20. The Group's fair value interest risk primarily arises from term deposit and lease liabilities, details of which have been disclosed in Note 19 and Note 15.

If the interest rate had been 50 basis points higher/lower, the profit/(loss) before income tax for the years ended December 31, 2017, 2018 and 2019 and for the six months ended June 30, 2020 would have been approximately nil, nil, RMB9 million and RMB10 million higher/lower, respectively, mainly as a result of higher or lower interest income on floating-rate cash and cash equivalents and restricted cash.

Price risk

The Group is exposed to price risk in respect of its equity investments in a private company and call option measured as financial assets at FVTPL, wealth management products, convertible preferred shares and put option measured as financial liability at FVTPL. The above financial instruments are exposed to price risk because of changes in market prices, where changes are caused by factors specific to the individual financial instruments or their issuers, or factors affecting all similar financial instruments traded in the market.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

30. Financial instruments—continued

30.2 Financial risk management—continued

(a) Market risk—continued

Sensitivity analysis

Fair value of convertible preferred shares are affected by changes in the Group's equity value, the sensitivity analysis of which has been disclosed in Note 30.4. The fair value change of call option, put option and equity investments in a private company is immaterial.

(b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group's credit risk is mainly associated with cash and cash equivalents, restricted cash, term deposits, trade and note receivables and other receivables. The carrying amounts of each class of the above financial assets represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's cash and cash equivalents, restricted cash and term deposits are mainly deposited in state-owned or reputable financial institutions in Mainland China and reputable international financial institutions outside of Mainland China. There has been no recent history of default in relation to these financial institutions. The Group considers the instruments have low credit risk because they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term. The identified credit losses are insignificant during the Track Record Period. The Group considers that there is no significant credit risk and does not generate any material losses due to the default of the other parties.

In order to minimize credit risk, the Group has tasked its credit management team to develop and maintain the credit risk grading for the Group's trade and note receivables and other receivables and to categorize exposures according to their degree of risk of default. The credit management team uses publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

30. Financial instruments—continued

30.2 Financial risk management—continued

(b) Credit risk—continued

The table below set forth how the Group defines the credit risk grading of its counterparties and its accounting policies for recognition of ECL:

Category	Group definition of category	Basis for recognition of ECL	
	Trade receivables and other receivables	Trade receivables	Other receivables
Performing	The Counterparties have a low risk of default and a strong capacity to meet contractual cash flows	Lifetime ECL - not credit-impaired	12m ECL. Where the expected lifetime of an asset is less than 12 months, ECL are measured at its expected lifetime
Doubtful	There has been a significant increase in credit risk since initial recognition	Lifetime ECL - not credit-impaired	
In default	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit impaired	
Write-off	There is evidence indicating that debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Asset is written off	

The directors of the Group estimates the amount of lifetime ECL of trade receivables based on provision matrix through grouping of various debtors that have similar loss patterns, after considering ageing, internal credit ratings of trade debtors, repayment history and/or past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. In addition, trade receivables that are credit-impaired are assessed for ECL individually.

On that basis, the loss allowance as of December 31, 2017, 2018 and 2019 and June 30, 2020 was determined as follows for trade receivables:

As of December 31, 2017

Provision on collective basis	Within 3 months	3 to 6 months	6 to 12 months	Total
Lifetime expected credit loss rate	0.23%	—	—	
Gross carrying amount	3,098	—	—	3,098
Loss allowance	(7)	—	—	(7)

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

30. Financial instruments—continued

30.2 Financial risk management—continued

(b) Credit risk—continued

As of December 31, 2018

<u>Provision on collective basis</u>	<u>Within 3 months</u>	<u>3 to 6 months</u>	<u>6 to 12 months</u>	<u>Total</u>
Lifetime expected credit loss rate	0.29%	10.32%	59.94%	
Gross carrying amount	7,815	2,858	6,799	17,472
Loss allowance	(23)	(295)	(4,075)	(4,393)

As of December 31, 2019

<u>Provision on collective basis</u>	<u>Within 3 months</u>	<u>3 to 6 months</u>	<u>6 to 12 months</u>	<u>Total</u>
Lifetime expected credit loss rate	0.31%	9.61%	60.00%	
Gross carrying amount	13,921	3,799	8,791	26,511
Loss allowance	(43)	(365)	(5,275)	(5,683)

As of June 30, 2020

<u>Provision on collective basis</u>	<u>Within 3 months</u>	<u>3 to 6 months</u>	<u>6 to 12 months</u>	<u>Total</u>
Lifetime expected credit loss rate	0.38%	12.38%	62.90%	
Gross carrying amount	21,503	2,480	3,623	27,606
Loss allowance	(82)	(307)	(2,279)	(2,668)

The following table shows the movement in lifetime ECL that has been recognized for trade and note receivables under the simplified approach.

	<u>Lifetime ECL (not credit- impaired)</u>	<u>Lifetime ECL (credit-impaired)</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
As of January 1, 2017	—	—	—
Impairment losses recognized	7	—	7
As of December 31, 2017	7	—	7
Impairment losses recognized	4,386	—	4,386
As of December 31, 2018	4,393	—	4,393
Impairment losses recognized	1,290	569	1,859
As of December 31, 2019	5,683	569	6,252
Impairment losses (reversed)/recognized	(3,015)	2,538	(477)
As of June 30, 2020	2,668	3,107	5,775

No allowance has been provided for note receivables since the balances are all with the banks which have low credit risks during the Track Record Period.

For other receivables, the Group makes periodic collective assessment as well as individual assessment on the recoverability of other receivables based on historical settlement records, past experience, qualitative information that is reasonable. The Group believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the Track Record Period, the Group assessed the ECL for other receivables were insignificant and thus no loss allowance was recognized.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

30. Financial instruments—continued

30.2 Financial risk management—continued

(b) Credit risk—continued

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, on which the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(c) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details remaining contractual maturity of the Group's financial liabilities and lease liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities and lease liabilities on the earliest date which the Group can be required to pay. The maturity dates are based on the agreed repayment dates.

The table includes both interest and principal cash flows.

	Weighted average interest rate %	The Group				
		Carrying amount	On demand or less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of December 31, 2017						
Trade payables	—	172,650	172,650	—	—	172,650
Lease liabilities	4.75	3,258	1,694	253	1,530	3,477
Financial liabilities included in accrued expenses and other payables	—	26,805	26,805	—	—	26,805
		<u>202,713</u>	<u>201,149</u>	<u>253</u>	<u>1,530</u>	<u>202,932</u>
As of December 31, 2018						
Trade payables	—	340,229	340,229	—	—	340,229
Lease liabilities	4.75	3,126	729	1,672	958	3,359
Financial liabilities included in accrued expenses and other payables	—	31,777	31,777	—	—	31,777
		<u>375,132</u>	<u>372,735</u>	<u>1,672</u>	<u>958</u>	<u>375,365</u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

30. Financial instruments—continued

30.2 Financial risk management—continued

(c) Liquidity risk—continued

		The Group					
	Weighted average interest rate	Carrying amount	On demand or less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of December 31, 2019							
Trade payables	—	444,984	444,984	—	—	—	444,984
Lease liabilities	4.71	11,263	4,940	3,454	3,477	263	12,134
Financial liabilities included in accrued expenses and other payables	—	947,787	947,787	—	—	—	947,787
Convertible preferred shares	—	7,584,420	—	—	—	6,313,002	6,313,002
		<u>8,988,454</u>	<u>1,397,711</u>	<u>3,454</u>	<u>3,477</u>	<u>6,313,265</u>	<u>7,717,907</u>
As of June 30, 2020							
Trade payables	—	1,744,114	1,744,114	—	—	—	1,744,114
Lease liabilities	4.63	53,573	17,957	14,562	26,194	432	59,145
Financial liabilities included in accrued expenses and other payables	—	1,357,328	1,357,328	—	—	—	1,357,328
Convertible preferred shares	—	13,609,415	—	—	—	6,481,864	6,481,864
		<u>16,764,430</u>	<u>3,119,399</u>	<u>14,562</u>	<u>26,194</u>	<u>6,482,296</u>	<u>9,642,451</u>

As of December 31, 2018, 2019 and June 30, 2020, there were no financial liabilities of the Company except for the convertible preferred shares.

Details of the description of convertible preferred shares and financial liabilities at FVTPL are presented in Note 23 and Note 24, respectively.

30.3 Capital management

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

The Group monitors capital (including share capital and other reserves, convertible preferred shares on an as if converted basis) by regularly reviewing the capital structure. As a part of this review, the Company considers the cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends to pay to shareholders, capital to return to shareholders, new shares to issue, shares of the Company to repurchase and debts to raise/repay. In the opinion of the directors of the Company, the Group's capital risk is low.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

30. Financial instruments—continued**30.4 Fair value measurement of financial instruments***Determination of fair value and fair value hierarchy*

IFRS 13 *Fair Value Measurement* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurement for assets and liabilities required or permitted to be recorded at fair value, the Group considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability.

Accounting guidance establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Accounting guidance establishes three levels of inputs that may be used to measure fair value.

The level of fair value calculation is determined by the lowest level input that is significant in the overall calculation. As such, the significance of the input should be considered from an overall perspective in the calculation of fair value.

For Level 2 financial instruments, valuations are generally obtained from third party pricing services for identical or comparable assets, or through the use of valuation methodologies using observable market inputs, or recent quoted market prices. Valuation service providers typically gather, analyze and interpret information related to market transactions and other key valuation model inputs from multiple sources, and through the use of widely accepted internal valuation models, provide a theoretical quote on various securities.

For Level 3 financial instruments, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measurement within Level 3 of the valuation hierarchy are generally based on the significance of the unobservable factors to the overall fair value measurement.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

30. Financial instruments—continued

30.4 Fair value measurement of financial instruments—continued

Determination of fair value and fair value hierarchy—continued

The following tables provide the fair value measurement hierarchy of the Group's financial assets and liabilities:

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As of December 31, 2018				
Assets:				
Financial assets at FVTPL	—	—	7,409	7,409
As of December 31, 2019				
Assets:				
Financial assets at FVTPL	—	—	7,450	7,450
Liabilities:				
Convertible preferred shares	—	—	7,584,420	7,584,420
As of June 30, 2020				
Assets:				
Financial assets at FVTPL	—	1,012,396	143,934	1,156,330
Liabilities:				
Convertible preferred shares	—	—	13,609,415	13,609,415
Financial liabilities at FVTPL	—	—	135,906	135,906

As of December 31, 2018 and 2019 and June 30, 2020, there's no financial assets at FVTPL of the Company, and the financial liabilities with fair value measurement of the Company is convertible preferred shares in Level 3 fair value hierarchy.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. During the Track Record Period, there were no transfers among different levels of fair values measurement.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

30. Financial instruments—continued

30.4 Fair value measurement of financial instruments—continued

Determination of fair value and fair value hierarchy—continued

Reconciliation of Level 3 fair value measurements:

	Financial assets at FVTPL	Financial liabilities at FVTPL	Convertible preferred shares
	RMB'000	RMB'000	RMB'000
As of January 1, 2018	—	—	—
Purchases	7,409	—	—
As of December 31, 2018	7,409	—	—
Issuance	—	—	6,313,002
Changes in fair value			
— Fair value changes of equity investments in a private company measured as financial assets at FVTPL	41	—	—
— Fair value changes of convertible preferred shares	—	—	1,263,130
— Currency translation differences	—	—	8,288
As of December 31, 2019	7,450	—	7,584,420
Issuance	—	—	168,862
Addition	136,365	135,906	—
Changes in fair value			
— Fair value changes of equity investments in a private company measured as financial assets at FVTPL	119	—	—
— Fair value changes of convertible preferred shares	—	—	5,705,251
— Currency translation differences	—	—	150,882
As of June 30, 2020	<u>143,934</u>	<u>135,906</u>	<u>13,609,415</u>

Valuation techniques

Accounting guidance also describes three main approaches to measuring the fair value of assets and liabilities: (1) market approach; (2) income approach and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

As the investment in equity investments measured as financial assets at FVTPL are not traded in an active market, its fair values have been determined by using the market approach. The fair value change of the financial assets at FVTPL were not material for the years ended December 31, 2018 and 2019 and six months ended June 30, 2020.

During the Track Record Period, the fair value change arose from the financial assets at FVTPL and financial liabilities at FVTPL were insignificant. The directors of the Company consider that any

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

30. Financial instruments—continued

30.4 Fair value measurement of financial instruments—continued

Determination of fair value and fair value hierarchy—continued

reasonable changes in the key assumptions as disclosed in Note 14 and Note 24, respectively, would not result in a significant change in the Group's results. Accordingly, no sensitivity analysis is presented.

As the convertible preferred shares are not traded in an active market, the Group applied the discount cash flow method to determine the underlying equity value of the Company and adopted option-pricing method and equity allocation model to determine the fair value of the convertible preferred shares. Major assumptions used in the valuation for the convertible preferred shares are presented in Note 23.

Fair value of the convertible preferred shares is affected by changes in the Company's equity value. If the Company's equity value had increased/decreased by 10% with all other variables held constant, the loss before income tax for the year ended December 31, 2019 and the six months ended June 30, 2020 would have been approximately RMB213 million and RMB1,100 million higher/lower, respectively.

The carrying amount of the Group's financial assets, including cash and cash equivalents, restricted cash, term deposits, trade and note receivables and other receivables and the Group's financial liabilities, including trade payables and accrued expenses and other payables, approximate their fair values.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

31. Note to combined statements of cash flows

(a) Reconciliation of profit/(loss) for the year/period to cash generated from operations:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit/(loss) for the year/period	178,534	214,927	(971,805)	236,254	(5,360,915)
Adjustments for:					
Income tax expense	77,445	91,305	137,105	98,735	103,590
Depreciation and amortization	3,087	6,266	7,423	3,491	8,591
Share-based payments expenses	30,420	33,471	52,728	17,713	26,466
Fair value changes of convertible preferred shares	—	—	1,263,130	—	5,705,251
Fair value gains on financial assets at FVTPL	—	—	(41)	—	(296)
Finance income	(4)	(84)	(31,783)	(27)	(60,327)
Finance costs	82	150	35,502	81	1,745
Impairment losses under expected credit loss model, net of reversal	7	4,386	1,859	938	(477)
Impairment provision for inventories	1,351	1,120	981	805	74,665
Share of results of a joint venture	—	—	—	—	8,607
Changes in working capital:					
(Increase)/decrease in inventories	(337,858)	(232,368)	(164,025)	79,667	(782,406)
Increase in trade and note receivables	(2,631)	(21,327)	(3,379)	(1,002)	(1,082)
Increase in prepayments, other receivables and other assets	(2,030)	(4,400)	(160,080)	(5,590)	(299,751)
Increase in trade payables	138,148	167,579	104,755	66,833	1,292,655
Increase in contract liabilities	8,673	9,292	47,168	59,943	101,661
Increase/(decrease) in accrued expenses and other payables	19,006	8,427	203,203	1,432	(359,043)
Cash generated from operations	<u>114,230</u>	<u>278,744</u>	<u>522,741</u>	<u>559,273</u>	<u>458,934</u>

There were no material non-cash investing and financing activities for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020 except disclosed elsewhere in this report.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

31. Note to combined statements of cash flows—continued

(b) Reconciliation of liabilities arising from financing activities

	Convertible preferred shares RMB'000	Lease liabilities RMB'000 Note 15	Advance from/(payment to) JD Group RMB'000	Total RMB'000
Liabilities from financing activities as of January 1,				
2017	—	2,473	48,580	51,053
Financing cash flows	—	(372)	(32,927)	(33,299)
New leases entered	—	1,075	—	1,075
Finance costs	—	82	—	82
Liabilities from financing activities as of December 31,				
2017	—	3,258	15,653	18,911
Financing cash flows	—	(1,947)	(977)	(2,924)
New leases entered	—	1,665	—	1,665
Finance costs	—	150	—	150
Liabilities from financing activities as of December 31,				
2018	—	3,126	14,676	17,802
Financing cash flows	6,313,002	(1,773)	202,234	6,513,463
Funds utilized by the Remaining Listing Business	—	—	727,940	727,940
Offset the amounts due from JD Group	—	—	(19,000)	(19,000)
New leases entered	—	9,667	—	9,667
Finance costs	—	243	—	243
Fair value changes of convertible preferred shares	1,263,130	—	—	1,263,130
Currency translation differences	8,288	—	—	8,288
Liabilities from financing activities as of December 31,				
2019	7,584,420	11,263	925,850	8,521,533
Financing cash flows	168,862	(11,131)	754,963	912,694
Funds generated by the Remaining Listing Business	—	—	(435,120)	(435,120)
Offset the amounts due from JD Group	—	—	(7,083)	(7,083)
New leases entered	—	52,798	—	52,798
Finance costs	—	643	—	643
Fair value changes of convertible preferred shares	5,705,251	—	—	5,705,251
Currency translation differences	150,882	—	—	150,882
Liabilities from financing activities as of June 30,				
2020	13,609,415	53,573	1,238,610	14,901,598
(Unaudited)				
Liabilities from financing activities as of January 1,				
2019	—	3,126	14,676	17,802
Financing cash flows	893,711	(629)	90,760	983,842
Funds utilized by the Remaining Listing Business	—	—	518,436	518,436
Offset the amounts due from JD Group	—	—	(46)	(46)
New leases entered	—	3,453	—	3,453
Finance costs	—	81	—	81
Liabilities from financing activities as of June 30,				
2019	893,711	6,031	623,826	1,523,568

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**32. Related party transactions**

The following significant transactions are carried out between the Group and its related parties during the Track Record Period. 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.

<u>Name of related parties</u>	<u>Relationship</u>
JD.com, Inc.	Ultimate parent company of the Company
JD Jiankang Limited	Immediate parent company of the Company
JD Group	Controlled by JD.com, Inc.
Jingdong Digits Technology Holding Co., Ltd. and its subsidiaries ("JD Digits")	Controlled by Mr. Richard Qiangdong Liu, the controlling shareholder of JD.com, Inc.

(b) Significant transactions with related parties

During the Track Record Period, the marketing services revenue, logistics and warehousing services expenses, technology and traffic support services expenses, payment services expenses, shared service expenses, loyalty program services expenses attributable to the Remaining Listing Business were carved out from the JD Group as all of these transactions and activities were carried out by the Remaining JD Group. Prior to the Closing Date of Series A Preferred Shares financing, details of which are set out in Note 23, these transactions have been recorded in the Historical Financial Information based on the actual amounts recognized/incurred by Remaining JD Group (other than certain expenses that were not able to specifically identified, which were allocated on the method as disclosed in Note 1.2) as if they were the revenue and expenses of the Group and therefore, the disclosure of significant transactions with related parties set out below have not included these transactions.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

32. Related party transactions—continued

(b) Significant transactions with related parties—continued

After the Closing Date of the Series A Preferred Share financing, based on the terms stipulated in the Series A Share Subscription Agreements, terms and pricing policies of these transactions entered into by JD Group for the Group or between JD Group and the Group were established. Details of these transactions recorded with such terms and pricing policies since that date during the Track Record Period are separately shown as follows:

	Notes	Year ended December 31,			Six months ended June 30,	
		2017	2018	2019	2019	2020
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Services provided to a related party:						
Marketing services provided to JD Group		—	—	59,707	—	98,099
Services and products received from a related party:						
Logistics and warehousing services received from JD Group	i	—	—	446,841	—	591,328
Technology and traffic support services received from JD Group	ii	—	—	288,279	—	424,124
Payment services received from JD Group	iii	—	—	74,941	—	94,918
Shared services received from JD Group	iv	—	—	34,659	—	58,427
Share-based compensation received from JD.com, Inc. to pay the Group's employees for the services provided	v	30,420	33,471	52,728	17,713	26,466
Loyalty program services received from JD Group	vi	—	—	14,205	—	24,033
Others		—	—	161	—	543

Services provided to a related party

The Group provides marketing services to JD Group. The Group charges JD Group marketing service fees calculated in accordance with the underlying standard marketing service agreements.

Services and products received from a related party

- i. JD Group provides various logistics services to the Group in exchange for service fees, including but not limited to warehouse operation and storage services, domestic and international delivery services, customs registration and clearance services, standard and special packaging services and other value-added logistics services from time to time. The logistics service fees are determined after arm's length negotiations, and are charged based on a variety of factors including storage space taken and the weights and the delivery distances of the packages.
- ii. JD Group provides to the Group technology and traffic support services through its online platforms (e.g. www.jd.com). The technology and traffic support services primarily include user traffic support, branding activities, operational support and advertisement access for the Group's merchants and suppliers. JD Group charges commissions by applying a fixed rate on the fulfilled order volume of healthcare products and services generated through JD Group's online platforms.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

32. Related party transactions—continued

(b) Significant transactions with related parties—continued

Services and products received from a related party—continued

- iii. The Group, through JD Group, uses certain payment services through payment channels provided by third-party payment service providers to JD Group on a cost basis, as the related costs are first settled by JD Group and later settled in full (on a cost basis) by the Group. This allows the Group to utilize the payment services to enable efficient, safe and prompt real-time payment for its online transactions.
- iv. JD Group provides back-office administrative support services to the Group, including but not limited to cloud service, provision of servers, and maintenance and related customer services. The Group pays JD Group the actual costs incurred during the service process.
- v. JD Group grants RSUs and share options to the Group's eligible employees under JD Group Share Incentive Plan.
- vi. Given that the Group's businesses are operated on JD Group's platforms, the customers of the Group participate in the customer loyalty programs of JD Group and use such loyalty points across the platforms of both JD Group and the Group for the purchase of products and services. The Group pays JD Group based on the number of loyalty points it granted and unit cost.

(c) The Group had the following balances with the major related parties:

	As of December 31,			As of
	2017	2018	2019	June 30,
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Amounts due to JD Group	15,653	14,676	925,850	1,238,610
Amounts due from JD Group	—	—	928,098	1,163,629
Amounts due from JD Digits	34	307	1,567	11,750

Prior to the Closing Date of Series A Preferred Shares financing, the amounts due to JD Group represents the funds support to the PRC Operating Entities provided by JD Group. After the Closing Date of Series A Preferred Shares financing, the amounts due from/due to JD Group mainly represent the profits generated/funds utilized by the Remaining Listing Business in JD Group on behalf of the Group since January 1, 2017.

The amounts due to/due from JD Group, which are non-trade in nature, unsecured, non-interest bearing and repayable on demand and will be settled before the Listing.

The amounts due from JD Digits are trade in nature, unsecured and non-interest bearing, which will be settled before the Listing.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

32. Related party transactions—continued

(d) Key management personnel compensation

The remuneration of directors and other key management personnel is as follows:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Salaries and bonuses	2,399	3,138	3,898	1,859	3,320
Share-based payments	25,910	28,705	21,463	9,262	6,803
Pension costs—defined contribution plans	101	111	102	56	45
Welfare, medical and other benefits	304	511	521	258	263
	<u>28,714</u>	<u>32,465</u>	<u>25,984</u>	<u>11,435</u>	<u>10,431</u>

33. Particulars of principal subsidiaries and consolidated affiliated entities

Details of the principal subsidiaries directly and indirectly held by the Company are set out below:

Name of subsidiaries**	Place of incorporation/ registration/ operations	Paid up issued/ registered capital	Proportion ownership interest attributable by the Company					Principal activities
			December 31,			June 30,	As of the date of this report	
			2017	2018	2019	2020		
JD Health (HK) Limited . .	Hong Kong, China	HKD10,000	—	100%	100%	100%	100%	Worldwide online shopping
Beijing Jingdong Jiankang	Mainland China	RMB100,000,000	—	—	100%	100%	100%	Online retail of healthcare products
Guanghan Jingdong Hongjian Jiankang Co., Ltd.	Mainland China	RMB1,000,000	—	—	100%	100%	100%	Online retail of healthcare products
Beijing Jingdong Hongjian Jiankang Co., Ltd.	Mainland China	RMB1,000,000	—	—	100%	100%	100%	Procurement and online retail of healthcare products
Guangxi Jingdong Tuoxian E-commerce Co., Ltd.	Mainland China	RMB2,000,000	—	—	100%	100%	100%	Technical and advertising services
Shenyang Jingdong Hongjian Trade Co., Ltd.	Mainland China	RMB1,000,000	—	—	—	100%	100%	Online retail of healthcare products
Guangzhou Jingdong Hongjian Trade Co., Ltd.	Mainland China	RMB1,000,000	—	—	—	100%	100%	Online retail of healthcare products

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

33. Particulars of principal subsidiaries and consolidated affiliated entities—continued

Details of the principal consolidated affiliated entities of the Company are set out below:

Name of affiliated entities*/**	Place of incorporation/ registration/ operations	Paid up issued/ registered capital	Proportion ownership interest attributable by the Company					Principal activities
			December 31,		June 30, 2020	As of the date of this report		
			2017	2018			2019	
Suqian Jingdong Tianning	Mainland China	RMB1,000,000	—	—	100%	100%	100%	Pharmaceutical products sales and healthcare services
Jingdong Pharmacy (Qingdao) Chain Co., Ltd.	Mainland China	RMB10,000,000	100%	100%	100%	100%	100%	Online retail of pharmaceutical products
Jingdong Pharmacy (Huizhou) Co., Ltd.	Mainland China	RMB10,000,000	100%	100%	100%	100%	100%	Online retail of pharmaceutical products
Jingdong Pharmacy Taizhou Chain Co., Ltd.	Mainland China	RMB10,000,000	100%	100%	100%	100%	100%	Online retail of pharmaceutical products
Yinchuan JD Online Hospital	Mainland China	RMB10,000,000	100%	100%	100%	100%	100%	Online hospital services

* As described in Note 1, the Company does not have directly or indirectly legal ownership in equity of these affiliated entities or their subsidiaries. Nevertheless, under certain Contractual Arrangements entered into with the equity holders of these affiliated entities, the Company and its legal owned subsidiaries have power over these affiliated entities, have rights to variable returns from its involvement with these affiliated entities and have the ability to affect those returns through their power over these affiliated entities and are considered to have control over these affiliated entities. Consequently, the Company regards these affiliated entities as its indirect subsidiaries.

** The English names of the subsidiaries and consolidated affiliated entities established in the PRC are translated from their registered Chinese names for identification only.

The above table lists the subsidiaries and consolidated affiliated entities of the Company that the directors of the Company believe to principally affect the results or assets of the Group. In the opinion of the directors of the Company, to give details of other subsidiaries would, result in particulars of excessive length.

The voting power of the subsidiaries and consolidated affiliated entities held by the Company are same with the ownership interest held by the Company.

No audited statutory financial statements have been prepared for the subsidiaries incorporated in the PRC listed above, since there are no statutory audit requirement. No audited statutory financial statements of JD Health (HK) Limited have been prepared, since it was incorporated in December 2018 and the statutory audit of the years ended December 31, 2018 and 2019 has not been completed.

None of the subsidiaries and consolidated affiliated entities had issued any debt securities during the Track Record Period.

34. Contingencies

The Group did not have any material contingent liabilities as of December 31, 2017, 2018 and 2019 and June 30, 2020.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued**35. Subsequent Events**

In August 2020, the Company entered into a series of definitive agreements with Hillhouse Capital and certain investors of Series A Preferred Shares to issue non-redeemable series B preferred shares. The total amount raised from such issuance was approximately USD914 million.

On September 14, 2020, a pre-IPO employee share incentive plan (the “Pre-IPO ESOP”) was conditionally approved and adopted by the board of the Company. The maximum aggregate number of underlying shares which may be issued pursuant to all awards under the Pre-IPO ESOP is 238,805,970 shares as of September 14, 2020 that are reserved under the Pre-IPO ESOP. The Pre-IPO ESOP commenced on September 14, 2020 and will expire on September 14, 2030. As of the date of this report, the Company has granted share options outstanding under the Pre-IPO ESOP to certain grantees to subscribe for an aggregate of 94,731,468 shares.

36. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of the companies now comprising the Group have been prepared in respect of any period subsequent to June 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 Société Générale 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>	-6.0%	-3.0%*	<i>(16,504)</i>	<i>(17,411)</i>	-5.2%	-2.8%*
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>	-6.0%	-0.1%*	<i>5,609</i>	<i>7,260</i>	-22.7%	-19.5%*
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>	+80.3%	+86.8%*	<i>(3,286)</i>	<i>(1,260)</i>	x 2.6	x 2.7*
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>	-31.7%	-26.8%*	<i>2,323</i>	<i>6,000</i>	-61.3%	-59.8%*
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>	-41.7%	-40.7%*	<i>166</i>	<i>59</i>	x 2.8	x 2.8*
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>	n/s	n/s	<i>3</i>	<i>29</i>	n/s	n/s
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>	<i>1,870</i>	<i>1,969</i>	<i>-5.0%</i>	<i>7,381</i>	<i>7,863</i>	<i>-6.1%</i>
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>	<i>3.7%</i>	<i>8.2%</i>		<i>5.8%</i>	<i>10.0%</i>	
<i>Underlying RONE (1)</i>	<i>3.5%</i>	<i>9.3%</i>		<i>6.2%</i>	<i>11.1%</i>	

(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

In EURm	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%		
Underlying RONE (1)	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

In EURm	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%		
Underlying RONE (1)	9.0%	6.5%			1.3%	7.4%		

(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)	o/w GBIS (EUR - 157m), Corporate Center (EUR -53m)
(-) Group refocusing plan*		(20)	(101)		(14)	(135)	Corporate center
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)	Corporate center
(-) Goodwill impairment*				(684)		(684)	Corporate center
(-) DTA impairment*					(650)	(650)	Corporate center
(-) Restructuring charges ^{*(1)}	(210)				63	(147)	o/w GBIS (EUR - 157m), Corporate Center (EUR -53m)
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		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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