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 UBS AG, acting through its London branch, the Certificates, or the Company (as defined below).

10,000,000 European Style Cash Settled Short Certificates relating to

the ordinary shares of Geely Automobile Holdings Limited

with a Daily Leverage of -5x

UBS AG
(Incorporated with limited liability in Switzerland)
acting through its London Branch

Issue Price: S$0.35 per Certificate

This document is published for the purpose of obtaining a listing of all the above certificates (the "**Certificates**") to be issued by UBS AG (the "**Issuer**") acting through its London branch, and is supplemental to and should be read in conjunction with a base listing document dated 28 June 2021 (the "**Base Listing Document**"), including its supplements and addenda as executed from time to time, for the purpose of giving information with regard to the Issuer 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 the United States, the United Kingdom, the European Economic Area, Singapore and Hong Kong (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 and/or any of its affiliates may from time to time purchase the Certificates or sell additional

Certificates on the market, the Issuer and/or any of its 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.

For the purpose of section 309B(1) of the Securities and Futures Act (Chapter 289 of Singapore) (the "**SFA**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in section 309A of the SFA) that the Certificates are classified as capital markets products other than prescribed capital markets products[1] and Specified Investment Products (SIPs)[2], and may only be sold to retail investors with enhanced safeguards, including an assessment of such investors' investment knowledge or experience.

Prospective purchasers should therefore ensure that they understand the nature of the Certificates and carefully study the risk factors set out in the Base Listing Document and pages 5 to 10 of this document before they invest in the Certificates.

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 15 June 2022.

As at the date hereof, the Issuer's long term credit rating by Standard & Poor's Credit Market Services Europe Limited is A+, by Moody's Deutschland GmbH is Aa3 and by Fitch Ratings Limited is AA-.

The Issuer is regulated by, among others, the Swiss Federal Banking Commission. In the United Kingdom, it is authorised by the Prudential Regulatory Authority and subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulatory Authority.

14 June 2022

[1] As defined in the Securities and Futures (Capital Markets Products) Regulations 2018.
[2] As defined in the MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products.

Subject as set out below, the Issuer accepts full responsibility for the accuracy of the information contained in this document and the Base Listing Document in relation to itself and the Certificates. To the best of the knowledge and belief of the Issuer (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 it accepts 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 accepts 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.

No persons have been authorised to give any information or to make any representation save as contained in this document or otherwise authorised by the Issuer in connection with the Certificates and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer. 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 or its subsidiaries and associates since the date hereof.

This document does not constitute an offer or solicitation by or on behalf of the Issuer 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 requires persons into whose possession this document comes to inform themselves of and observe all such restrictions. In particular, the Certificates have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"). Subject to certain exceptions, Certificates, or interests therein, may not at any time be offered, sold, resold or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person (as defined in Regulation S under the Securities Act) or to others for offering, sale or resale in the United States or to any such U.S. person. Offers and sales of Certificates, or interests therein, in the United States or to U.S. persons would constitute a violation of United States securities laws unless made in compliance with registration requirements of the Securities Act or pursuant to an exemption therefrom. 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 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 and/or any of its 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 and/or any of its affiliates. Investors should not therefore make any assumption as to the number of Certificates in issue at any time.

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

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RISK FACTORS

The following risk factors are relevant to the Certificates:-

(a) investment in Certificates involves substantial risks including market risk, liquidity risk, and the risk that the Issuer will be unable to satisfy its 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 direct, general and unsecured contractual obligations of the Issuer and if you purchase the Certificates you are relying upon the creditworthiness of the Issuer and have no rights under the Certificates against any 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 have no rights under the Certificates against the Company which has issued the Underlying Stock (as defined below). The Issuer has substantially no obligation to a Certificate Holder (as defined in the Conditions) other than to pay amounts in accordance with the terms thereof as set forth herein and in the Base Listing Document. The Issuer does not in any respect underwrite or guarantee the performance of any Certificate. Any profit or loss realised by a Certificate Holder in respect of a Certificate upon exercise or otherwise due to changes in the value of such Certificate or the Underlying Stock is solely for the account of such Certificate Holder. In addition, the Issuer shall have the absolute discretion to put in place any hedging transaction or arrangement which it deems appropriate in connection with any Certificate or the Underlying Stock. A reduction in the rating, if any, accorded to outstanding debt securities of the Issuer by any one of its rating agencies could result in a reduction in the trading value of the Certificates;

(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 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 and the creditworthiness of the Issuer;

(e) fluctuations in the price of the Underlying Stock will affect the price of the Certificates but not necessarily in the same magnitude and direction, therefore, prospective investors intending to purchase Certificates to hedge their market risk associated with investing in the Underlying Stock which may be specified herein, should recognise the complexities of utilising the Certificates in this manner;

(f) 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) 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;

(h) investors should note that the Issuer's obligations to pay amounts in accordance with the terms thereof as set forth herein shall be discharged by delivery of the aggregate Cash Settlement Amount (if positive) to all Certificate Holders in accordance with the agreement with the Warrant Agent;

(i) 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;

(j) 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;

(k) 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 such expiry date the Cash Settlement Amount is zero, a Certificate Holder will lose the value of his investment;

(l) 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);

(m) 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 the Rebalancing Cost (as defined below);

(n) investors should note that there may be an exchange rate risk where the Cash Settlement Amount may be 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;

(o) 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;

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

(q) 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);

(r) 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;

(s) 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 rise 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 rise in the Underlying Stock of 20% or greater during the observation period compared to the reference price, being: (a) if air bag event has not been previously triggered on the same day, the previous closing price of the Underlying Stock, or (b) if one or more air bag events have been previously triggered on the same day, the latest new observed price. Investors may refer to pages 42 to 43 of this document for more information;

(t) certain events may, pursuant to the terms and conditions of the Certificates, trigger (A) the implementation of methods of adjustment or (B) 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 (A) general market conditions and (B) 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 Condition 13 on pages 29 to 30 of this document for more information;

(u) investors should note that it is not possible to predict the price at which the Certificates will trade in the secondary market or whether such market will be liquid or illiquid. To the extent Certificates of a particular issue are exercised, the number of Certificates of such issue outstanding will decrease, resulting in a diminished liquidity for the remaining Certificates of such issue. A decrease in the liquidity of an issue of Certificates may cause, in turn, an increase in the volatility associated with the price of such issue of Certificates. The Issuer may, but is not obligated to, at any time, purchase Certificates at any price in the open market or by tender or private agreement. Any Certificates so purchased may be held or resold or surrendered for cancellation. To the extent that an issue of Certificates becomes illiquid, an investor may have to exercise such Certificates to realise value;

(v) 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;

(w) investors should note that they may be required to pay stamp taxes or other documentary charges in accordance with the laws and practices of the country where the Certificates are transferred. Investors who are in any doubt as to their tax position should consult their own independent tax advisers. In addition, investors should be aware that tax regulations and their application by the relevant taxation authorities change from time to time. Accordingly, it is not possible to predict the precise tax treatment which will apply at any given time. Investors should refer to the Taxation Section in the Base Listing Document;

(x) investors should note that the Issuer may enter into discount, commission or fee arrangements with brokers and/or any of its subsidiaries or affiliates with respect to the primary or secondary market in the Certificates. The arrangements may result in the benefit to investors in Certificates buying and selling Certificates through nominated brokers by reducing or eliminating the commission payable by such Certificate Holders. In the event that the commission payable by Certificate Holders is eliminated, fee arrangements between the Issuer and brokers and/or any of its subsidiaries or affiliates will continue to apply. Investors in the Certificates should note that any brokers with whom the Issuer has a commission arrangement does not, and cannot be expected to, deal exclusively in the Certificates, therefore any broker and/or any of its subsidiaries or affiliates may from time to time engage in transactions involving the Underlying Stock and/or structured products of other issuers over the Underlying Stock as the Certificates for their proprietary accounts and/or accounts of their clients. The fact that the same broker may deal simultaneously for different clients in competing products in the market place may affect the value of the Certificates and present certain conflicts of interests;

(y) various potential and actual conflicts of interest may arise from the overall activities of the Issuer and any of its subsidiaries and affiliates.

The Issuer and any of its 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 and any of its 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 and any of its subsidiaries and affiliates have no obligation to disclose such information about the Underlying Stock or such activities. The Issuer and any of its 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;

(z) 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 and any of its 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 and/or related derivatives. In addition, in connection with the offering of any Certificates, the Issuer and any of its respective subsidiaries and affiliates may enter into one or more hedging transactions with respect to the Underlying Stock and/or related derivatives. In connection with such hedging or market-making activities or with respect to proprietary or other trading activities by the Issuer and any of its respective subsidiaries and its affiliates, the Issuer and any of its respective subsidiaries and affiliates may enter into transactions in the Underlying

Stock and/or related derivatives which may affect the market price, liquidity or value of the Certificates and which may affect the interests of Certificate Holders;

(aa) 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;

(bb) certain risks relating to the Issuer's operating environment and strategy, including those as set out in Appendix 2 of the Base Listing Document, may impact the Issuer's ability to execute its strategy and directly affect its business activities, financial condition, results of operations and prospects. As a broad-based international financial services firm, the Issuer is inherently exposed to risks that become apparent only with the benefit of hindsight, risks of which it is not presently aware or which it currently does not consider to be material could also materially affect its business activities, financial condition, results of operations and prospects. The sequence in which the risk factors are set out in Appendix 2 of the Base Listing Document is not indicative of their likehood of occurrence or the potential magnitude of their financial consequences;

(cc) 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 website of the SGX-ST. Investors will need to check the website of the SGX-ST regularly and/or rely on their brokers/custodians to obtain such notices;

(dd) Generally, investing in the Certificates may involve risks related to the discontinuance, changes or adjustments to benchmarks generally

Discontinuance of, or changes to, benchmarks may require adjustments to the Issuer's agreements, systems and processes. The interbank offered rate(s) ("**IBOR**") and other interest rate, equity, commodity, foreign exchange and other types of indices which are deemed to be "benchmarks", are the subject of national, international and other regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be or may be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Certificates referencing such a benchmark. Investors should consult their own independent advisers and make their own assessment about the potential risks or any of the international or national reforms in making any investment decision with respect to any Certificates referencing a benchmark; and (ee) Specifically, 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.

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:	10,000,000 European Style Cash Settled Short Certificates relating to the ordinary shares of Geely Automobile Holdings Limited (the "**Underlying Stock**" or the "**Underlying**")
ISIN:	CH1169124166
Company:	Geely Automobile Holdings Limited (RIC: 0175.HK)
Underlying Price[3] and Source:	HK$14.62 (Bloomberg)
Calculation Agent:	UBS AG acting through its London Branch
Strike Level:	Zero
Daily Leverage:	-5x (within the Leverage Inverse Strategy as described below)
Notional Amount per Certificate:	SGD 0.35
Management Fee (p.a.)[4]:	0.40%
Gap Premium (p.a.)[5]:	6.90%, 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:	7 June 2022
Closing Date:	14 June 2022

[3] These figures are calculated as at, and based on information available to the Issuer on or about 14 June 2022. The Issuer is not obliged, and undertakes no responsibility to any person, to update or inform any person of any changes to the figures after 14 June 2022.
[4] Please note that the Management Fee is calculated on a 360-day basis and may be increased up to a maximum of 3% p.a. on giving one month's notice to investors. Any increase in the Management Fee will be announced on the SGXNET. Please refer to "Fees and Charges" below for further details of the fees and charges payable and the maximum of such fees as well as other ongoing expenses that may be borne by the Certificates.
[5] Please note that the Gap Premium is calculated on a 360-day basis.
[6] These costs are embedded within the Leverage Inverse Strategy. Please note that the Stock Borrowing Cost may be changed on giving 5 Business Days' notice to investors. Any change in the Stock Borrowing Cost will be announced on the SGXNET.

Expected Listing Date:	15 June 2022
Last Trading Date:	The date falling 5 Business Days immediately preceding the Expiry Date, currently being 23 April 2025
Expiry Date:	30 April 2025 (if the Expiry Date is not a Business Day, then the Expiry Date shall fall on the preceding Business Day and subject to adjustment of the Valuation Date upon the occurrence of Market Disruption Events as set out in the Conditions of the Certificates)
Board Lot:	100 Certificates
Valuation Date:	29 April 2025 or if such day is not an Exchange Business Day, the immediately preceding Exchange Business Day.
Exercise:	The Certificates may only be exercised on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, in a Board Lot or integral multiples thereof. Certificate Holders shall not be required to deliver an exercise notice. Exercise of Certificates shall be determined by whether the Cash Settlement Amount (less any Exercise Expenses) is positive. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates shall be deemed to have been automatically exercised at 5:00 p.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 5:00 p.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, and Certificate Holders shall not be entitled to receive any payment from the Issuer in respect of the Certificates.
Cash Settlement Amount:	In respect of each Certificate, shall be an amount (if positive) payable in the Settlement Currency equal to: Closing Level multiplied by the Notional Amount per Certificate Please refer to the “Information relating to the European Style Cash Settled Short Certificates on Single Equities” section on pages 34 to 48 of this document for examples and illustrations of the calculation of the Cash Settlement Amount.
Hedging Fee Factor:	In respect of each Certificate, shall be an amount calculated as: Product (for t from Expected Listing Date to Valuation Date) of (1 – Management Fee x (ACT (t-1;t) ÷ 360)) x (1 – Gap Premium (t-1) x (ACT (t-1;t) ÷ 360)), where:

	"**t**" refers to "**Observation Date**" which means each Underlying Stock Business Day (subject to Market Disruption Event) from (and including) the Underlying Stock Business Day immediately preceding the Expected Listing Date to the Valuation Date; and ACT (t-1;t) means the number of calendar days between the Underlying Stock Business Day immediately preceding the Observation Date (which is "t-1") (included) and the Observation Date (which is "t") (excluded). 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 34 to 48 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 16 to 20 below.
Initial Exchange Rate[3]:	0.1770393442
Final Exchange Rate:	The rate for the conversion of HKD to SGD as at 5:00pm (Singapore Time) on the Valuation Date as shown on Reuters, provided that if the Reuters service ceases to display such information, as determined by the Issuer by reference to such source(s) as the Issuer may reasonably determine to be appropriate at such a time.
Air Bag Mechanism:	The "**Air Bag Mechanism**" refers to the mechanism built in the Leverage Inverse Strategy and which is designed to reduce the Leverage Inverse Strategy exposure to the Underlying Stock during extreme market conditions. If the Underlying Stock rises by 15% or more ("**Air Bag Trigger Price**") during the trading day (which represents approximately 75% loss after a 5 times inverse leverage),

	the Air Bag Mechanism is triggered and the Leverage Inverse Strategy is adjusted intra-day. The Air Bag Mechanism reduces the impact on the Leverage Inverse Strategy if the Underlying Stock rises further, but will also maintain a reduced exposure to the Underlying Stock in the event the Underlying Stock starts to fall after the Air Bag Mechanism is triggered, thereby reducing its ability to recoup losses. Trading of Certificates is suspended for at least 30 minutes of continuous trading after the Air Bag is triggered. The resumption of trading is subject further to SGX-ST's requirements, including at least 30 minutes from the time of publication of an announcement on the exchange in respect of the Air Bag Mechanism being triggered, and at least 15 minutes after the SGX-ST grants an approval to resume trading, whichever is later, rounded to the next quarter of an hour. The Leverage Inverse Strategy is floored at 0 and the Certificates cannot be valued below zero. Please refer to the "Air Bag Mechanism" section on pages 19 to 20 below and the "Description of Air Bag Mechanism" section on pages 40 to 41 of this document for further information of the Air Bag Mechanism.
Adjustments and Extraordinary Events:	The Issuer has the right to make adjustments to the terms of the Certificates if certain events, including any capitalisation issue, rights issue, extraordinary distributions, merger, delisting, insolvency (as more specifically set out in the terms and conditions of the Certificates) occur in respect of the Underlying Stock. For the avoidance of doubt, no notice will be given if the Issuer determines that adjustments will not be made.
Underlying Stock Currency:	Hong Kong Dollar ("**HKD**")
Settlement Currency:	Singapore Dollar ("**SGD**")
Exercise Expenses:	Certificate Holders will be required to pay all charges which are incurred in respect of the exercise of the Certificates.
Relevant Stock Exchange for the Certificates:	The Singapore Exchange Securities Trading Limited ("**SGX-ST**")
Relevant Stock Exchange for the Underlying Stock:	HKEX
Business Day and Exchange Business Day:	A "**Business Day**" is a day (excluding Saturdays, Sundays and public holidays) on which the SGX-ST is open for dealings in Singapore during its normal trading hours and banks are open for business in Singapore.

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

In addition, the Conditions have been modified as follows:

1. Condition 1(a)(i) is deleted and replaced with the following:

   "(i) a master instrument by way of deed poll (the "**Master Instrument**") dated 7 January 2022, made by UBS AG (the "**Issuer**") acting through its London Branch; and"

2. All references to "Instrument" appearing therein are deleted and substituted with the word "Master Instrument".

Specific Definitions relating to the Leverage Inverse Strategy

Description of the Leverage Inverse Strategy

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

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

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

Leverage Inverse Strategy Formula

$\mathbf{LSL_t}$	means the Leverage Inverse Strategy Level as of the Leverage Reset Time (t), calculated in accordance with the following formulae: On Leverage Reset Time(1): $\mathrm{LSL_1} = 1000$ On each subsequent Leverage Reset Time(t): $\mathrm{LSL_t} = \mathrm{Max}\left[\mathrm{LSL_{r(t)}} \times \left(1 + \mathrm{LR_{r(t),t}} - \mathrm{FC_{r(t),t}} - \mathrm{SB_{r(t),t}} - \mathrm{RC_{r(t),t}}\right), 0\right]$
Leverage Reset Time (t)	means 1) the scheduled closing time for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto) on any Observation Date; and 2) end of any Intraday Restrike Event Observation Period. Leverage Reset Time (1) is the scheduled close for the Relevant Stock Exchange for the Underlying Stock on Issue Date.
Leverage Reset Time r(t)	means the Leverage Reset Time immediately preceding the Leverage Reset Time (t).
$\mathbf{LR_{r(t),t}}$	means the Leveraged Return of the Underlying Stock between Leverage Reset Time r(t) and Leverage Reset Time (t), calculated as follows: $\mathrm{LR_{r(t),t}} = \mathrm{Leverage} \times \left(\frac{\mathrm{S_t}}{\mathrm{S_{r(t)}} \times Rfactor_t} - 1\right)$
$\mathbf{FC_{r(t),t}}$	means, the Funding Cost between the Leverage Reset Time r(t) (included) and the Leverage Reset Time (t) (excluded) calculated as follows: If the Leverage Reset Time r(t) is at the scheduled closing time for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto) on any Observation Date, $\mathrm{FC_{r(t),t}} = (\mathrm{Leverage} - 1) \times \frac{\mathrm{Rate_{r(t)}} \times \mathrm{ACT(r(t), t)}}{\mathrm{DayCountBasisRate}}$

Otherwise, $FC_{r(t),t} = 0$

$\mathbf{SB_{r(t),t}}$	means the Stock Borrowing Cost between the Leverage Reset Time r(t) (included) and the Leverage Reset Time (t) (excluded) calculated as follows:

If the Leverage Reset Time r(t) is at the scheduled closing time for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto) on any Observation Date,

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

Otherwise, $SB_{r(t),t} = 0$

CB means the Cost of Borrowing applicable that is equal to: 2.00%

$\mathbf{RC_{r(t),t}}$ means the Rebalancing Cost of the Leverage Inverse Strategy as at Leverage Reset Time (t), calculated as follows :

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

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

0.13%

"Stamp Duty" refers to the applicable rate of stamp duty on the stock transactions in the jurisdiction of the Relevant Stock Exchange for the Underlying Stock, which may be changed by the applicable regulatory authorities from time to time.

Leverage -5

$\mathbf{S_t}$ means the Underlying Stock Price as of Leverage Reset Time (t) computed as follows, subject to the adjustments and provisions of the Conditions:

If the Leverage Reset Time (t) is at the scheduled closing time for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto) on any Observation Date,

S_t is the Closing Price of the Underlying Stock as of such Observation Date.

Otherwise,

S_t is the highest price of the Underlying Stock during the respective Intraday Restrike Observation Period.

$\mathbf{Rfactor_t}$ means an amount determined by the Calculation Agent, according to the following formula, subject to the adjustments and provisions of the Conditions:

If in respect of the Leverage Reset Time (t), the immediately preceding Leverage Reset Time r(t) is at the scheduled closing time for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto) on any Observation Date,

$$\mathrm{Rfactor}_t = 1 - \frac{\mathrm{Div}_t}{S_{r(t)}}$$

Otherwise,

$$\mathrm{Rfactor}_t = 1$$

where

Div_t is the dividend to be paid out in respect of the Underlying Stock on the Observation Date of the Leverage Reset Time (t) if such Observation Date is an ex-dividend date, otherwise is zero. The dividend shall be considered gross of any applicable withholding taxes.

$\mathbf{Rate_t}$ means, in respect of the Observation Date of Leverage Reset Time (t), the Overnight HKD Hong Kong Interbank Offered Rate (HIBOR) Fixing, as published on Reuters RIC HIHKDOND= or any successor page, being the rate as of day (t), provided that if such rate is not available, then the 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 a Benchmark Event, the Calculation Agent may make adjustments as it may determine appropriate to account for the relevant event or circumstance, including but not limited to using any alternative rates from such date, with or without retroactive effect as the Calculation Agent may in its sole and absolute discretion determine.

Benchmark Event means:

(a) the relevant reference rate has ceased to be published on the relevant screen page as a result of such benchmark ceasing to be calculated or administered; or

(b) a public statement by the administrator of the relevant reference rate that (in circumstances where no successor administrator has been or will be appointed that will continue publication of such reference rate) it has ceased publishing such reference rate permanently or indefinitely or that it will cease to do so by a specified future date (the "**Specified Future Date**"); or

(c) a public statement by the supervisor of the administrator of the relevant reference rate that such reference rate has been or will, by a specified future date (the "**Specified Future Date**"), be permanently or indefinitely discontinued; or

(d) a public statement by the supervisor of the administrator of the relevant reference rate as a consequence of which Reference Rate will, by a specified future date (the "**Specified Future Date**"), be prohibited from being used, or that its use will be subject to restrictions or adverse consequences, either generally or in respect of the Certificates; or

(e) a public statement by the supervisor of the administrator of the relevant reference rate that, in the view of such supervisor, such reference rate is or will, by a specified future date (the "**Specified Future Date**"), be no longer representative of an underlying market or the methodology to calculate such reference rate has materially changed; or

(f) it has or will, by a specified date within the following six months, become unlawful for the Calculation Agent or the Issuer to calculate any payments due to be made to any holder of the Certificates using the relevant reference rate (including, without limitation, under the Benchmarks Regulation (EU) 2016/1011, if applicable).

Notwithstanding the subparagraphs above, where the relevant Benchmark Event is a public statement within subparagraphs (b), (c), (d) or (e) above and the Specified Future Date in the public statement is more than six months after the date of that public statement, the Benchmark Event shall not be deemed occur until the date falling six months prior to such Specified Future Date.

ACT(r(t),t) ACT (r(t),t) means the number of calendar days between the Observation Date of the Leverage Reset Time r(t) (included) and the Observation Date of the Leverage Reset Time (t) (excluded).

DayCountBasisRate 365

Air Bag Mechanism

Intraday Restrike Event means in respect of an Observation Date, the increase at any Calculation Time of the Underlying Stock price by 15% or more compared with the amount of $S_{r(t)} \times \mathrm{Rfactor}_t$ where r(t) means the immediately preceding Leverage Reset Time prior to such Calculation Time.

Calculation Time means any time between the TimeReferenceOpening and the TimeReferenceClosing, provided that the relevant data is available to enable the Calculation Agent to determine the Leverage Inverse Strategy Level.

TimeReferenceOpening means the scheduled opening time (including pre-opening session) for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto).

TimeReferenceClosing means the scheduled closing time (including closing auction session) for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto).

Intraday Restrike Event Observation Period means in respect of an Intraday Restrike Event, the period starting on and excluding the Intraday Restrike Event Time and finishing on and including the sooner between (1) the time falling 15 minutes of continuous trading after the Intraday Restrike Event Time and (2) the TimeReferenceClosing.

Where, during such period, the Calculation Agent determines that (1) the trading in the Underlying Stock is disrupted or subject to suspension or limitation or (2) the Relevant Stock Exchange for the Underlying Stock is not open for continuous trading, the Intraday Restrike Event Observation Period will be extended to the extent necessary until (1) the trading in the

	Underlying Stock is no longer disrupted, suspended or limited and (2) the Relevant Stock Exchange for the Underlying Stock is open for continuous trading.
Intraday Restrike Event Time	means in respect of an Intraday Restrike Event, the Calculation Time on which such event occurs.

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

TERMS AND CONDITIONS OF THE EUROPEAN STYLE CASH SETTLED LONG/SHORT CERTIFICATES ON SINGLE EQUITIES

1. Form, Status, 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) an instrument by way of deed poll (the "**Instrument**") dated the Closing Date, made by UBS AG (the "**Issuer**") acting through its London Branch; and

(ii) a warrant agent agreement (the "**Master Warrant Agent Agreement**" or "**Warrant Agent Agreement**") dated any time on or before the Closing Date, made between the Issuer and the Warrant Agent for the Certificates.

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

The Certificate Holders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement.

(b) *Status*. The Certificates constitute direct, general and unsecured contractual 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 and, in particular, the Certificates will not be secured by any underlying assets. 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.

(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 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.

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 (if positive) 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:

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

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 provided that the Issuer, if applicable, may, but shall not be obliged to, determine such Final Reference Level or the relevant closing level by having regard to the manner in which futures contracts relating to the Underlying Stock are calculated.

"**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 5:00 p.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 5:00 p.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 5:00 p.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 Warrant Agent who will then 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 dispatched by the Warrant Agent as soon as practicable and no later than five Business Days following the Expiry Date (subject to extension upon the occurrence of a Market Disruption Event (as defined above) 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.

The Issuer’s obligations to pay the Cash Settlement Amount shall be discharged by payment to the Warrant Agent in accordance with the Master Warrant Agent Agreement or Warrant Agent Agreement.

(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 (excluding Saturdays, Sundays and public holidays) on which the SGX-ST is open for dealings in Singapore during its normal trading hours and banks are open for business in Singapore.

5. Warrant Agent

(a) *Warrant Agent*. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Warrant Agent and to appoint another Warrant Agent provided that it will at all times maintain a Warrant Agent which, so long as the Certificates are listed on the SGX-ST, shall be in Singapore. Notice of any such termination or appointment and of any change in the specified office of the Warrant Agent will be given to the Certificate Holders in accordance with Condition 9.

(b) *Agent of Issuer*. The Warrant Agent will be acting as agent of the Issuer and will not assume any obligation or duty to or any relationship of agency or trust for the Certificate Holders. All determinations and calculations by the Warrant Agent under these Conditions shall (save in the case of manifest error) be final and binding on the Issuer and the Certificate Holders.

6. Adjustments

(a) *Potential Adjustment Event.* Following the declaration by a Company of the terms of any Potential Adjustment Event (as defined below), the Issuer will determine whether such Potential Adjustment Event has a dilutive or concentrative or other effect on the theoretical value of the Underlying Stock and, if so, will (i) make the corresponding adjustment, if any, to any one or more of the Conditions as the Issuer determines appropriate to account for that dilutive or concentrative or other effect, and (ii) determine the effective date of that adjustment. The Issuer may, but need not, determine the appropriate adjustment by reference to the adjustment in respect of such Potential Adjustment Event made by an exchange on which options or futures contracts on the Underlying Stock are traded.

(b) *Definitions. "Potential Adjustment Event" means any of the following:*

(i) a subdivision, consolidation, reclassification or other restructuring of the Underlying Stock (excluding a Merger Event) or a free distribution or dividend of any such Underlying Stock to existing holders by way of bonus, capitalisation or similar issue;

(ii) a distribution or dividend to existing holders of the Underlying Stock of (1) such Underlying Stock, or (2) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Company equally or proportionately with such payments to holders of such Underlying Stock, or (3) share capital or other securities of another issuer acquired by the Company as a result of a "spin-off" or other similar transaction, or (4) any other type of securities, rights or warrants or other assets, in any case for payment (in cash or otherwise) at less than the prevailing market price as determined by the Issuer;

(iii) an extraordinary dividend;

(iv) a call by the Company in respect of the Underlying Stock that is not fully paid;

(v) a repurchase by the Company of the Underlying Stock whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise;

(vi) with respect to a Company an event that results in any shareholder rights pursuant to a shareholder rights agreement or other plan or arrangement of the type commonly referred to as a "poison pill" being distributed, or becoming separated from shares of common stock or other shares of the capital stock of such Company (provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights); or

(vii) any other event that may have, in the opinion of the Issuer, a dilutive or concentrative or other effect on the theoretical value of the Underlying Stock.

(c) *Merger Event, Tender Offer, Nationalisation and Insolvency.* If a Merger Event, Tender Offer, Nationalisation or Insolvency occurs in relation to the Underlying Stock, the Issuer may take any action described below:

(i) determine the appropriate adjustment, if any, to be made to any one or more of the Conditions to account for the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, and determine the effective date of that adjustment. The Issuer may, but need not, determine the appropriate adjustment by reference to the adjustment in respect of the Merger Event, Tender Offer, Nationalisation or Insolvency made by an options exchange to options on the Underlying Stock traded on that options exchange;

(ii) cancel the Certificates by giving notice to the Certificate Holders in accordance with Condition 9. If the Certificates are so cancelled, the Issuer will pay an amount to each Certificate Holder in respect of each Certificate held by such Certificate Holder which amount shall be the fair market value of a Certificate taking into account the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, less the cost to the Issuer and/or any of its affiliates of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its reasonable discretion. Payment will be made in such manner as shall be notified to the Certificate Holders in accordance with Condition 9; or

(iii) following any adjustment to the settlement terms of options on the Underlying Stock on such exchange(s) or trading system(s) or quotation system(s) as the Issuer in its reasonable discretion shall select (the "**Option Reference Source**") make a corresponding adjustment to any one or more of the Conditions, which adjustment will be effective as of the date determined by the Issuer to be the effective date of the corresponding adjustment made by the Option Reference Source. If options on the Underlying Stock are not traded on the Option Reference Source, the Issuer will make such adjustment, if any, to any one or more of the Conditions as the Issuer determines appropriate, with reference to the rules and precedents (if any) set by the Option Reference Source, to account for the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, that in the determination of the Issuer would have given rise to an adjustment by the Option Reference Source if such options were so traded.

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

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

(e) *Subdivision or Consolidation of the Certificates*. The Issuer reserves the right to subdivide or consolidate the Certificates, provided that such adjustment is considered by the Issuer not to be materially prejudicial to the Certificate Holders generally (without considering the circumstances of any individual Certificate Holder or the tax or other consequences of such adjustment or amendment in any particular jurisdiction).

(f) *Other Adjustments*. Except as provided in this Condition 6 and Conditions 10 and 12, adjustments will not be made in any other circumstances, subject to the right reserved by the Issuer (such right to be exercised in the Issuer's sole and unfettered discretion and without any obligation whatsoever) to make such adjustments and amendments as it believes appropriate in circumstances where an event or events (including the events as contemplated in Conditions 6(a) to 6(e)) occur which it believes in its sole discretion (and notwithstanding any prior adjustment made pursuant to the above) and irrespective of, in substitution for, or in addition to the provisions contemplated in Conditions 6(a) to 6(e) should, in the context of the issue of the Certificates and the obligations of the Issuer, give rise to such adjustment or as the case may be, amendment provided that such adjustment or as the case may be, amendment is considered by the Issuer not to be materially prejudicial to the Certificate Holders generally (without considering the circumstances of any individual Certificate Holder or the tax or other consequences of such adjustment or amendment in any particular jurisdiction).

(g) *Notice of Adjustments*. All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Certificate Holders. The Issuer will give, or procure that there is given notice as soon as practicable of any adjustment and of the date from which such adjustment is effective 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 or its related corporations 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 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 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 website 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 website 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.

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 etc.* The Issuer shall have the right to terminate the Certificates if it shall have determined in its absolute discretion that a Regulatory Event (as defined below) has occurred and, for reasons beyond its control its performance thereunder shall have become unlawful in whole or in part under any applicable present or future law, rule, regulation, judgment, order or directive of any governmental, administrative, legislative or judicial authority or power ("**Applicable Law**").

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 any of its affiliates involved in the issue of the Certificates (hereafter the "**Relevant Affiliates**" and each of the Issuer 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 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 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(c) 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 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).

(c) *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 the Applicable Law, pay to each Certificate Holder in respect of each Certificate held by such Certificate Holder an amount calculated by it as the fair market value of the Certificate immediately prior to such termination (ignoring such illegality) less the cost to the Issuer of unwinding any related hedging arrangements. Payment will be made to the Certificate Holder in such manner as shall be notified to the Certificate Holder in accordance with Condition 9.

14. Governing Law

The Certificates, the 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 each Certificate Holder (by its purchase of the Certificates) shall be deemed to have submitted for all purposes in connection with the Certificates, the Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement to the non-exclusive jurisdiction of the courts of Singapore.

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 expressly provided in the Global Warrant, the 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 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:	UBS AG acting through its London Branch
Company:	Geely Automobile Holdings Limited
The Certificates:	European Style Cash Settled Short Certificates relating to the Underlying Stock
Number:	10,000,000 Certificates
Form:	The Certificates will be issued subject to, and with the benefit of, a master instrument by way of deed poll dated 7 January 2022 (the "**Master Instrument**") and executed by the Issuer and a master warrant agent agreement dated 27 February 2008 (the "**Master Warrant Agent Agreement**") and made between the Issuer 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 5:00 p.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 5:00 p.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 15 June 2022.
Governing Law:	The laws of Singapore
Warrant Agent:	The Central Depository (Pte) Limited 11 North Buona Vista Drive #06-07 The Metropolis Tower 2 Singapore 138589
Further Issues:	Further issues which will form a single series with the Certificates will be permitted.

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) <u>For Certificate Holders who trade the Certificates intraday</u>: 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) <u>For Certificate Holders who hold the Certificates overnight</u>: 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 the Rebalancing Cost.

Illustration of the Calculation of Hedging Fee Factor

Hedging Fee Factor	=	Product of the Daily Fees

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

Illustration of the Calculation of Cash Settlement Amount

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

		t[7]=0		t=1		t=2		t=i
Value of Certificates	=	Notional Amount	x	Leverage Inverse Strategy daily performance[8] x Daily Fees	x	Leverage Inverse Strategy daily performance x Daily Fees	x …	Leverage Inverse Strategy Daily performance x Daily Fees

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

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

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

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

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

[7] "t" refers to "**Observation Date**" which means each Underlying Stock Business Day (subject to Market Disruption Event) from (and including) the Underlying Stock Business Day immediately preceding the Expected Listing Date to the Valuation Date.
[8] Leverage Inverse Strategy daily performance is computed as the Leverage Inverse Strategy Level on Business Day (t) divided by the Leverage Inverse Strategy 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 Geely Automobile Holdings Limited**
Expected Listing Date:	**01/02/2021**
Expiry Date:	**16/02/2021**
Initial Reference Level:	**1,000**
Initial Exchange Rate:	**1**
Final Reference Level:	**1,200**
Final Exchange Rate:	**1**
Issue Price:	**0.35 SGD**
Notional Amount per Certificate:	**0.35 SGD**
Management Fee (p.a.):	**0.40%**
Gap Premium (p.a.):	**6.90%**
Strike Level:	**Zero**

Hedging Fee Factor

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

HFF(0) = 100%

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

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

$$\text{HFF (1)} = 100\% \times \left(1 - 0.40\% \times \frac{1}{360}\right) \times \left(1 - 6.90\% \times \frac{1}{360}\right)$$

$$\text{HFF (1)} = 100\% \times 99.9989\% \times 99.9808\% \approx 99.9797\%$$

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

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

$$\text{HFF}(2) = 99.9797\% \times \left(1 - 0.40\% \times \frac{3}{360}\right) \times \left(1 - 6.90\% \times \frac{3}{360}\right)$$

$$\text{HFF}(2) = 99.9797\% \times 99.9967\% \times 99.9425\% \approx 99.9189\%$$

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 99.6962% as illustrated below:

Date	HFF
2/1/2021	100.0000%
2/2/2021	99.9797%
2/3/2021	99.9594%
2/4/2021	99.9392%
2/5/2021	99.9189%
2/8/2021	99.8581%
2/9/2021	99.8379%
2/10/2021	99.8176%
2/11/2021	99.7974%
2/12/2021	99.7772%
2/15/2021	99.7165%
2/16/2021	99.6962%

Cash Settlement Amount

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

Closing Level = [(Final Reference Level x Final Exchange Rate) / (Initial Reference Level x Initial Exchange Rate) – Strike Level] x Hedging Fee Factor

= [(1200 x 1) / (1000 x 1) – 0] x 99.6962%

= 119.64%

Cash Settlement Amount = Closing Level x Notional Amount per Certificate

= 119.64% x 0.35 SGD

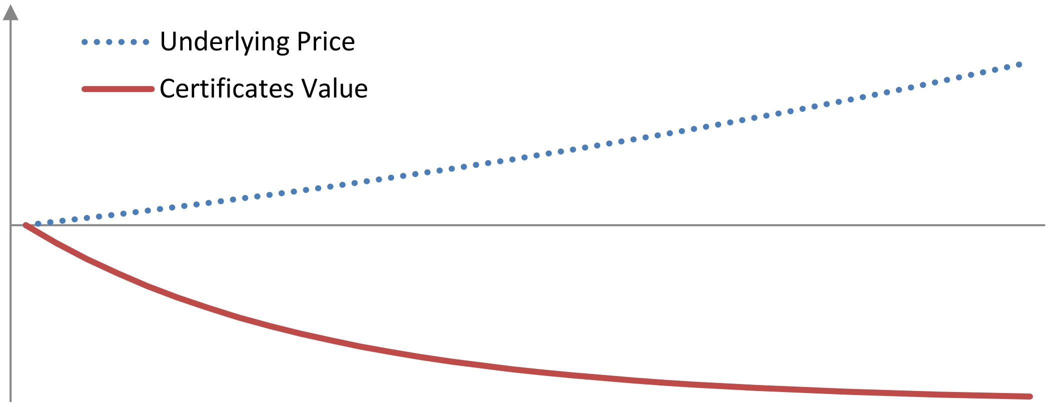
= 0.419 SGD

Illustration on how returns and losses can occur under different scenarios

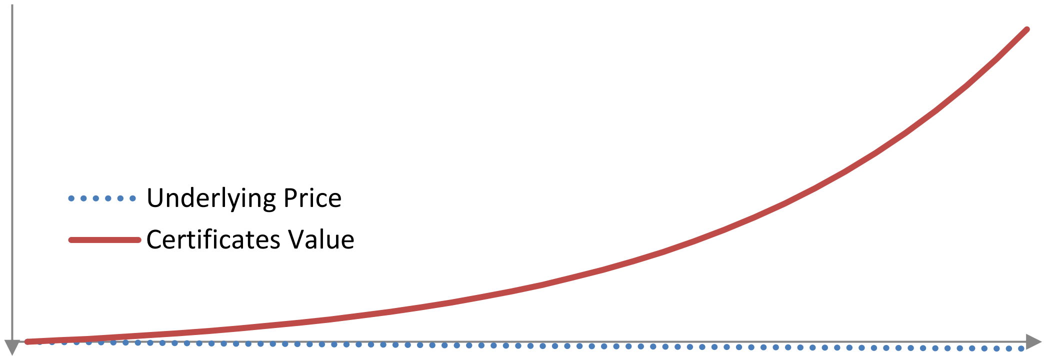
The examples are purely hypothetical and do not take fees and charges payable by investors into consideration. The examples highlight the effect of the Underlying Stock performance on the value of the Certificates and do not take into account the possible influence of fees, exchange rates, dividends,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

1. Illustrative examples

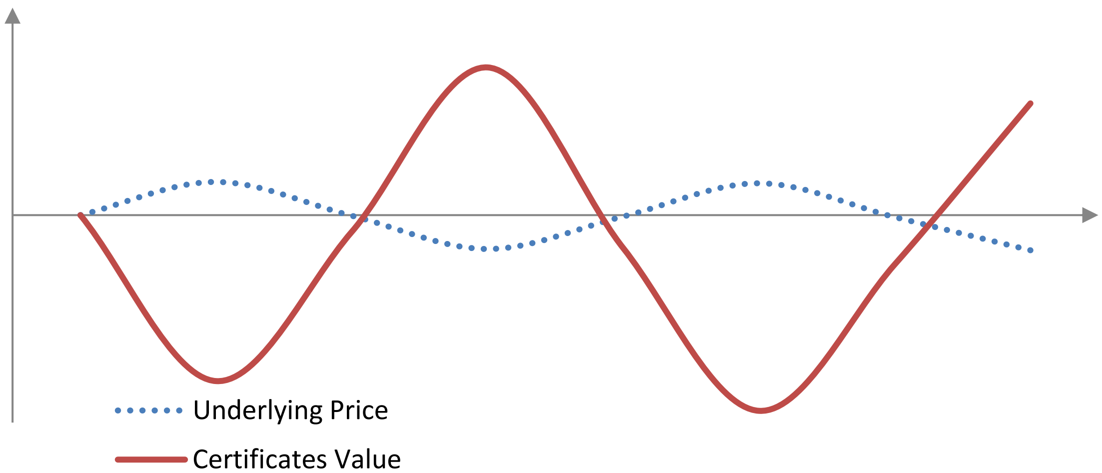
Scenario 1 - Upward Trend



Scenario 2 - Downward Trend



Scenario 3 - Volatile Market



2. Numerical Examples

Scenario 1 – Upward Trend

Underlying						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily Return		2.00%	2.00%	2.00%	2.00%	2.00%
Value at end of day	10,000.00	10,200.00	10,404.00	10,612.08	10,824.32	11,040.81
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		-10.00%	-10.00%	-10.00%	-10.00%	-10.00%
Price at end of day	0.35	0.32	0.28	0.26	0.23	0.21
Accumulated Return		-10.00%	-19.00%	-27.10%	-34.39%	-40.95%

Scenario 2 – Downward Trend

Underlying						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily Return		-2.00%	-2.00%	-2.00%	-2.00%	-2.00%
Value at end of day	10,000.00	9,800.00	9,604.00	9,411.92	9,223.68	9,039.21
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		10.00%	10.00%	10.00%	10.00%	10.00%
Price at end of day	0.35	0.39	0.42	0.47	0.51	0.56
Accumulated Return		10.00%	21.00%	33.10%	46.41%	61.05%

Scenario 3 – Volatile Market

Underlying						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily Return		2.00%	-2.00%	-2.00%	2.00%	2.00%
Value at end of day	10,000.00	10,200.00	9,996.00	9,796.08	9,992.00	10,191.84
Accumulated Return		2.00%	-0.04%	-2.04%	-0.08%	1.92%

Value of the Certificates						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily Return		-10.00%	10.00%	10.00%	-10.00%	-10.00%
Price at end of day	0.35	0.32	0.35	0.38	0.34	0.31
Accumulated Return		-10.00%	-1.00%	8.90%	-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.

In accordance with the Air Bag Mechanism timeline below, when the Air Bag triggers, the following typically occurs:

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

- Reset Period: thereafter, 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.

During the Observation Period and Reset Period, trading of Certificates is suspended for **at least** 30 minutes of continuous trading after the Air Bag is triggered. Investors cannot sell or purchase any Certificates during this period. The Reset Period (and consequently the resumption of trading) is subject further to SGX-ST’s requirements, including at least 30 minutes from the time of publication of an announcement on the exchange in respect of the Air Bag Mechanism being triggered, and at least 15 minutes after the SGX-ST grants an approval to resume trading, whichever is later, rounded to the next quarter of an hour.

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

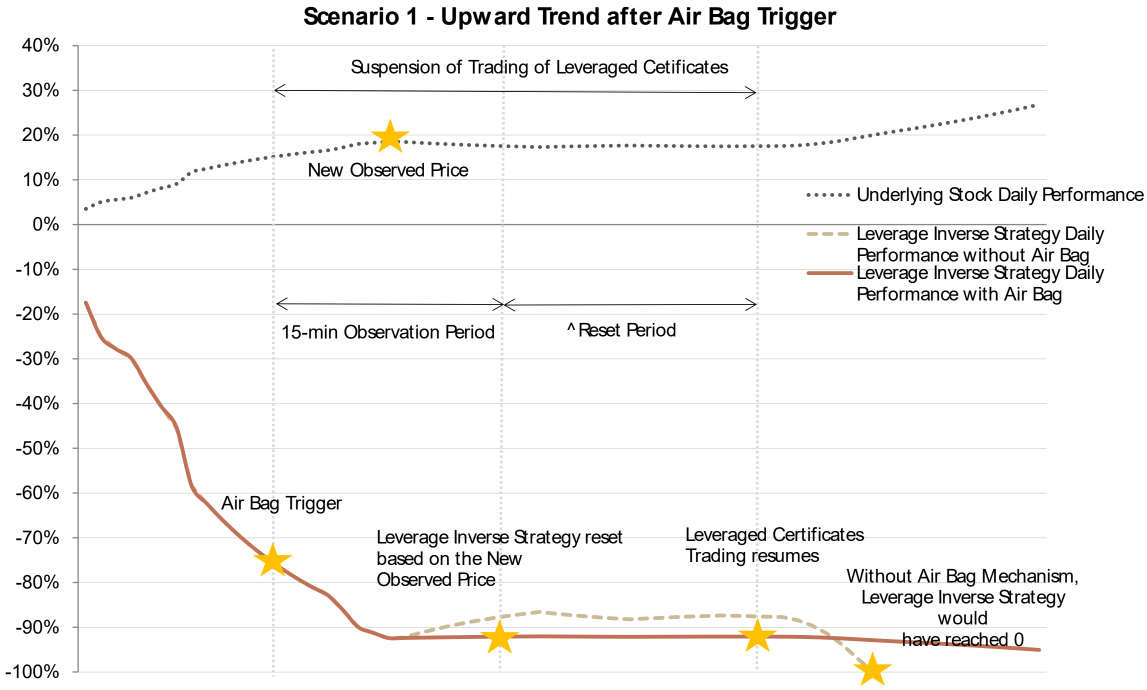
For the avoidance of doubt, if the Air Bag Mechanism was triggered with more than 60 minutes of continuous trading before Market Close, trading of Certificates will resume the same trading day after the Reset Period has elapsed, subject to the SGX-ST’s approval to resume trading. If the Air Bag Mechanism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

With **Market Close** defined as:

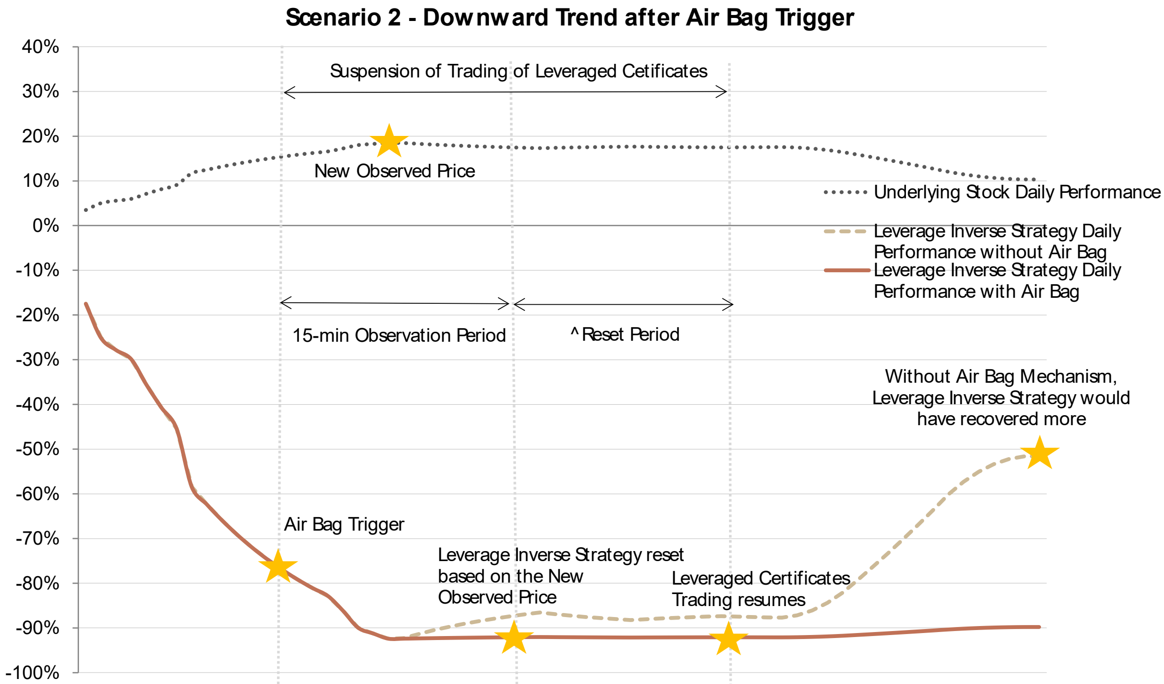
- Underlying Stock closing time with respect to the Observation Period including the closing auction session

- The sooner between Underlying Stock closing time of continuous trading and SGX-ST closing time of continuous trading with respect to the resumption of trading

<u>Illustrative examples of the Air Bag Mechanism</u>[9]



^ The Reset Period (and consequently the resumption of trading) is subject further to SGX-ST's requirements, including at least 30 minutes from the time of publication of an announcement on the exchange in respect of the Air Bag Mechanism being triggered, and at least 15 minutes after the SGX-ST grants an approval to resume trading, whichever is later, rounded to the next quarter of an hour.



^ The Reset Period (and consequently the resumption of trading) is subject further to SGX-ST's requirements, including at least 30 minutes from the time of publication of an announcement on the exchange in respect of the Air Bag Mechanism being triggered, and at least 15 minutes after the SGX-ST grants an approval to resume trading, whichever is later, rounded to the next quarter of an hour.

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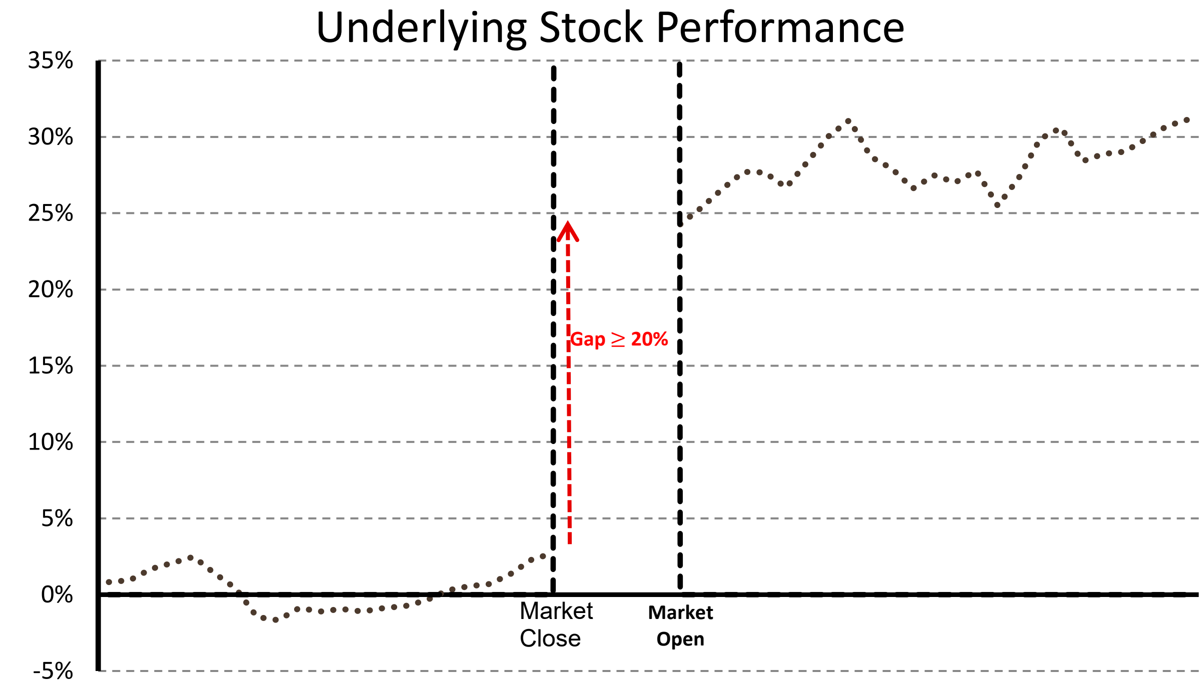
[9] The illustrative examples are not exhaustive.

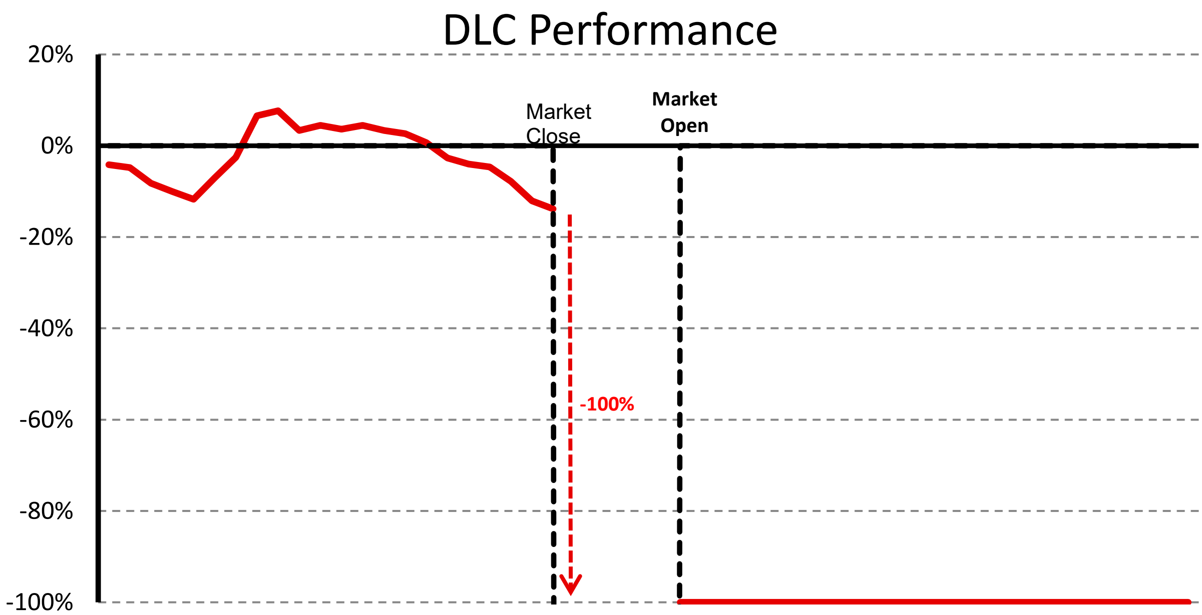
Scenarios where the investor may lose the entire value of the investment

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

<u>*Scenario 1 – Overnight rise of the Underlying Stock*</u>

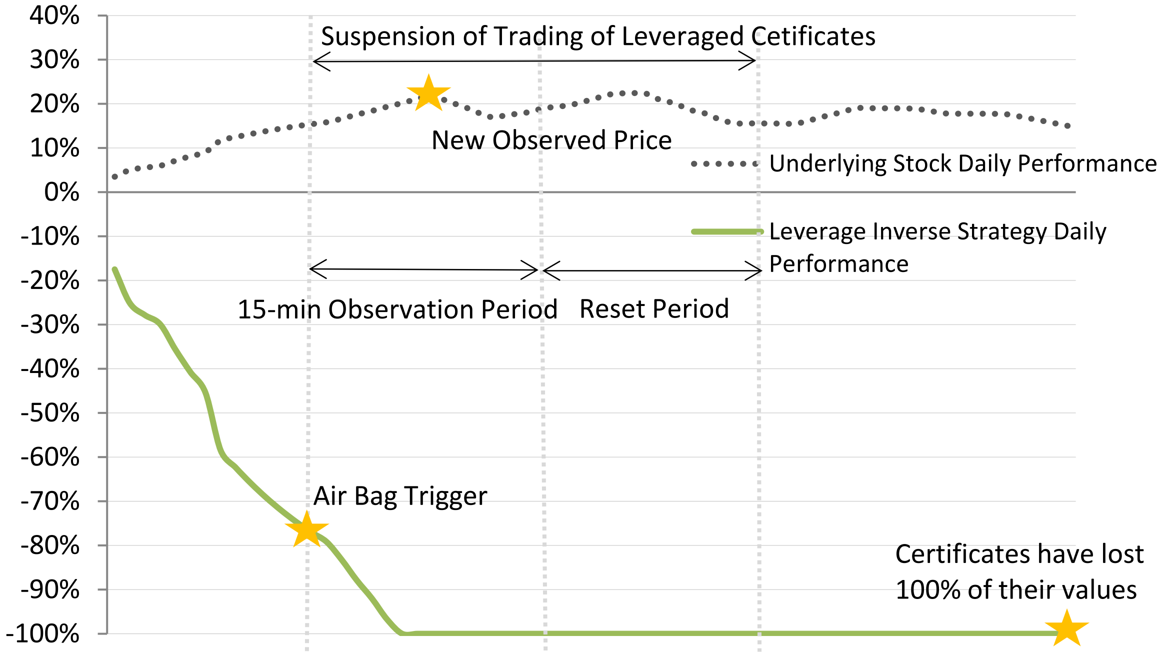
On any business day, the opening price of the Underlying Stock may be higher or lower than the closing price on the previous day. The difference between the previous closing price and the opening price of the Underlying Stock is termed a "gap". If the opening price of the Underlying Stock is 20% or more above the previous day closing price, the Air Bag Mechanism would only be triggered when the market opens 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 event 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 events 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 the Observation Date of the Leverage Reset Time(t) is an ex-date with respect to a corporate action related to the Underlying Stock, and the immediately preceding Leverage Reset Time r(t) is at the scheduled closing time for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto), the Calculation Agent may, in its sole and absolute discretion, replace the $Rfactor_t$ with respect to such Leverage Reset Time (t) by an amount computed according to the following generic formula :

$$Rfactor_t = \left[1 - \frac{Div_t + DivExc_t - M \times R}{\mathrm{S}_{\mathrm{r(t)}}}\right] \times \frac{1}{1+M}$$

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

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

Where:

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

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

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

1. <u>Stock split</u>

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

$\mathrm{S_{r(t)}}$ = \$100

$\mathrm{S_t}$ = \$51

$\mathrm{Div_t} = \$0$

$\mathrm{DivExc_t} = \$0$

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

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

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

As a consequence:

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

$\mathrm{S_{r(t)}}$	$\mathrm{S_{r(t)}} \times Rfactor_t$	$\mathrm{S_t}$	Adjusted Underlying Stock Performance
100	50	51	2%

Value of the Certificate r(t)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
0.35	0.315	-10%

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

2. <u>Share Consolidation</u>

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

$\mathrm{S_{r(t)}}$ = $100

$\mathrm{S_t}$ = $202

$\mathrm{Div_t} = \$0$

$\mathrm{DivExc_t} = \$0$

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

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

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

As a consequence:

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

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

Value of the Certificate r(t)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
0.35	0.3325	-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.

$S_{r(t)}$ = $100

S_t = $84

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

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

R = $40 (i.e. subscription price of $40)

M = 0.5 (i.e. 1 new share for every 2 existing shares)

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

As a consequence:

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

$S_{r(t)}$	$S_{r(t)} \times Rfactor_t$	S_t	Adjusted Underlying Stock Performance
100	80	84	5%

Value of the Certificate r(t)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
0.35	0.2625	-25%

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

4. <u>Bonus Issues</u>

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

$S_{r(t)}$ = \$100

S_t = \$85

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

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

R = \$0

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

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

As a consequence:

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

$S_{r(t)}$	$S_{r(t)} \times Rfactor_t$	S_t	Adjusted Underlying Stock Performance
100	83.33	85	2%

Value of the Certificate r(t)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
0.35	0.315	-10%

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

5. <u>Extraordinary Dividend</u>

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

$S_{r(t)}$ = \$100

S_t = \$84

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

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

R = \$0

M = 0

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

As a consequence:

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

$\mathrm{S_{r(t)}}$	$\mathrm{S_{r(t)}} \times Rfactor_t$	$\mathrm{S_t}$	Adjusted Underlying Stock Performance
100	80	84	5%

Value of the Certificate r(t)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
0.35	0.2625	-25%

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

INFORMATION RELATING TO THE COMPANY

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

Geely Automobile Holdings Limited (the "**Company**" and its subsidiaries, collectively the "**Group**") (SEHK stock code: 175) is an automobile manufacturer, focusing on development, manufacturing and sales of passenger vehicles. The Company sells most of its products in the China market and has also expanded its sales through export to other developing countries in the past few years.

The Company's shares are listed on the main board of The Stock Exchange of Hong Kong Limited ("**SEHK**"); the controlling shareholder of the Company is Zhejiang Geely Holding Group Company Limited, a private company incorporated in the People's Republic of China (the "**PRC**") which is wholly owned by Mr. Li Shu Fu, the Company's substantial shareholder and chairman of its board of directors, and his associate.

With its headquarter established in Hangzhou, the PRC and 9 manufacturing plants in Luqiao, Linhai, Ningbo/Cixi, Chunxiao, Baoji, Jinzhong, Xiangtan, Jinan and Chengdu in the PRC, the Group has a total annual production capacity of 1,710,000 units of vehicle per double shift as at 31 December 2018. The Group sells its 17 major vehicle models (including the "Lynk&Co" vehicle models sold by the Group's 50%-owned joint venture, namely "Lynk&Co JV") developed under 4 platforms & 2 modular architectures. By the end of 2018, the Group had more than 978 dealers in the PRC, marketing "Geely" brand vehicles. The Lynk&Co JV adopted a different marketing and distribution system and served its customers via 222 Lynk&Co Centres and 17 Lynk&Co Spaces in the PRC. The Group also exported its products through 24 sales agents and 336 sales and service outlets in 24 oversea countries, mainly to developing countries in the Eastern Europe, Middle East and Africa in 2018. In November 2015, the Company announced its new energy vehicle strategy named 'Blue Geely Initiatives' displaying its dedication to transformation into industry leader in new energy vehicle technologies. The initiatives' target is to ensure that up to 90% of the Group's total sales volume would be in the form of new energy and electrified vehicles (NEEVs).

With a total workforce of 52,400 staff at the end of 2018 dedicated to fostering the Group's core strength in powertrain technologies, product quality, customer satisfaction and supply chains, the Group generated the revenue of about US$15.5 billion in 2018. Total market capitalization was about US$20.3 billion as at 10 Apr 2019.

The information set out in Appendix I of this document relates to the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2021 and has been extracted and reproduced from an announcement by the Company released on 19 April 2022 in relation to the same. Further information relating to the Company may be located on the web-site of the HKExCL at http://www.hkex.com.hk.

INFORMATION RELATING TO THE DESIGNATED MARKET MAKER

UBS AG, acting through its London Branch, has been appointed the designated market maker ("**DMM**") for the Certificates. The DMM will provide competitive buy and sell quotes for the Certificates continuously during the trading hours of the SGX-ST on the following basis:

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

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

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

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

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

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

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

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

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

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

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

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

(xi) when it is a public holiday in Singapore and/or Hong Kong and/or the SGX-ST and/or the HKEX is 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.

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.

United Kingdom

In relation to each tranche of Certificates, the Issuer has represented, warranted and agreed that:

(a) No deposit-taking: in relation to any 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:

(A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or

(B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Certificates would otherwise constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the “**FSMA**”) by the Issuer;

(b) Financial Promotion: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any 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 or would not, if the Issuer was not an authorised person, apply to the Issuer; and

(c) General Compliance: 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.

If the applicable Supplemental Listing Document in respect of any Certificates specifies the "Prohibition of Sales to European Economic Area Retail Investors" as "Not Applicable", the Issuer has represented and agreed that it has not offered, sold or otherwise made available such Certificates to any retail investor in the United Kingdom. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”); or

(ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA which were relied on immediately before exit day to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or

(iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA; and

(b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe for the Certificates.

If the applicable Supplemental Listing Document in respect of any Certificates specifies the "Prohibition of Sales to European Economic Area Retail Investors" as "Not Applicable", the Issuer has represented and agreed that it has not made and will not make an offer of Certificates which are the subject of the offering contemplated by the Base Listing Document as completed by this Supplemental Listing Document to the public in the United Kingdom except that it may make an offer of such Certificates to the public in the United Kingdom:

a) if the Supplemental Listing Document in relation to the Certificates specifies an offer of those Certificates may be made other than pursuant to Article 1(4) of the UK Prospectus Regulation in the United Kingdom (a "**Public Offer**"), following the date of publication of a prospectus in relation to such Certificates which either (i) has been approved by the UK Financial Conduct Authority ("**FCA**"), or (ii) is to be treated as if it had been approved by the FCA in accordance with the transitional provision in Regulation 74 of the Prospectus (Amendment etc.) (EU Exit) Regulations 2019, provided that any such prospectus has subsequently been completed by final terms contemplating such Public Offer, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable, and the Issuer has consented in writing to its use for the purpose of that Public Offer;

b) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;

c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation); or

d) at any time in any other circumstances falling within section 86 of the FSMA, provided that no such offer of Certificates to the public referred to in (a) to (c) above shall require the publication of a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation,

provided that no such offer of Certificates referred to in (b) to (d) above shall require the Issuer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression "an offer of Certificates to the public" in relation to any products in the United Kingdom means 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, and the expression "**UK Prospectus Regulation**" means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

United States of America

The Certificates have not been, and will not be, registered under the Securities Act. Subject to certain exceptions, Certificates, or interests therein, may not at any time be offered, sold, resold or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person or to others for offering, sale or resale in the United States or to any such U.S. person. Offers and sales of Certificates, or interests therein, in the United States or to U.S. persons would constitute a violation of United States securities laws unless made in compliance with registration requirements of the Securities Act or pursuant to an exemption therefrom. The Certificates will not be offered, sold or delivered within the United States or to U.S. persons. As used herein, "**United States**" means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction; and "**U.S. person**" means (i) any citizen or resident of the United States, including any corporation, partnership or other entity created or organised in or under the laws of the United States or of any political subdivision thereof, (ii) any estate or trust the income of which is subject to United States income taxation regardless of its source, (iii) "U.S. person" as such term is defined in (a) Regulation S under the Securities Act or (b) the Interpretive Guidance and Policy Statement Regarding Compliance with Certain Swap Regulations promulgated by the U.S. Commodity Futures Trading Commission ("**CFTC**") pursuant to the U.S. Commodity Exchange Act of 1936, as amended, or (iv) a person other than a "Non-United States Person" as defined in CFTC Rule 4.7, in each case, as such definition is amended, modified or supplemented from time to time.

Prohibition of Sales to European Economic Area

If the applicable Supplemental Listing Document in respect of any Certificates specifies the "Prohibition of Sales to European Economic Area Retail Investors" as "Not Applicable", the Issuer has represented and agreed 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 contemplated by the Base Listing Document as completed by this Supplemental Listing Document to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**");

(ii) a customer within the meaning of Directive 2016/97 (as amended), 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, the "**Prospectus Regulation**"); and

(b) the expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe the Certificates.

PUBLIC OFFER SELLING RESTRICTION UNDER THE PROSPECTUS REGULATION

If the Supplemental Listing Document specifies "Prohibition of Sales to European Economic

Area Retail Investors" as "Not Applicable", in relation to each member state of the European Economic Area (each, a "**Relevant State**"), the Issuer has represented, warranted and agreed that it has not made and will not make an offer of Certificates which are the subject of the offering contemplated by the Base Listing Document as completed by this Supplemental Listing Document to the public in that Relevant State except that it may make an offer of such Certificates to the public in that Relevant State:

(a) Approved listing document: if the Supplemental Listing Document in relation to the Certificates specifies that an offer of those Certificates may be made other than pursuant to Article 1(4) of the Prospectus Regulation in that Relevant State (a "**Non-exempt Offer**"), following the date of publication of a listing document in relation to such Certificates which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, provided that any such listing document has subsequently been completed by the Supplemental Listing Document contemplating such Non-exempt Offer, in accordance with the Prospectus Regulation, in the period beginning and ending on the dates specified in such listing document or Supplemental Listing Document, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(b) Qualified investors: at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(c) Fewer than 150 offered: at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the Issuer for any such offer; or

(d) Other exempt offers: at any time in any other circumstances falling within Article 3(2) of the Prospectus Regulation,

provided that no such offer of Certificates referred to in (b) to (d) above shall require the Issuer to publish a listing document pursuant to Article 3 of the Prospectus Regulation or supplement a listing document pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "**offer of Certificates to the public**" in relation to any Certificates in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe for the Certificates, as the same may be varied in that Relevant State by any measure implementing the Prospectus Regulation in that Relevant State.

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

No person, other than a person permitted to do so under the securities laws of Hong Kong, has issued, or had in its possession for the purposes of issue, or will issue, or have in its possession for the purposes of issue any advertisement, invitation or document relating to the Certificates, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in 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" within the meaning of the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong and any rules made thereunder.

SUPPLEMENTAL INFORMATION RELATING TO THE ISSUER

The information set out in Appendix II of this document relates to the recent developments in the Issuer's business.

The information set out in Appendix III of this document is an extract of the unaudited consolidated financial statements of UBS AG and its subsidiaries for the first quarter ended 31 March 2022.

For more information on the Issuer, please see http://www.ubs.com/.

Queries regarding the Certificates may be directed to +852 2971 6668 or OL-HKWarrants@ubs.com.

SUPPLEMENTAL GENERAL INFORMATION

The information set out herein is supplemental to, and should be read in conjunction with, the information set out on page 281 of the Base Listing Document.

1. Save as disclosed in the Base Listing Document and herein, there is no litigation, arbitration or administrative proceedings relating to claims or amounts which are material in the context of the issue of the Certificates to which the Issuer is a party nor, to the best of its knowledge and belief, is there any threatened litigation, arbitration or administrative proceedings relating to claims or amounts which are material in the context of the issue of the Certificates which would in either case jeopardise its ability to discharge its obligations in respect of the Certificates.

2. UBS AG, Singapore Branch at 9 Penang Road, Singapore 238459, has been authorised to accept, on behalf of the Issuer, service of process and any other notices required to be served on the Issuer. Any notices required to be served on the Issuer should be sent to UBS AG, Singapore Branch at the above address for the attention of Han-Kiat Tan, Legal & Compliance.

3. 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 of 100 Certificates 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.

4. 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.

5. There has been no adverse change, material in the context of the issue of the Certificates, in the financial position of the Issuer since 31 March 2022.

6. The following contracts, relating to the issue of the Certificates, have been or will be entered into by the Issuer and may be material to the issue of the Certificates:

   (a) the Master Instrument; and

   (b) the Master Warrant Agent Agreement.

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

7. The Issuer has appropriate risk management capabilities to manage the issue of the Certificates.

8. Copies of the following documents may be inspected during usual business hours on any weekday (Saturdays, Sundays and holidays excepted) at the office of Allen & Gledhill LLP at One Marina Boulevard #28-00, Singapore 018989, during the period of 14 days from the date of this document:

(a) the articles of association of the Issuer;

(b) the latest financial reports (including the notes thereto) of the Issuer;

(c) the Base Listing Document; and

(d) this document.

APPENDIX I

REPRODUCTION OF THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 OF GEELY AUTOMOBILE HOLDINGS LIMITED AND ITS SUBSIDIARIES

INDEPENDENT AUDITOR'S REPORT

Grant Thornton
致同

To the members of Geely Automobile Holdings Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Geely Automobile Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 114 to 270, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Impairment assessment of intangible assets

Refer to note 15 to the consolidated financial statements and the accounting policies as set out in notes 4(e) and 4(k) to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
We identified the impairment of intangible assets as a key audit matter due to the judgement being made about future results of the business in assessing the recoverable amount of intangible assets. As at 31 December 2021, intangible assets of RMB20,901,178,000 represented capitalised product development costs related to one single cash-generating unit ("CGU"). Management assessed whether there were any indicators that the intangible assets may be impaired. Intangible assets with impairment indicators were tested for impairment. Management calculated the recoverable amount of the CGU based on value-in-use calculations using future cash flow projections. Based on the results of the impairment assessment which involved significant management's judgement and key assumptions, including growth rate and discount rate applied to the value-in-use calculations, the Company's management has concluded that there was no impairment of intangible assets for the year ended 31 December 2021.	Our audit procedures to assess the impairment of the Group's intangible assets by the Company's management included the following: – Obtained an understanding of the Group's internal controls and processes of impairment assessment; – Assessed the valuation methodology adopted by management; – Compared the current year actual cash flows with the prior year cash flow projections to consider if the projections included any assumptions that were overly optimistic; – Assessed the reasonableness of key assumptions, including growth rate and discount rate, based on our knowledge of the business and industry; and – Reconciled input data to supporting evidence, such as approved budgets and considered the reasonableness of these budgets.

INDEPENDENT AUDITOR'S REPORT

Key audit matters (Continued)

Revenue recognition on sales of automobiles, automobiles parts and components and battery packs and related parts

Refer to note 6 to the consolidated financial statements and the accounting policies as set out in note 4(n) to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
For the year ended 31 December 2021, the revenue of the Group amounted to approximately RMB101,611,056,000 of which approximately RMB97,084,466,000 was contributed from the sales of automobiles, automobile parts and components and battery packs and related parts. Revenue recognition on sales of automobiles, automobile parts and components and battery packs and related parts is identified as a key audit matter because of its financial significance to the consolidated financial statements and is one of key performance indicators of the Group. Accordingly, there may be risks of material misstatements related to revenue recognition.	Our audit procedures in relation to revenue recognition on sales of automobiles, automobile parts and components and battery packs and related parts included the following: – Understood and evaluated the internal controls and processes of revenue recognition on sales of automobiles, automobile parts and components and battery packs and related parts and tested its operating effectiveness; – Reviewed sales agreements, on a sample basis, to understand the terms of the sales transactions to assess whether the Group's accounting policies in relation to revenue recognition were applied appropriately and consistently throughout the year; – Performed analytical review on revenue and gross margin by automobile products categories to identify significant or unusual fluctuation on revenue; – Assessed, on a sample basis, whether specific revenue transactions around the reporting date had been recognised in the appropriate period by comparing the transactions selected with relevant underlying documentation, including customers' receipts, goods delivery notes and the terms of sales as set out in the distributor agreements; and – Obtained external confirmation to verify the outstanding trade receivables balances at the reporting date directly from customers, on a sample basis.

Other information

The directors are responsible for the other information. The other information comprises all the information included in the 2021 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

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

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

The directors are assisted by the Audit Committee are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

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

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

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

Grant Thornton Hong Kong Limited
Certified Public Accountants
11th Floor, Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

23 March 2022

Ng Ka Kong
Practising Certificate No.: P06919

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2021

	Note	2021 RMB'000	2020 RMB'000
Revenue	6	**101,611,056**	92,113,878
Cost of sales		**(84,198,821)**	(77,376,859)
Gross profit		**17,412,235**	14,737,019
Other income	8	**1,339,074**	1,039,382
Distribution and selling expenses		**(6,322,762)**	(5,053,491)
Administrative expenses		**(7,907,530)**	(5,745,019)
Impairment loss on trade and other receivables	9(c)	**(128,290)**	(8,594)
Share-based payments	35	**(1,212,699)**	(4,095)
Finance income, net	9(a)	**280,155**	208,322
Share of results of associates	18	**57,984**	50,604
Share of results of joint ventures	19	**1,147,008**	824,810
Gain on disposal of subsidiaries	38	**–**	392,040
Profit before taxation	9	**4,665,175**	6,440,978
Taxation	10	**(312,167)**	(866,348)
Profit for the year		**4,353,008**	5,574,630
Attributable to:			
Equity holders of the Company		**4,847,448**	5,533,790
Non-controlling interests		**(494,440)**	40,840
Profit for the year		**4,353,008**	5,574,630
Earnings per share			
Basic	12	**RMB0.48**	RMB0.56
Diluted	12	**RMB0.48**	RMB0.56

The notes on pages 123 to 270 are an integral part of these consolidated financial statements. Details of dividends payable to equity holders of the Company attributable to the profit for the year are set out in note 11.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
Profit for the year	**4,353,008**	5,574,630
Other comprehensive expense:		
Items that may be reclassified subsequently to profit or loss:		
– Notes receivable at fair value through other comprehensive income		
Change in fair value	**(4,304)**	(193,361)
Income tax effect	**(1,739)**	42,935
– Share of other comprehensive expense of associate and joint venture, net of related income tax	**(14,032)**	–
– Exchange differences on translation of financial statements of foreign operations	**(35,442)**	(87,533)
– Realisation of translation reserve upon deregistration of a subsidiary	**–**	17,611
Other comprehensive expense for the year, net of tax	**(55,517)**	(220,348)
Total comprehensive income for the year	**4,297,491**	5,354,282
Attributable to:		
Equity holders of the Company	**4,782,609**	5,314,681
Non-controlling interests	**(485,118)**	39,601
Total comprehensive income for the year	**4,297,491**	5,354,282

The notes on pages 123 to 270 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Note	**2021** **RMB'000**	2020 RMB'000
Non-current assets			
Property, plant and equipment	14	**30,858,504**	26,574,279
Intangible assets	15	**20,901,178**	18,610,115
Land lease prepayments	16	**3,435,744**	3,042,911
Goodwill	17	**58,193**	42,806
Interests in associates	18	**609,808**	494,498
Interests in joint ventures	19	**9,594,805**	9,194,017
Trade and other receivables	21	**800,512**	952,356
Financial assets at fair value through profit or loss ("FVTPL")	24	**351,646**	–
Deferred tax assets	32	**2,435,192**	970,011
		69,045,582	59,880,993
Current assets			
Inventories	20	**5,521,573**	3,690,631
Trade and other receivables	21	**31,549,100**	27,868,232
Income tax recoverable		**140,350**	224,608
Derivative financial instruments	22	**66,892**	–
Pledged bank deposits		**3,912**	174,422
Bank balances and cash		**28,013,995**	18,976,843
		65,295,822	50,934,736
Current liabilities			
Trade and other payables	23	**57,392,790**	41,516,307
Lease liabilities	25	**198,290**	30,380
Bank borrowings	26	**1,906,740**	–
Income tax payable		**852,737**	340,190
		60,350,557	41,886,877
Net current assets		**4,945,265**	9,047,859
Total assets less current liabilities		**73,990,847**	68,928,852

	Note	2021 RMB'000	2020 RMB'000
CAPITAL AND RESERVES			
Share capital	27	**183,015**	179,672
Perpetual capital securities	28	**3,413,102**	3,413,102
Reserves	29	**65,010,029**	60,038,340
Equity attributable to equity holders of the Company		**68,606,146**	63,631,114
Non-controlling interests		**1,614,826**	582,152
Total equity		**70,220,972**	64,213,266
Non-current liabilities			
Trade and other payables	23	**961,697**	385,557
Lease liabilities	25	**502,486**	11,915
Bank borrowings	26	**–**	1,959,750
Bonds payable	30	**1,901,137**	1,949,735
Deferred tax liabilities	32	**404,555**	408,629
		3,769,875	4,715,586
		73,990,847	68,928,852

Approved and authorised for issue by the Board of Directors on 23 March 2022.

Li Shu Fu	**Gui Sheng Yue**
Director	Director

The notes on pages 123 to 270 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to equity holders of the Company											
	Share capital RMB'000 (note 27)	Perpetual capital securities RMB'000 (note 28)	Share premium RMB'000 (note 29(a))	Capital reserve RMB'000 (note 29(b))	Statutory reserve RMB'000 (note 29(c))	Fair value reserve (recycling) RMB'000 (note 29(d))	Translation reserve RMB'000 (note 29(e))	Share-based compensation reserve RMB'000 (note 29(f))	Retained profits RMB'000 (note 29(g))	Sub-total RMB'000	Non–controlling interests RMB'000	Total RMB'000
Balance at 1 January 2020	167,733	3,413,102	7,591,592	164,790	355,638	–	17,640	100,301	42,624,830	54,435,626	488,840	54,924,466
Profit for the year	–	137,217	–	–	–	–	–	–	5,396,573	5,533,790	40,840	5,574,630
Other comprehensive expense:												
Change in fair value of notes receivable at fair value through other comprehensive income	–	–	–	–	–	(148,955)	–	–	–	(148,955)	(1,471)	(150,426)
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	–	(87,765)	–	–	(87,765)	232	(87,533)
Realisation of translation reserve upon deregistration of a subsidiary	–	–	–	–	–	–	17,611	–	–	17,611	–	17,611
Total comprehensive income for the year	–	137,217	–	–	–	(148,955)	(70,154)	–	5,396,573	5,314,681	39,601	5,354,282
Transactions with owners:												
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	53,711	53,711
Transfer of reserves	–	–	–	–	352,000	–	–	–	(352,044)	(44)	–	(44)
Shares issued under share option scheme (note 27(a))	888	–	262,648	–	–	–	–	(65,722)	–	197,814	–	197,814
Shares issued upon placement (note 27(b))	11,051	–	5,926,085	–	–	–	–	–	–	5,937,136	–	5,937,136
Equity settled share-based payments (note 35)	–	–	–	–	–	–	–	4,095	–	4,095	–	4,095
Transfer upon forfeiture of share options	–	–	–	–	–	–	–	(15,065)	15,065	–	–	–
Distribution paid on perpetual capital securities (note 11(c))	–	(137,217)	–	–	–	–	–	–	–	(137,217)	–	(137,217)
Final dividend approved and paid in respect of the previous year (note 11(b))	–	–	–	–	–	–	–	–	(2,120,977)	(2,120,977)	–	(2,120,977)
Total transactions with owners	11,939	(137,217)	6,188,733	–	352,000	–	–	(76,692)	(2,457,956)	3,880,807	53,711	3,934,518
Balance at 31 December 2020	179,672	3,413,102	13,780,325	164,790	707,638	(148,955)	(52,514)	23,609	45,563,447	63,631,114	582,152	64,213,266

	Attributable to equity holders of the Company											
	Share capital RMB'000 (note 27)	Perpetual capital securities RMB'000 (note 28)	Share premium RMB'000 (note 29(a))	Capital reserve RMB'000 (note 29(b))	Statutory reserve RMB'000 (note 29(c))	Fair value reserve (recycling) RMB'000 (note 29(d))	Translation reserve RMB'000 (note 29(e))	Share-based compensation reserve RMB'000 (note 29(f))	Retained profits RMB'000 (note 29(g))	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2021	179,672	3,413,102	13,780,325	164,790	707,638	(148,955)	(52,514)	23,609	45,563,447	63,631,114	582,152	64,213,266
Profit for the year	-	127,388	-	-	-	-	-	-	4,720,060	4,847,448	(494,440)	4,353,008
Other comprehensive expense:												
Change in fair value of notes receivable at fair value through other comprehensive income	-	-	-	-	-	(5,950)	-	-	-	(5,950)	(93)	(6,043)
Share of other comprehensive expense of associate and joint venture	-	-	-	-	-	(20,381)	6,349	-	-	(14,032)	-	(14,032)
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	(44,857)	-	-	(44,857)	9,415	(35,442)
Total comprehensive income for the year	-	127,388	-	-	-	(26,331)	(38,508)	-	4,720,060	4,782,609	(485,118)	4,297,491
Transactions with owners:												
Transfer of reserves	-	-	-	-	441	-	-	-	(579)	(138)	-	(138)
Shares issued under share option scheme (note 27(a))	91	-	38,455	-	-	-	-	(7,812)	-	30,734	-	30,734
Equity settled share-based payments (note 35)	-	-	-	-	-	-	-	1,546,822	-	1,546,822	-	1,546,822
Acquisition of a subsidiary (note 37)	-	-	-	-	-	-	-	-	-	-	823,959	823,959
Capital contribution from non-controlling interests	-	-	-	1,783,777	-	-	-	-	-	1,783,777	1,146,144	2,929,921
Acquisition of additional interests from non-controlling interests (notes 39(a) and (c))	3,252	-	3,386,712	(4,819,909)	-	-	-	-	-	(1,429,945)	(387,243)	(1,817,188)
Distribution paid on perpetual capital securities (note 11(c))	-	(127,388)	-	-	-	-	-	-	-	(127,388)	-	(127,388)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(65,068)	(65,068)
Final dividend approved and paid in respect of the previous year (note 11(b))	-	-	-	-	-	-	-	-	(1,611,439)	(1,611,439)	-	(1,611,439)
Total transactions with owners	3,343	(127,388)	3,425,167	(3,036,132)	441	-	-	1,539,010	(1,612,018)	192,423	1,517,792	1,710,215
Balance at 31 December 2021	183,015	3,413,102	17,205,492	(2,871,342)	708,079	(175,286)	(91,022)	1,562,619	48,671,489	68,606,146	1,614,826	70,220,972

The notes on pages 123 to 270 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Note	2021 RMB'000	2020 RMB'000
Cash flows from operating activities			
Profit before taxation		**4,665,175**	6,440,978
Adjustments for:			
Depreciation and amortisation		**6,893,322**	5,491,209
Fair value changes on financial assets at FVTPL	8	**(28,621)**	–
Equity settled share-based payments	35	**1,212,699**	4,095
Finance costs	9(a)	**264,829**	166,979
Gain on disposal of subsidiaries	38	**–**	(392,040)
Impairment loss on trade and other receivables	9(c)	**128,290**	8,594
Interest income	9(a)	**(544,984)**	(375,301)
Loss on deregistration of a subsidiary	9(c)	**–**	18,811
Net foreign exchange (gain)/loss		**(67,808)**	63,281
Net loss/(gain) on written off/disposal of property, plant and equipment	9(c)	**84,513**	(7,513)
Share of results of associates	18	**(57,984)**	(50,604)
Share of results of joint ventures	19	**(1,147,008)**	(824,810)
Unrealised gain on derivative financial instruments at FVTPL		**(66,892)**	–
Write-down for slow-moving inventories	9(c)	**49,023**	–
Operating profit before working capital changes		**11,384,554**	10,543,679
Inventories		**(1,273,145)**	1,104,127
Trade and other receivables		**(2,940,174)**	(4,029,743)
Trade and other payables		**9,374,135**	(4,650,266)
Cash generated from operations		**16,545,370**	2,967,797
Income taxes paid		**(1,197,027)**	(1,371,205)
Net cash generated from operating activities		**15,348,343**	1,596,592

	Note	2021 RMB'000	2020 RMB'000
Cash flows from investing activities			
Purchase of property, plant and equipment		**(2,833,372)**	(2,806,586)
Proceeds from disposal of property, plant and equipment		**228,359**	101,216
Additions of land lease prepayments	16	**(56)**	(44,475)
Additions of intangible assets		**(3,266,765)**	(4,191,189)
Initial/additional capital injection in associates	18	**(60,423)**	(49,490)
Initial capital injection in a joint venture	19	**(8,300)**	–
Dividend received from an associate	18	**–**	40,361
Dividend received from a joint venture	19	**888,689**	–
Proceeds from disposal of intangible assets		**13,192**	28,594
Purchase of preferred shares investments in an unlisted entity		**(323,025)**	–
Change in pledged bank deposits		**170,510**	(134,029)
Net cash outflows on acquisition of subsidiaries	37	**(2,540,659)**	–
Net cash inflows on disposal of subsidiaries	38	**–**	819,094
Proceeds from disposal of subsidiaries in previous year		**–**	507,135
Interest received		**572,683**	299,132
Net cash used in investing activities		**(7,159,167)**	(5,430,237)
Cash flows from financing activities			
Dividends paid to equity holders of the Company	11(b)	**(1,611,439)**	(2,120,977)
Dividends paid to non-controlling interests		**(65,068)**	–
Distribution paid on perpetual capital securities	11(c)	**(127,388)**	(137,217)
Acquisition of additional interests from non-controlling interests	39(a)	**(9,804)**	–
Capital contribution from non-controlling interests		**2,929,921**	53,711
Proceeds from issuance of shares upon exercise of share options	27(a)	**30,734**	197,814
Proceeds from issuance of shares upon placement	27(b)	**–**	5,937,136
Payment of lease liabilities	31	**(90,251)**	(35,320)
Interest paid	31	**(140,686)**	(133,995)
Net cash generated from financing activities		**916,019**	3,761,152

CONSOLIDATED STATEMENT OF CASH FLOWS

	2021 RMB'000	2020 RMB'000
Net increase/(decrease) in cash and cash equivalents	**9,105,195**	(72,493)
Cash and cash equivalents at the beginning of the year	**18,976,843**	19,281,216
Effect of foreign exchange rate changes	**(68,043)**	(231,880)
Cash and cash equivalents at the end of the year, represented by bank balances and cash	**28,013,995**	18,976,843

The notes on pages 123 to 270 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL INFORMATION

Geely Automobile Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK").

The addresses of the registered office and principal place of business of the Company are disclosed in "Corporate Information" section to the annual report. As at 31 December 2021, the directors consider the immediate holding company of the Company is Proper Glory Holding Inc., which is incorporated in British Virgin Islands (the "BVI"). The ultimate holding company of the Company is Zhejiang Geely Holding Group Company Limited# 浙江吉利控股集團有限公司 ("Geely Holding"), which is incorporated in the People's Republic of China (the "PRC") and is beneficially owned by Mr. Li Shu Fu and his associates.

The Company is an investment holding company. The principal activities of the Company's subsidiaries are set out in note 44 to the consolidated financial statements.

The English translation of the name of the company established in the PRC is for reference only. The official name of the company is in Chinese.

2. STATEMENT OF COMPLIANCE

These consolidated financial statements on pages 114 to 270 have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs"), and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the Companies Ordinance.

These consolidated financial statements also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules"). Significant accounting policies adopted by the Company and its subsidiaries (together referred to as the "Group") is set out in note 4 below. These policies have been consistently applied to all the years presented unless otherwise stated.

The HKICPA has issued certain new and amended HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. ADOPTION OF NEW AND AMENDED HKFRSs

3.1 Amended HKFRSs that are effective for annual periods beginning on 1 January 2021

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2021:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

Except for described below, the adoption of the amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 "Interest Rate Benchmark Reform – Phase 2" ("Phase 2 Amendments")

The Phase 2 Amendments provide practical relief from certain requirements in HKFRSs. These reliefs relate to modifications of financial assets and financial liabilities (measured at amortised costs) and lease contracts or hedging relationships triggered by a replacement of a benchmark interest rate in a contract with a new alternative benchmark risk-free rate.

The Group initially applied Phase 2 Amendments on 1 January 2021 and applied the amendments retrospectively. However, in accordance with the exceptions permitted in Phase 2 Amendments, the Group has elected not to restate the prior period to reflect the application of these amendments, including not to provide additional disclosures for 2020.

Impact on measurement of financial assets and financial liabilities

For changes in the basis for determining the contractual cash flows of financial assets and financial liabilities which are measured at amortised cost as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes such that it will not derecognise the carrying amounts of financial assets and financial liabilities and recognise an immediate gain or loss for changes solely arose from the interest rate benchmark reform, but will instead revise the effective interest rates of the financial assets and financial liabilities. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- The change is necessary as a direct consequence of the interest rate benchmark reform; and
- The new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately before the change).

The amendments do not have material impacts on the consolidated financial results and consolidated financial position as at 1 January 2021 and during the current year.

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

3.2 Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKFRS 17	Insurance Contracts and related amendments[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[5]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018-2020[1]
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination[4]

1 Effective for annual periods beginning on or after 1 January 2022

2 Effective for annual periods beginning on or after 1 January 2023

3 Effective date not yet determined

4 Effective for business combination/common control combination for which the acquisition/combination date is on or after the beginning of the first annual period beginning on or after 1 January 2022

5 Effective for annual periods beginning on or after 1 April 2021

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

3.2 Issued but not yet effective HKFRSs (Continued)

Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies"

The amendments to HKAS 1 require entities to disclose material accounting policy information instead of significant accounting policies in its financial statements. The amendments also provide some guidance on how material policy information are being identified and provide some examples of when accounting policy information is likely to be material.

In March 2021, HKICPA issued HKFRS Practice Statement 2 "Making Materiality Judgements" to provide entities with non-mandatory guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with HKFRS. HKFRS Practice Statement 2 was subsequently revised to provide guidance and examples on how to apply the concept of materiality to accounting policy disclosures.

The amendments to HKAS 1 are effective for annual reporting period beginning on or after 1 January 2023 and are applied prospectively. Earlier application is permitted. Except for the disclosures of accounting policies in note 4 to consolidated financial statements may need to be revised to cope with the above changes, the directors expect that the amendments have no other material impact on the consolidated financial statements

Amendments to HKAS 8 "Definition of Accounting Estimates"

The amendments clarify how entities should distinguish changes in accounting policies from changes in accounting estimates by introducing a definition for accounting estimates, which is now defined as "monetary amounts in the financial statements that are subject to measurement uncertainty".

Besides, the amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. Accounting estimates typically involve the use of judgements or assumptions based on latest available reliable information. A change in accounting estimate that results from new information or new development is not correction of an error. Therefore, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The amendments are effective for annual reporting period beginning on or after 1 January 2023 and are applied prospectively. Earlier application is permitted. The directors expect that the amendments have no material impact on the consolidated financial statements.

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

3.2 Issued but not yet effective HKFRSs (Continued)

Amendments to HKAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

The amendments clarify that the initial recognition exemption of deferred tax in HKAS 12 "Income Taxes" does not apply to transactions that give rise to equal taxable and deductible temporary differences, such as lease contracts that give rise to the recognition of a lease liability and the corresponding right-of-use assets and contracts that give rise to the recognition of decommissioning obligations and corresponding amounts recognised as assets. Instead, entities are required to recognise the related deferred tax asset and liability on initial recognition, with the recognition of any deferred tax asset being subject to the recoverability criteria in HKAS 12 "Income Taxes".

The amendments are effective for annual reporting period beginning on or after 1 January 2023. Earlier application is permitted. The Group is still in the process of assessing the full impact of the application of the amendments. The cumulative effect of initially applying the amendments will be recognised as an adjustment to the opening balance of retained profits at the beginning of the earliest comparative period presented.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The consolidated financial statements for the year ended 31 December 2021 comprise the Group and the Group's interests in associates and joint ventures.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except for certain financial assets are stated at fair value.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 5.

The consolidated financial statements are presented in thousands of Renminbi ("RMB'000"), which is also the functional currency of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of consolidation

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

A subsidiary is an entity, directly or indirectly, controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee). When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

Consolidation 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 are included in the consolidated income statement and consolidated statement of comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on sales of intra-group asset are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets. The Group elects to measure any non-controlling interest in the subsidiary at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets for all business combinations.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of consolidation (Continued)

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to equity holders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and equity holders of the Company.

Changes in the Group's interests in subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interests in that subsidiary. The profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 "Financial Instruments" ("HKFRS 9") or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's statement of financial position, investments in subsidiaries are carried at cost less any impairment loss (see note 4(k)). Cost also includes direct attributable costs of investments.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Goodwill

Goodwill arising on a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree, if any, over the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is stated at cost less accumulated impairment losses (see note 4(k)). Goodwill arising on a business combination is allocated to each cash-generating unit or groups of cash-generating units, which is expected to benefit from the synergies of the combination and is tested at least annually for impairment. In respect of associates and joint ventures, the carrying amount of goodwill is included in the carrying amount of the interests in associates and joint ventures.

On disposal of a cash-generating unit or an associate or a joint venture, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Interests in associates and joint ventures

An associate is an entity over which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or the Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in these consolidated financial statements using the equity method. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interests in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate or joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities measured and contingent liabilities assumed of an associate or a joint venture recognised at the date of acquisition is recognised 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 measured over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the determination of the Group's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

Where a group entity transacts with an associate or a joint venture of the Group, profits and losses are eliminated to the extent of the Group's interests in the relevant associate and joint venture. Where unrealised losses on assets sales between the Group and its associate or joint venture are reversed on equity accounting, the underlying asset is also tested for impairment from the Group's perspective.

Where necessary, adjustments are made to the financial statements of associates and joint ventures to bring their accounting policies in line with those adopted by the Group.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Interests in associates and joint ventures (Continued)

After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investments in its associates or joint ventures. At each reporting date, the Group determines whether there is any objective evidence that the investment in an associate or a joint venture is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (higher of value in use and fair value less costs of disposal) of the associate or joint venture and its carrying amount. In determining the value in use of the investment, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including cash flows arising from the operations of the associate or joint venture and the proceeds on ultimate disposal of the investment.

The Group discontinues the use of equity method from the date when it ceases to have significant influence over an associate or joint control over a joint venture. The difference between (i) the fair value of any retained interest and any proceeds from disposing of the interest in the associate or joint venture; and (ii) the carrying amount of the investment at the date the equity method was discontinued, is recognised in the profit or loss.

In the Company's statement of financial position, interest in a joint venture is stated at cost less impairment losses (see note 4(k)).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Intangible assets (other than goodwill) and research and development activities

Intangible assets acquired separately are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses (see note 4(k)). Amortisation for intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over their estimated useful lives. Amortisation begins when the asset is available for use (i.e. when it is in the location and condition necessary for it to be capable of operation).

Research and development costs

Costs associated with research activities are recognised as an expense in the period in which it is incurred. Costs that are directly attributable to the development phase are recognised as intangible assets provided they meet the following recognition requirements:

(i) demonstration of technical feasibility of the prospective product for internal use or sale;

(ii) there is an intention to complete the intangible asset and use or sell it;

(iii) the Group's ability to use or sell the intangible asset is demonstrated;

(iv) the intangible asset will generate probable economic benefits through internal use or sale;

(v) sufficient technical, financial and other resources are available for completion; and

(vi) the expenditure attributable to the intangible asset can be reliably measured.

The costs capitalised include employee costs incurred on development along with an appropriate portion of relevant overheads. The costs of internally generated product developments are recognised as intangible assets. They are subject to the same subsequent measurement method as externally acquired intangible assets.

Capitalised product development costs are amortised over 3 to 10 years. All other development costs are recognised as an expense in the period in which it is as incurred.

Both the period and method of amortisation are reviewed annually.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, cost of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(g) Foreign currency translation

In preparing the financial statements of each individual entity, foreign currency transactions are translated into the functional currency of the individual entity at exchange rates prevailing at the dates of the transactions. At each reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rate ruling at the transaction dates and not retranslated (i.e. only translated using the exchange rates at the transaction date).

Exchange differences arising on the settlement of monetary assets and liabilities, and on the translation of monetary assets and liabilities, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary assets and liabilities that forms part of the Company's net investment in a foreign operation, in which case such exchange differences are recognised in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Renminbi ("RMB")) at the exchange rates prevailing at the reporting date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising from translation of functional currency to presentation currency, if any, are recognised in other comprehensive income and accumulated in a separate component of equity (i.e. the translation reserve). Such exchange differences are reclassified from equity to profit or loss as a reclassification adjustment in the period in which the foreign operation is disposed of.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, in case of financial assets or liabilities not at FVTPL, are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held within a business model whose objective is to hold the investment and collect its contractual cash flows and the contractual terms of the investment give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income from the investment is calculated using the effective interest method (note 4(n)).

– fair value through other comprehensive income ("FVOCI") (recycling), if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale, subsequent changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses ("ECLs"), interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– FVTPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment, the Group elects to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but only be made if the investment meets the definition of equity from the issuer's perspective.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Dividends are recognised in profit or loss as other income.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

Financial assets (Continued)

Credit losses

The Group recognises a loss allowance for ECLs on the financial assets measured at amortised cost (including bank balances and cash, pledged bank deposits and trade and other receivables (excluding notes receivable)) and debt instruments measured at FVOCI (recycling) (including notes receivable).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls on bank balances and cash, pledged bank deposits and trade and other receivables (excluding notes receivable) are discounted using effective interest rate determined at initial recognition or an approximation thereof where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

Financial assets (Continued)

Credit losses (Continued)

Measurement of ECLs (Continued)

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs by using a simplified approach. The Group determines the ECLs on these financial assets collectively using a provision matrix with appropriate groupings and/or individually assessed for debtors with significant balances. Both provision matrix and individual assessment are based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without taking into account any collateral held by the Group; or (ii) the financial asset is 90 days past due. 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 since initial recognition:

– 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 regulatory, business, financial, economic conditions, or technological environment that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; and

– an actual or expected significant deterioration in the operating results of the debtor.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

Financial assets (Continued)

Credit losses (Continued)

Significant increases in credit risk (Continued)

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.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of each reporting period. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment loss or reversal of impairment loss in profit or loss. The Group recognises an impairment loss or reversal of impairment loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Detailed analysis of the ECL assessment of trade receivables and other financial assets measured at amortised cost are set out in note 42.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

Financial assets (Continued)

Credit losses (Continued)

Basis of calculation of interest income on credit-impaired financial assets

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 the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

Financial liabilities

The Group's financial liabilities include bank borrowings, bonds payable, lease liabilities and trade and other payables.

All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (see note 4(t)).

Accounting policies of lease liabilities are set out in note 4(r).

Trade and other payables
Trade and other payables are initially recognised at their fair values, and are subsequently measured at amortised cost, using the effective interest method.

Interest bearing borrowings
Interest bearing borrowings, including bank borrowings and bonds payable, are classified as financial liabilities and recognised initially at fair value, less transaction costs incurred. Interest bearing borrowings are subsequently stated at amortised cost, using the effective interest method.

Interest bearing borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expired or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity, if any, is recognised in profit or loss.

For financial liabilities, they are derecognised from the Group's consolidated statement of financial position when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid or payable is recognised in profit or loss.

(i) Property, plant and equipment

Property, plant and equipment, other than construction in progress and cost of right-of-use assets (see note 4(r)), are stated at cost less subsequent accumulated depreciation and accumulated impairment loss (see note 4(k)). Cost comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation is provided to write off the cost of items of property, plant and equipment (other than construction in progress) over their estimated useful lives less their estimated residual values, if any, using the straight-line method as follows:

Buildings	30 years
Plant and machinery	7 to 10 years
Leasehold improvements	Over the shorter of the unexpired lease terms and 3 years
Furniture and fixtures, office equipment and motor vehicles	5 to 10 years

Accounting policy for depreciation of right-of-use assets is set out in note 4(r).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Property, plant and equipment (Continued)

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Gain or loss arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

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

Construction in progress is stated at cost less accumulated impairment losses (see note 4(k)). Cost includes all construction expenditure and other direct costs. Costs on completed construction works are transferred to the appropriate asset category. No depreciation is provided in respect of construction in progress until it is completed and available for use.

(j) Land lease prepayments

"Land lease prepayments" (which meet the definition of right-of-use assets) represent the upfront payment for long-term land lease in which the payment can be reliably measured. It is stated at cost less accumulated depreciation and any accumulated impairment losses (see note 4(k)). Depreciation is calculated on a straight-line basis over the term of the right-of-use assets except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of the land.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment of non-current assets

Internal and external sources of information are reviewed at the reporting date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment (including right-of-use assets);

– land lease prepayments;

– intangible assets;

– interests in associates and joint ventures;

– goodwill; and

– investments in subsidiaries and interest in a joint venture in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the higher of its 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). As a result, some assets, are tested individually for impairment and some are tested at cash-generating unit level. Corporate assets are allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment of non-current assets (Continued)

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34 "Interim Financial Reporting", in respect of the first six months of the financial year. At the interim reporting date, the Group applies the same impairment testing, recognition, and reversal criteria as it would be at the end of the financial year.

Impairment losses recognised in an interim period in respect of goodwill, are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(l) Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand, demand deposits with banks and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash which are subject to an insignificant risk of changes in value. Cash and cash equivalents are assessed for ECLs in accordance with the accounting policy set out in note 4(h).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period, the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for hedged accounting under HKFRS 9.

(n) Revenue recognition

Sales of automobiles, automobile parts and components, battery packs and related parts and scrap materials

Revenue is generally recognised at a point in time when the customers obtain possession of and control of the promised goods in the contract. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. Revenue excludes value added tax ("VAT") or related sales taxes and net of discounts.

A contract liability is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. The Group recognised its contract liabilities under "Trade and other payables" as receipts in advance from customers in the consolidated statement of financial position.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15") and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Sales-related warranties associated with automobiles cannot be purchased separately and are served as an assurance that the products sold comply with agreed-upon specifications (i.e. assurance-type warranties). Accordingly, the Group accounts for warranties in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Revenue recognition (Continued)

Sales of automobiles, automobile parts and components, battery packs and related parts and scrap materials (Continued)

For warranties associated with automobiles that can be purchased separately or are served as a service in addition to assurance-type warranties (i.e. service-type warranties), the Group accounts for warranties as a separate performance obligation and allocate transaction price in accordance with relative standalone selling price of the warranties.

Services income related to sales of automobiles is recognised over time in the period in which the relevant services have been provided to customers.

Research and development and related technological support services

Revenue from research and development and related technological support services is recognised over time using the output method, which is to recognise revenue on the basis of direct measurements of the value to the customer of the services transferred to date ("value to the customer"), provided that the value to the customer is established by reference to the completion status report confirmed by customers.

Licensing of intellectual properties

Revenue is generally recognised at a point in time when the customers obtain the right to use of the intellectual properties in the contract.

Rental income

Accounting policy for rental income is set out in note 4(r).

Interest income

Interest income is recognised on a time proportion basis using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Taxation

Income tax expense comprises current tax and deferred tax.

Current tax and movement in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses and unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures including existing taxable temporary differences, 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 is calculated, without discounting, at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Taxation (Continued)

The carrying amount of a deferred tax asset is reviewed at the reporting date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and current tax liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and deferred tax liabilities, if they relate to income taxes levied by the same taxation authority on either:

  (i) the same taxable entity; or

  (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(p) Equity settled share-based payments

The Group has operated share incentive plans including share option scheme and share award schemes. The fair value of share options and award shares granted to employees is recognised as an employee cost and/or capitalised with a corresponding increase in the share-based compensation reserve within equity. The fair value is measured at grant date using the valuation techniques, taking into account the terms and conditions upon which the share options and award shares were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options and award shares, the total estimated fair value of the share options and award shares is spread over the vesting period, taking into account the probability that the share options and award shares will vest.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Equity settled share-based payments (Continued)

During the vesting period, the number of share options and award shares that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged or credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share-based compensation reserve. On vesting date, the amount recognised as an expense and/or capitalised is adjusted to reflect the actual number of share options and award shares that vest (with a corresponding adjustment to the share-based compensation reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share-based compensation reserve until either the share options and award shares are exercised/allotted (when it is included in the amount recognised in share premium for the shares issued) or the share options and award shares expire (when it is released directly to retained profits).

If the share options and award shares granted are cancelled or settled during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied), the cancellation or settlement is accounted for as an acceleration of vesting, and the amount that otherwise would have been recognised for services received over the remainder of the vesting period is recognised immediately in profit or loss.

The Company grants its equity instruments to employees of its subsidiaries in exchange for their services related to the subsidiaries. Accordingly, the equity settled share-based payments, which are recognised in the financial statements, are treated as part of the "Investments in subsidiaries" in the Company's statement of financial position.

(q) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, discretionary bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued and recognised as an expense in profit or loss in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Retirement benefit costs

Payments to the Group's Mandatory Provident Fund Scheme ("MPF Scheme") in Hong Kong, the state-managed retirement benefit scheme in the PRC and defined contribution superannuation funds in other overseas countries are charged as expenses as they fall due.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Leases

(i) Definition of a lease and the Group as a lessee

At inception of a contract, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicator exists.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Leases (Continued)

(i) Definition of a lease and the Group as a lessee (Continued)

Measurement and recognition of leases as a lessee (Continued)

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit or loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 months or less.

On the consolidated statement of financial position, right-of-use assets have been included in "Property, plant and equipment", the same line as it presents the underlying assets of the same nature that it owns. The prepaid lease payments for leasehold land are presented as "Land lease prepayments" under non-current assets.

Refundable rental deposits paid are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Leases (Continued)

(ii) The Group as a lessor

As a lessor, the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

The Group also earns rental income from operating leases of certain portion of its building and plant and machinery. Rental income is recognised on a straight-line basis over the term of lease.

(s) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

The government grants relating to the purchase of land lease prepayments, intangible assets and property, plant and equipment for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the assets by way of reduced depreciation and amortisation expenses.

Government grants relating to income is presented in gross under “Other income” in the consolidated income statement.

(t) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(v) Share capital

Ordinary shares are classified as equity. Share capital is recognised at the amount of consideration of shares issued, after deducting any transaction costs associated with the issuing of shares (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

Perpetual capital securities with no contracted obligation to repay its principal or to pay any distribution are classified as part of equity.

(w) Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

(a) the party, is a person or a close member of that person's family and that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Related parties (Continued)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group.

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) the entity and the Group are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) the entity, or any members of a group of which it is a part, provides key management personnel services to the Group or the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's top senior executive management, being the chief operating decision maker, for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of long-lived assets

If circumstances indicate that the net book value of a long-lived asset, including property, plant and equipment, intangible assets and land lease prepayments (notes 14, 15 and 16), may not be recoverable, the asset may be considered "impaired" and an impairment loss may be recognised in accordance with HKAS 36 "Impairment of Assets" ("HKAS 36"). The carrying amounts of long-lived assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The recoverable amount is the higher of the fair value less costs of disposal and the value in use. It is difficult to precisely estimate selling prices because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant estimation relating to the level of sales volume, selling prices and the amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, selling prices and the amount of operating costs. No impairment was provided for long-lived assets during the year (2020: RMBNil).

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Estimation of impairment of trade and other receivables

The Group makes allowances on items subjects to ECL (including trade and other receivables) based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period as set out in note 4(h). When the actual future cash flows are different from expected, such difference will impact the carrying amount of trade receivables and other items within the scope of ECL under HKFRS 9 and credit losses in the periods in which such estimate has been changed.

As at 31 December 2021 and 2020, the carrying amounts of trade and other receivables are set out in note 21. During the year ended 31 December 2021, impairment loss of RMB128,290,000 (2020: RMB8,594,000) was recognised on trade and other receivables.

Write-down of inventories

The Company's management reviews the condition of inventories, as stated in note 20 to the consolidated financial statements, at each reporting date, and makes allowance for inventories that are identified as obsolete, slow-moving or no longer recoverable or suitable for use in production. The Group carries out the inventory review on a product-by-product basis and makes allowances by reference to the latest market prices and current market conditions. Write-down for slow-moving inventories amounted to RMB49,023,000 (2020: RMBNil) was recognised during the year ended 31 December 2021.

Depreciation and amortisation

Property, plant and equipment and intangible assets (notes 14 and 15) with finite useful lives are depreciated or amortised on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value, if any. The Group reviews the condition of property, plant and equipment and intangible assets (i.e. whether it is available for use) as well as the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation expense to be recorded during the financial year. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Impairment of investments

The Group assesses annually and at each interim reporting date if interests in associates and joint ventures (notes 18 and 19) have suffered any impairment in accordance with HKAS 36. Details of the approach are stated in the accounting policy set out in note 4(d). The assessment of value in use requires an estimation of future cash flows, including expected dividends, from the investments and the selection of appropriate discount rates. Future changes in financial performance and position of these entities would affect the estimation of impairment loss and cause adjustments to their carrying amounts. No impairment loss was provided for interests in associates and joint ventures during the year (2020: RMBNil).

Income taxes

Subsidiaries of the Group are subject to income taxes according to different tax rates of different regions in the PRC. As certain tax affairs are pending from the confirmation of relevant tax authorities, the Group shall make reliable estimates and judgements for the expected tax adjustments and amounts resulting from such affairs based on the current tax laws and relevant policies. Subsequently, if differences exist between the initial estimates of such affairs and the actual amount of tax payable due to certain objective reasons, such difference will affect the taxes for the current period and tax payables of the Group. Details of income tax are set out in note 10.

Deferred tax

As at 31 December 2021, deferred tax assets of RMB1,216,395,000 (2020: RMB114,483,000) in relation to unused tax losses have been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised in respect of the remaining tax losses of RMB2,106,943,000 (2020: RMB1,786,814,000) as well as the deductible temporary differences of RMB220,997,000 (2020: RMB600,766,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less or more than expected, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in the profit or loss for the period in which such a reversal or further recognition takes place. Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised.

As at 31 December 2021, deferred tax liabilities of RMB399,407,000 (2020: RMB388,418,000) relating to the distributable profits not yet paid out as dividends that are generated by the PRC subsidiaries have been recognised in the Group's consolidated statement of financial position. Deferred tax liabilities have not been recognised in respect of temporary differences relating to the post-2007 undistributed profits of the PRC subsidiaries of RMB13,364,461,000 (2020: RMB15,130,460,000) as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future. Further details are disclosed in note 32.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Equity settled share-based payments

Equity-settled share awards are recognised as an expense and/or capitalised based on their fair value at date of grant. The fair value of equity-settled share options is estimated through the use of option valuation models – which require inputs such as the risk-free interest rate, expected dividends, expected volatility and the expected option life – and is expensed and/or capitalised over the vesting period. Some of the inputs used, such as the expected option life, are not market observable and are based on estimates derived from available data, such as employee exercise behaviour. The models utilised, such as the binomial option pricing model, are intended to value options traded in active markets. The share options issued by the Group, however, have a number of features that make them incomparable to such traded options. Using different input estimates or models could produce different option values, which would be material for the amount of equity settled share-based payments recorded in the profit or loss and/or the carrying amount of respective assets.

Estimation of fair value of preferred shares investments in an unlisted entity

As at 31 December 2021, the fair value of the preferred shares investments in an unlisted entity was RMB351,646,000 (2020: RMBNil). The determination of fair value of the preferred shares investments in an unlisted entity involved management's judgement as the valuations of investments are inherently subjective, particularly in the use of unobservable inputs for the Level 3 of the fair value hierarchy (note 42). The information about the preferred shares investments in an unlisted entity is disclosed in note 24.

Critical accounting judgements

Interests in joint ventures

Genius Auto Finance Company Limited# ("Genius AFC") 吉致汽車金融有限公司

The Group invested in Genius AFC as at 31 December 2021 and 2020. Unanimous consent from the Group and the other investor, BNP Paribas Personal Finance or unanimous resolution of all directors (present in person or represented by proxy for the board meeting) of Genius AFC for certain key corporate matters is needed. Therefore, Genius AFC is under the joint control of the Group and BNP Paribas Personal Finance, despite the Group has an equity interest of 80%. Also, the Group and BNP Paribas Personal Finance have rights to the net assets of Genius AFC. Accordingly, the investment in Genius AFC is classified as a joint venture of the Group and accounted for using equity method.

LYNK & CO Investment Co., Ltd.# ("LYNK & CO Investment") 領克投資有限公司

The Group invested in LYNK & CO Investment as at 31 December 2021 and 2020. Unanimous consent from the Group and the two remaining shareholders of LYNK & CO Investment (the "JV Parties") or unanimous resolution of all directors (present in person or represented by proxy for the board meeting) of LYNK & CO Investment for certain key corporate matters is needed. Therefore, LYNK & CO Investment is under the joint control of the Group and the JV Parties. Accordingly, the investment in LYNK & CO Investment is classified as a joint venture of the Group and accounted for using equity method.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical accounting judgements (Continued)

Interests in joint ventures (Continued)

Zhejiang Geely AISIN Automatic Transmission Company Limited# ("Zhejiang AISIN") 浙江吉利愛信自動變速器有限公司

The Group invested in Zhejiang AISIN as at 31 December 2021 and 2020. Unanimous resolution of all directors of Zhejiang AISIN for certain key corporate matters is needed. Therefore, the Zhejiang AISIN is a joint venture of the Group and its financial results were accounted for using the equity method.

Shandong Geely Sunwoda Power Battery Company Limited# ("Geely Sunwoda") 山東吉利欣旺達動力電池有限公司

The Group invested in Geely Sunwoda as at 31 December 2021. Pursuant to the joint venture agreement, the registered capital of Geely Sunwoda will be contributed as to 41.5% (equivalent to RMB41,500,000), 30% (equivalent to RMB30,000,000) and 28.5% (equivalent to RMB28,500,000) by the Group, Sunwoda Electric Vehicle Battery Company Ltd.# 欣旺達電動汽車電池有限公司 ("Sunwoda") and Geely Automobile Group Company Limited# 吉利汽車集團有限公司 ("Geely Holding Automobile"), respectively. Shareholder's meeting is the highest authority and the voting rights in the shareholder's meeting are in proportion to respective shareholding ratio. Certain key corporate matters shall only be decided by more than 80% the voting rights from shareholders of Geely Sunwoda. Geely Sunwoda is under the joint control of all shareholders because decisions about the key corporate matters cannot be made without the parties' agreement. Therefore, the investment in Geely Sunwoda is classified as a joint venture of the Group and accounted for using the equity method.

Guangdong Xinyueneng Semiconductor Company Limited# ("Xinyueneng") 廣東芯粵能半導體有限公司

The Group invested in Xinyueneng as at 31 December 2021. Pursuant to the joint venture agreement, the registered capital of Xinyueneng will be contributed as to 40% (equivalent to RMB160,000,000), 40% (equivalent to RMB160,000,000) and 20% (equivalent to RMB80,000,000) by the Group, Guangdong Xinjuneng Semiconductor Company Limited# 廣東芯聚能半導體有限公司 ("Guangdong Xinjuneng") and Guangzhou Xinhe Technology Investment Partnership (Limited Partnership)# 廣州芯合科技投資合夥企業（有限合夥） ("Xinhe Technology"), respectively. Shareholder's meeting is the highest authority and the voting rights in the shareholder's meeting are in proportion to respective subscribed shareholding ratio. Certain key corporate matters shall only be decided by two-thirds of the voting rights from shareholders of Xinyueneng. Therefore, Xinyueneng is under the joint control of the Group and other shareholders because decisions about the key corporate matters cannot be made without the parties' agreement. Accordingly, the investment in Xinyueneng is classified as a joint venture of the Group and accounted for using the equity method.

Further details are disclosed in note 19.

Determination of the discount rate

In determining the discount rate, the Group is required to exercise considerable judgement taking into account the nature of the underlying assets and the terms and conditions of the leases, at both the commencement date and effective date of the modification.

The English translation of the names of the companies established in the PRC is for reference only. The official names of these companies are in Chinese.

6. REVENUE

Revenue represents sales of automobiles, automobile parts and components, battery packs and related parts, provision of research and development and related technological support services and licensing of intellectual properties, net of VAT or related sales taxes and net of discounts.

	2021	2020
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products/services		
– Sales of automobiles and related services	**87,697,172**	83,814,362
– Sales of automobile parts and components	**8,798,409**	6,988,524
– Sales of battery packs and related parts	**588,885**	–
– Research and development and related technological support services	**3,251,150**	745,071
– Licensing of intellectual properties	**1,275,440**	565,921
	101,611,056	92,113,878
Disaggregated by timing of revenue recognition		
– At a point in time	**98,164,005**	91,250,884
– Over time	**3,447,051**	862,994
	101,611,056	92,113,878

The Group's customer base is diversified and no customer with whom the transactions has exceeded 10% of the Group's revenue.

7. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors of the Company collectively, who determine the operating segments of the Group and review the Group's internal reporting in order to assess performance and allocate resources. All of the Group's business operations relate to the production and sales of automobiles, automobile parts and components, battery packs and related parts, provision of research and development and related technological support services and licensing of related intellectual properties with similar economic characteristics. Accordingly, the executive directors review the performance of the Group as a single business segment. No separate analysis of the segment results by reportable segment is necessary.

7. SEGMENT INFORMATION (Continued)

Geographical information

The following tables set out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment (including right-of-use assets), intangible assets, interests in associates and joint ventures, goodwill and land lease prepayments ("specified non-current assets"). The geographical location of customers is based on the location at which the services are provided or the goods are delivered. The geographical location of the specified non-current assets is based on the physical location of the assets in the case of property, plant and equipment (including right-of-use assets) and land lease prepayments, the location of the operations to which they are allocated in the case of intangible assets and goodwill, and the location of operations of associates and joint ventures in the case of interests in associates and joint ventures.

	2021 **RMB'000**	2020 RMB'000
Revenue from external customers		
PRC	**91,664,753**	85,597,084
Eastern Europe	**3,182,535**	2,203,083
Malaysia	**2,378,608**	2,421,314
Middle East	**2,071,812**	851,405
Northern Europe	**1,206,347**	600,305
Philippines	**618,647**	284,490
Central and South America	**297,526**	83,088
Africa	**157,665**	49,913
Other countries	**33,163**	23,196
	101,611,056	92,113,878
Specified non-current assets		
Hong Kong, place of domicile	**4,090**	744
PRC	**65,175,108**	57,762,107
Other countries	**279,034**	195,775
	65,458,232	57,958,626

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. OTHER INCOME

	2021 RMB'000	2020 RMB'000
Net realised and unrealised gain on derivative financial instruments	**50,317**	–
Fair value changes on financial assets at FVTPL	**28,621**	–
Rental income	**41,357**	24,569
Gain on disposal of scrap materials	**32,828**	72,006
Net foreign exchange gain	**124,816**	–
Net gain on disposal of property, plant and equipment	**–**	7,513
Government grants and subsidies (note)	**731,455**	771,502
Sundry income	**329,680**	163,792
	1,339,074	1,039,382

Note: Government grants and subsidies mainly related to cash subsidies from government in respect of operating and research and development activities which are either unconditional grants or grants with conditions having been satisfied.

9. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	2021 RMB'000	2020 RMB'000
(a) Finance income and costs		
Finance costs		
Effective interest expenses on bonds payable (note 30)	**3,323**	3,564
Coupon expense on bonds payable	**69,316**	74,913
Interest on discounted notes receivable	**120,200**	30,854
Interest on lease liabilities	**13,396**	2,852
Interest on bank borrowings wholly repayable within five years	**58,594**	54,796
	264,829	166,979
Finance income		
Bank and other interest income	**(544,984)**	(375,301)
Net finance income	**(280,155)**	(208,322)
(b) Staff costs (including directors' emoluments (note 13)) (note (a))		
Salaries, wages and other benefits	**6,086,427**	5,547,019
Retirement benefit scheme contributions (notes (b) and (c))	**421,576**	299,469
Equity settled share-based payments (note 35)	**1,212,699**	4,095
	7,720,702	5,850,583

9. PROFIT BEFORE TAXATION (Continued)

Profit before taxation is arrived at after charging/(crediting) (Continued):

	2021 RMB'000	2020 RMB'000
(c) Other items		
Depreciation (note (a)):		
– Owned assets	**2,461,253**	2,189,872
– Right-of-use assets (including land lease prepayments)	**206,308**	151,229
Total depreciation	**2,667,561**	2,341,101
Amortisation of intangible assets (related to capitalised product development costs)	**4,225,761**	3,150,108
Research and development costs	**1,292,171**	588,100
Auditor's remuneration:		
– Audit services	**6,633**	5,944
– Non-audit services	**1,185**	7,005
Cost of inventories recognised as an expense (note (a)), including:	**81,132,359**	76,685,864
– Write-down for slow-moving inventories	**49,023**	–
Impairment loss on trade and other receivables	**128,290**	8,594
Lease charges on short term leases	**29,531**	33,993
Loss on deregistration of a subsidiary	**–**	18,811
Net loss/(gain) on written off/disposal of property, plant and equipment	**84,513**	(7,513)
Net foreign exchange (gain)/loss	**(124,816)**	43,135
Net claims paid on defective materials purchased	**263,376**	136,937

Notes:

(a) Cost of inventories included RMB6,222,784,000 (2020: RMB5,823,152,000) relating to staff costs and depreciation, which amounts were also included in the respective total amounts disclosed separately for each of these types of expenses.

(b) Due to the impact of COVID-19, a number of policies including the relief of social insurance had been promulgated by the government from February 2020 to December 2020 to expedite resumption of economic activities, which resulted in the relief of certain contributions to defined contribution scheme during the year ended 31 December 2020.

(c) At 31 December 2021, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2020: RMBNil).

10. TAXATION

	2021	2020
	RMB'000	RMB'000
Current tax:		
– PRC enterprise income tax	**1,812,234**	891,023
– Over-provision in prior years	**(18,402)**	(36,351)
	1,793,832	854,672
Deferred tax (note 32)	**(1,481,665)**	11,676
	312,167	866,348

The provision for Hong Kong profits tax is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits for the year, except for a Hong Kong incorporated company within the Group which is a qualifying corporation under the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first Hong Kong Dollars ("HK$") 2,000,000 of profits of qualifying entities are taxed at 8.25%, and the profits above HK$2,000,000 are taxed at 16.5%. The provision for Hong Kong profits tax for this subsidiary was calculated at the same basis in 2020.

The income tax provision of the Group in respect of its operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the year based on the existing legislation, interpretations and practises in respect thereof. The PRC enterprise income tax rate is 25% (2020: 25%).

Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries of the Group obtained the High and New Technology Enterprises qualification. Accordingly, they enjoyed a preferential income tax rate of 15% for the years ended 31 December 2021 and 2020.

According to relevant laws and regulations promulgated by the State Administration of Taxation of the PRC that was effective from 2018, enterprises engaging in research and development activities were entitled to claim 175% of their research and development costs so incurred as tax deductible expenses when determining their assessable profits for that year up to 31 December 2020. With effect from 1 January 2021, these entities are entitled to claim 200% of their research and development costs for income tax deduction ("Super Deduction"). The Group made its best estimate for the Super Deduction to be claimed for the Group's PRC subsidiaries in ascertaining their assessable profits for the years ended 31 December 2021 and 2020.

The share of results of associates and joint ventures in the consolidated income statement is after income taxes accrued in the appropriate income tax jurisdictions.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. TAXATION (Continued)

The tax charge for the year can be reconciled from the profit before taxation per consolidated income statement as follows:

	2021 RMB'000	2020 RMB'000
Profit before taxation	**4,665,175**	6,440,978
Tax at the PRC enterprise income tax rate of 25% (2020: 25%)	**1,166,294**	1,610,245
Tax effect of expenses not deductible	**262,307**	56,913
Tax effect of non-taxable income	**(190,245)**	(188,839)
Tax effect of unrecognised tax losses	**89,406**	75,429
Utilisation of previously unrecognised tax losses	**(5,834)**	(67,218)
Tax effect of unrecognised deductible temporary differences	**23,640**	–
Tax effect of different tax rates of entities operating in other jurisdictions	**(72,656)**	(55,151)
Deferred tax charge on distributable profits withholding tax (note 32)	**10,989**	87,299
Effect of tax concessions and lower tax rates for certain PRC subsidiaries	**(473,108)**	(397,901)
Super Deduction for research and development costs	**(480,224)**	(218,078)
Over-provision in prior years	**(18,402)**	(36,351)
Tax expense for the year	**312,167**	866,348

The Group is also liable to withholding tax on dividends to be distributed from the Group's subsidiaries in the PRC in respect of their profits generated from 1 January 2008 onwards. Deferred tax liabilities of RMB10,989,000 (2020: RMB87,299,000) were recognised for the distributable profits not yet paid out as dividends that are generated by the PRC subsidiaries of the Company during the year.

11. DIVIDENDS

(a) Dividends payable to ordinary equity holders of the Company attributable to the year:

	2021 RMB'000	2020 RMB'000
Final dividend proposed after the reporting date of HK$0.21 (2020: HK$0.20) per ordinary share	**1,699,495**	1,637,367

The final dividend proposed after the reporting date has not been recognised as a liability as at 31 December 2021.

(b) Dividends payable to ordinary equity holders of the Company attributable to the previous financial year, approved and paid during the year:

	2021 RMB'000	2020 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year of HK$0.20 (2020: HK$0.25) per ordinary share	**1,611,439**	2,120,977

(c) Distribution on perpetual capital securities

The Company made a distribution on perpetual capital securities of RMB127,388,000 (2020: RMB137,217,000) to the securities holders during the year ended 31 December 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share is based on profit for the year attributable to ordinary equity holders of the Company of RMB4,720,060,000 (2020: RMB5,396,573,000) and weighted average number of ordinary shares of 9,820,647,302 shares (2020: 9,552,290,892 shares), calculated as follows:

Profit attributable to ordinary equity holders of the Company

	2021 **RMB'000**	2020 RMB'000
Profit for the year attributable to equity holders of the Company	**4,847,448**	5,533,790
Distribution paid on perpetual capital securities	**(127,388)**	(137,217)
Profit for the year attributable to ordinary equity holders of the Company	**4,720,060**	5,396,573

Weighted average number of ordinary shares

	2021	2020
Issued ordinary shares as at 1 January (note 27)	**9,816,626,540**	9,166,997,540
Effect of share options exercised	**3,482,652**	42,670,401
Effect of shares issued upon placement	**–**	342,622,951
Effect of shares issued on acquisition of additional interests in a subsidiary	**538,110**	–
Weighted average number of ordinary shares as at 31 December	**9,820,647,302**	9,552,290,892

12. EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on profit for the year attributable to ordinary equity holders of the Company of RMB4,720,060,000 (2020: RMB5,396,573,000) and the weighted average number of ordinary shares (diluted) of 9,886,713,130 shares (2020: 9,561,259,972 shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2021	2020
Weighted average number of ordinary shares (basic) as at 31 December	**9,820,647,302**	9,552,290,892
Effect of deemed issue of shares under the Company's share option scheme	**8,418,578**	8,969,080
Effect of dilutive potential ordinary shares arising from award shares	**57,647,250**	–
Weighted average number of ordinary shares (diluted) as at 31 December	**9,886,713,130**	9,561,259,972

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's remuneration

Directors' and chief executive's emoluments, disclosed pursuant to the Listing Rules and section 383(1) of the Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

2021

Name of directors	Fees RMB'000	Salaries RMB'000	Discretionary bonus RMB'000	Rental allowance RMB'000	Retirement scheme contribution RMB'000	Sub-total RMB'000	Equity settled share-based payments RMB'000 (note (i))	Total RMB'000
Executive directors								
Mr. An Cong Hui	8	–	–	–	–	8	38,731	38,739
Mr. Ang Siu Lun, Lawrence	–	3,497	902	–	30	4,429	5,281	9,710
Mr. Gui Sheng Yue (Chief Executive Officer)	–	3,771	973	563	30	5,337	23,767	29,104
Mr. Li Dong Hui, Daniel (Vice Chairman)	8	–	–	–	–	8	24,647	24,655
Mr. Li Shu Fu (Chairman)	–	390	–	–	18	408	–	408
Ms. Wei Mei	8	–	–	–	–	8	12,324	12,332
Mr. Yang Jian (Vice Chairman)	8	–	–	–	–	8	5,281	5,289
Independent non-executive directors								
Mr. An Qing Heng	174	–	–	–	–	174	–	174
Mr. Lee Cheuk Yin, Dannis	174	–	–	–	–	174	–	174
Mr. Wang Yang	174	–	–	–	–	174	–	174
Mr. Yeung Sau Hung, Alex	174	–	–	–	–	174	–	174
Ms. Lam Yin Shan, Jocelyn (note (ii))	49	–	–	–	–	49	–	49
Ms. Gao Jie (note (ii))	49	–	–	–	–	49	–	49
	826	7,658	1,875	563	78	11,000	110,031	121,031

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' and chief executive's remuneration (Continued)

2020

Name of directors	Fees RMB'000	Salaries RMB'000	Discretionary bonus RMB'000	Rental allowance RMB'000	Retirement scheme contribution RMB'000	Sub-total RMB'000	Equity settled share-based payments RMB'000 (note (i))	Total RMB'000
Executive directors								
Mr. An Cong Hui	9	–	–	–	–	9	–	9
Mr. Ang Siu Lun, Lawrence	–	3,538	843	–	32	4,413	–	4,413
Mr. Gui Sheng Yue (Chief Executive Officer)	–	3,815	909	605	32	5,361	–	5,361
Mr. Li Dong Hui, Daniel (Vice Chairman)	9	–	–	–	–	9	36	45
Mr. Li Shu Fu (Chairman)	–	347	–	–	16	363	–	363
Ms. Wei Mei	9	–	–	–	–	9	26	35
Mr. Yang Jian (Vice Chairman)	9	–	–	–	–	9	–	9
Independent non-executive directors								
Mr. An Qing Heng	161	–	–	–	–	161	–	161
Mr. Lee Cheuk Yin, Dannis	161	–	–	–	–	161	–	161
Mr. Wang Yang	161	–	–	–	–	161	–	161
Mr. Yeung Sau Hung, Alex	161	–	–	–	–	161	–	161
	680	7,700	1,752	605	80	10,817	62	10,879

Notes:

(i) These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policy for equity settled share-based payments as set out in note 4(p) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share Options" in the Directors' Report and in note 35 to the consolidated financial statements.

(ii) Ms. Lam Yin Shan, Jocelyn and Ms. Gao Jie are appointed as independent non-executive directors of the Company on 1 November 2021.

(iii) No director waived any emoluments during the years ended 31 December 2021 and 2020.

(iv) No emoluments were paid by the Group to any directors as an inducement to join or upon joining the Group or as compensation for loss or termination of their office.

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Employees' emoluments

Of the five individuals with the highest emoluments, three (2020: two) were directors of the Company whose emoluments are included in the disclosures in note 13(a) above. The aggregate of the emoluments in respect of the remaining two (2020: three) individuals are as follows:

	2021 **RMB'000**	2020 RMB'000
Basic salaries and allowances	**–**	4,379
Retirement scheme contributions	**–**	37
Equity settled share-based payments	**53,846**	–
	53,846	4,416

The emoluments of the two (2020: three) individuals with the highest emoluments are within the following bands:

	2021 **Number of individuals**	2020 Number of individuals
HK$1,000,001 – HK$1,500,000	**–**	2
HK$2,500,001 – HK$3,000,000	**–**	1
HK$21,000,001 – HK$21,500,000	**1**	–
HK$32,000,001 – HK$32,500,000	**1**	–
	2	3

14. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress ("CIP") RMB'000	Buildings RMB'000	Plant and machinery RMB'000	Leasehold improvements RMB'000	Furniture and fixtures, office equipment and motor vehicles RMB'000	Total RMB'000
COST						
At 1 January 2020	2,169,576	9,900,393	18,788,347	18,293	2,159,361	33,035,970
Additions	2,464,983	95,137	67,386	3,109	272,432	2,903,047
Transfer from CIP	(2,223,810)	801,033	1,298,664	–	124,113	–
Disposals/Written off	–	(4,338)	(165,707)	–	(40,941)	(210,986)
Disposed of through disposal of subsidiaries (note 38)	(15,521)	(904,658)	(866,002)	–	(90,377)	(1,876,558)
At 31 December 2020 and 1 January 2021	2,395,228	9,887,567	19,122,688	21,402	2,424,588	33,851,473
Additions	2,195,056	767,604	230,035	–	192,000	3,384,695
Transfer from CIP	(2,937,103)	1,195,951	1,579,464	–	161,688	–
Transfer to CIP	1,756,533	–	(1,756,533)	–	–	–
Disposals/Written off	–	(753)	(674,582)	–	(143,111)	(818,446)
Acquisition through business combination (note 37)	750,932	1,549,917	1,462,477	–	36,449	3,799,775
At 31 December 2021	**4,160,646**	**13,400,286**	**19,963,549**	**21,402**	**2,671,614**	**40,217,497**
DEPRECIATION						
At 1 January 2020	–	1,077,589	4,063,486	10,962	813,615	5,965,652
Charge for the year	–	384,250	1,559,422	3,908	311,244	2,258,824
Written back on disposals/Written off	–	–	(89,076)	–	(28,207)	(117,283)
Disposed of through disposal of subsidiaries (note 38)	–	(276,287)	(501,134)	–	(52,578)	(829,999)
At 31 December 2020 and 1 January 2021	–	1,185,552	5,032,698	14,870	1,044,074	7,277,194
Charge for the year	–	486,554	1,719,143	4,113	377,563	2,587,373
Written back on disposals/Written off	–	(234)	(441,073)	–	(64,267)	(505,574)
At 31 December 2021	**–**	**1,671,872**	**6,310,768**	**18,983**	**1,357,370**	**9,358,993**
NET BOOK VALUE						
At 31 December 2021	**4,160,646**	**11,728,414**	**13,652,781**	**2,419**	**1,314,244**	**30,858,504**
At 31 December 2020	2,395,228	8,702,015	14,089,990	6,532	1,380,514	26,574,279

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 31 December 2021 and 2020, included in the net carrying amount of property, plant and equipment are right-of-use assets as follows:

	Carrying amount		Depreciation	
	2021	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000
Buildings	**692,352**	43,727	**101,135**	45,979
Plant and machinery	**–**	24,977	**24,985**	22,973
	692,352	68,704	**126,120**	68,952

During the year ended 31 December 2021, the total additions to right-of-use assets included in property, plant and equipment amounting to RMB726,835,000 (2020: RMB70,726,000). The details in relation to these leases are set out in note 25.

The title certificates of certain buildings with an aggregate carrying value of RMB3,731,806,000 (2020: RMB966,055,000) are yet to be obtained as at 31 December 2021. The directors of the Company are of the opinion that the relevant certificates would be obtained in the near future, the Group is entitled to lawfully and validly occupy and use the buildings, and therefore the aforesaid matter did not have any significant impact on the Group's financial positions as at 31 December 2021 and 2020.

15. INTANGIBLE ASSETS

	Capitalised product development costs RMB'000
COST	
At 1 January 2020	23,512,368
Additions	4,191,189
Disposals/Written off	(35,978)
Disposed of through disposal of a subsidiary	(485,715)
At 31 December 2020 and 1 January 2021	27,181,864
Acquisition through business combination (note 37)	2,272,806
Additions	4,257,210
Disposals/Written off	(87,164)
At 31 December 2021	**33,624,716**
AMORTISATION	
At 1 January 2020	5,914,740
Charge for the year	3,150,108
Disposals/Written off	(7,384)
Disposed of through disposal of a subsidiary	(485,715)
At 31 December 2020 and 1 January 2021	8,571,749
Charge for the year	4,225,761
Disposals/Written off	(73,972)
At 31 December 2021	**12,723,538**
NET BOOK VALUE	
At 31 December 2021	**20,901,178**
At 31 December 2020	18,610,115

The amortisation charge for the year is included in “Administrative expenses” in the consolidated income statement.

16. LAND LEASE PREPAYMENTS

	2021 **RMB'000**	2020 RMB'000
The Group's land lease prepayments comprise:		
Outside Hong Kong, held on:		
– Leases of between 10 to 50 years	**3,435,744**	3,042,911
Opening net carrying amount	**3,042,911**	3,230,845
Additions	**56**	44,475
Acquisition through business combinations (note 37)	**472,965**	–
Disposed of through disposal of subsidiaries (note 38)	**–**	(150,132)
Annual depreciation charges of land lease prepayments	**(80,188)**	(82,277)
Closing net carrying amount	**3,435,744**	3,042,911

The land lease prepayments fall into the scope of HKFRS 16 "Leases" ("HKFRS 16") as they meet the definition of right-of-use assets.

The land use right certificates of certain lands with an aggregate carrying value of RMB460,264,000 (2020: RMB403,225,000) are yet to be obtained as at 31 December 2021. The directors of the Company are of the opinion that the relevant certificates would be obtained in the near future, the Group is entitled to lawfully and validly occupy and use the lands, and therefore the aforesaid matter did not have any significant impact on the Group's financial positions as at 31 December 2021 and 2020.

17. GOODWILL

	2021 RMB'000	2020 RMB'000
Carrying amount		
At 1 January	**42,806**	42,806
Arising on business combinations (note 37)	**15,387**	–
At 31 December	**58,193**	42,806

The carrying amount of goodwill is allocated to the cash-generating units of manufacturing of (a) complete knock down kits, (b) powertrain and (c) battery packs. The recoverable amounts of the cash-generating units are determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management. The cash flows are discounted using a discount rate which is pre-tax and reflects specific risks relating to the relevant segments. The values assigned to the key assumptions on market development and discount rates are consistent with external information sources. During the year ended 31 December 2021, the directors of the Company conducted a review of goodwill and no impairment loss in respect of goodwill has been recognised (2020: RMBNil).

18. INTERESTS IN ASSOCIATES

	2021 RMB'000	2020 RMB'000
Cost of unlisted investments	**520,358**	459,935
Share of post-acquisition results and other comprehensive income	**140,082**	82,098
Impairment loss recognised	**(3,349)**	(3,349)
Exchange realignment	**(47,283)**	(44,186)
	609,808	494,498

18. INTERESTS IN ASSOCIATES (Continued)

Details of the Group's interests in associates, which are unlisted corporate entities whose quoted market prices are not available and accounted for using the equity method in the consolidated financial statements as at 31 December 2021 and 2020, are as follows:

Name of associates	Place of establishments and operations	Form of business structure	Particulars of issued and paid up/ registered capital	Attributable equity interest held by the Group		Principal activities
				2021	2020	
Mando (Ningbo) Automotive Parts Co., Limited# ("Mando (Ningbo)") 萬都(寧波)汽車零部件有限公司	PRC	Incorporated	United States dollars ("US$") 85,000,000	**35%**	35%	Manufacturing of automobile parts and components
Closed Joint Stock Company BELGEE ("BELGEE")	Republic of Belarus ("Belarus")	Incorporated	Belarusian Ruble ("BYN") 234,535,000 (2020: BYN182,079,000)	**36.7%**	36.3%	Production, marketing and sales of vehicles
PT Geely Mobil Indonesia	Republic of Indonesia	Incorporated	US$3,260,200	**30%**	30%	Production, marketing and sales of vehicles
Times Geely Power Battery Company Limited# ("Times Geely") 時代吉利動力電池有限公司	PRC	Incorporated	RMB101,000,000	**49%**	49%	Research and development, manufacture and sale of battery cells, battery modules and battery packs
Zhejiang Haohan Energy Technology Company Limited# ("Haohan Energy") 浙江浩瀚能源科技有限公司	PRC	Incorporated	RMB359,000,000	**30%**	–	Research and development of automobile charging systems and technologies, provision of automobile charging services and operation of automobile charging points and network

The English translation of the name of the companies established in the PRC is for reference only. The official names of these companies are in Chinese.

All associates are indirectly held by the Company.

On 2 July 2021, the Group entered into an acquisition agreement with Geely Holding Automobile, a fellow subsidiary owned by the Company's ultimate holding company, pursuant to which the Group agreed to acquire 30% of the equity interests in Haohan Energy for a cash consideration of RMB8,975,000. The acquisition of Haohan Energy was completed in December 2021.

18. INTERESTS IN ASSOCIATES (Continued)

Further, the Group was notified on 10 December 2021 that the amended articles of association of Haohan Energy, which was resolved to be amended by its shareholders, has become effective. Pursuant to the amended articles of association of Haohan Energy, the registered capital of Haohan Energy shall increase from RMB30,000,000 to RMB500,000,000. The amount of contribution to the registered capital of Haohan Energy made by the Group and Geely Holding Automobile shall increase by RMB141,000,000 and RMB329,000,000, respectively, in proportion to their respective shareholding. As at 31 December 2021, the Group has yet made any contribution in respect of the capital increase in Haohan Energy.

During the year ended 31 December 2021, BELGEE effected an increase in registered capital whereby the Group and other investors injected additional capital to BELGEE amounting to BYN20,087,000 (equivalent to approximately RMB51,448,000) and BYN32,369,000 (equivalent to approximately RMB82,553,000), respectively. Upon the completion of the capital increase, the registered capital of BELGEE was changed from BYN182,079,000 (equivalent to approximately RMB672,963,000) to BYN234,535,000 (equivalent to approximately RMB806,964,000). As a result of such increase in registered capital, the Group's equity interests in BELGEE were increased from 36.3% to 36.7% and the Group is still able to exert significant influence over the financial and operating activities of BELGEE. Accordingly, the Group continues to account for such investment as an associate.

The Group invests in Mando (Ningbo) as its strategic supplier of automobile parts and components.

Summarised financial information of Mando (Ningbo), the Group's material associate, adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements, are disclosed below:

	2021 RMB'000	2020 RMB'000
Non-current assets	**257,528**	308,143
Current assets	**1,685,421**	2,161,009
Current liabilities	**(1,174,651)**	(1,736,332)
Non-current liabilities	**(6,766)**	(6,088)
Net assets	**761,532**	726,732
Revenue	**1,659,390**	2,091,339
Profit for the year	**34,800**	47,555
Other comprehensive income for the year	**–**	–
Total comprehensive income for the year	**34,800**	47,555
Dividend received from the associate	**–**	40,361

18. INTERESTS IN ASSOCIATES (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the Group's interests in Mando (Ningbo) recognised in the consolidated financial statements:

	2021 RMB'000	2020 RMB'000
Net assets of Mando (Ningbo)	**761,532**	726,732
The Group's effective interests in Mando (Ningbo)	**35%**	35%
Carrying amount in the consolidated financial statements, represented by the Group's share of net assets of Mando (Ningbo)	**266,536**	254,356

Aggregate financial information of associates that are not individually material:

	2021 RMB'000	2020 RMB'000
Aggregate amounts of the Group's share of profit for the year	**45,804**	33,960
Aggregate amounts of the Group's share of other comprehensive expense for the year	**(3,097)**	(27,622)
Aggregate carrying amount of the Group's interests in these associates	**343,272**	240,142

19. INTERESTS IN JOINT VENTURES

	2021 RMB'000	2020 RMB'000
Cost of unlisted investments	**7,432,506**	7,279,102
Unrealised gain on disposal of a subsidiary to a joint venture	**(14,943)**	(14,943)
Share of post-acquisition results and other comprehensive income	**2,177,242**	1,929,858
	9,594,805	9,194,017

19. INTERESTS IN JOINT VENTURES (Continued)

Details of the Group's joint ventures which are unlisted corporate entities whose quoted market prices are not available and accounted for using the equity method in the consolidated financial statements as at 31 December 2021 and 2020, are as follows:

Name of joint ventures	Place of establishments and operations	Form of business structure	Particulars of registered capital	Proportion of ownership interest held by the Group 2021	2020	Principal activities
Genius AFC#* 吉致汽車金融有限公司	PRC	Incorporated	RMB4,000,000,000	**80%**	80%	Vehicles financing business
LYNK & CO Investment# 領克投資有限公司	PRC	Incorporated	RMB7,500,000,000	**50%**	50%	Manufacturing and sales of vehicles under the "Lynk & Co" brand
Zhejiang AISIN# 浙江吉利爱信自動變速器有限公司	PRC	Incorporated	US$117,000,000	**40%**	40%	Manufacturing and sale of front-wheel drive 8-speed automatic transmissions and related parts and components
Geely Sunwoda# 山東吉利欣旺達動力電池有限公司	PRC	Incorporated	RMB100,000,000	**41.5%**	–	Development, production, sales and after-sales service of hybrid battery cells, battery modules and battery packs
Xinyueneng# 廣東芯粵能半導體有限公司	PRC	Incorporated	RMB400,000,000	**40%**	–	Provision of integrated circuit design, sales and manufacturing of semiconductor

The English translation of the names of the companies established in the PRC is for reference only. The official names of the companies are in Chinese.

* Genius AFC is directly held by the Company.

19. INTERESTS IN JOINT VENTURES (Continued)

Zhejiang AISIN

On 24 April 2018, the Group entered into a joint venture agreement with AISIN AW Co., Ltd. ("AISIN AW"), an independent third party and a subsidiary of AISIN SEIKI Company Limited, pursuant to which the parties agreed to establish a joint venture company, Zhejiang AISIN. Pursuant to the joint venture agreement, the Group and AISIN AW will contribute to the capital of Zhejiang AISIN by cash as to 40% (equivalent to US$46,800,000) and 60% (equivalent to US$70,200,000), respectively. The board of directors of Zhejiang AISIN was setup according to the shareholding ratio by the shareholders. Pursuant to the joint venture agreement, unanimous resolution of all directors for certain key corporate matters is required. Therefore, Zhejiang AISIN is a joint venture company of the Group and its financial results were accounted for in the consolidated financial statements of the Group using the equity method.

LYNK & CO Investment

On 4 August 2017, the Group entered into a joint venture agreement with Zhejiang Haoqing Automobile Manufacturing Company Limited# 浙江豪情汽車製造有限公司 ("Zhejiang Haoqing") and Volvo Car (China) Investment Company Limited# 沃爾沃汽車(中國)投資有限公司 ("VCI"), fellow subsidiaries owned by the Company's ultimate holding company, for the establishment of a joint venture, LYNK & CO Investment, to engage in the manufacturing and sales of vehicles under the "Lynk & Co" brand. LYNK & CO Investment was held as to 50% by the Group, as to 20% by Zhejiang Haoqing and as to 30% by VCI. Pursuant to the joint venture agreement, the board of directors of LYNK & CO Investment consists of four directors, of whom two are nominated by the Group, one is nominated by Zhejiang Haoqing, and one is nominated by VCI. Pursuant to the joint venture agreement, unanimous consent from the three shareholders is needed as certain key corporate matters of LYNK & CO Investment require an unanimous resolution of all directors (present in person or represented by proxy for the board meeting) of LYNK & CO Investment. Therefore, LYNK & CO Investment is under the joint control of the three shareholders. The three shareholders have the rights to the net assets of LYNK & CO Investment. Accordingly, the investment in LYNK & CO Investment was recognised as a joint venture of the Group and accounted for using the equity method.

19. INTERESTS IN JOINT VENTURES (Continued)

Genius AFC

Genius AFC was established in August 2015, and was held as to 80% by the Company and as to 20% by BNP Paribas Personal Finance ("BNPP PF") which engages in the vehicles financing business in the PRC. Pursuant to the joint venture agreement, the board of directors was setup according to the respective shareholding ratio, unanimous consent from the Company and BNPP PF is required as either certain key corporate matters of Genius AFC require a positive vote from BNPP PF or unanimous resolution of all directors of Genius AFC. Therefore, Genius AFC is under the joint control of the Company and BNPP PF. Both of the Group and BNPP PF have the rights to the net assets of Genius AFC. Accordingly, the investment in Genius AFC was recognised as a joint venture of the Group and accounted for using the equity method.

On 11 August 2020, BNPP PF served a written notice to the Company on the exercise of the call option associated with the joint venture agreement (the "Call Option") pursuant to which, subject to the agreement on the exercise price and other terms, BNPP PF will acquire from the Company such additional equity interest in Genius AFC to increase its equity interest in Genius AFC up to 50%.

As at 31 December 2021, the exercise price of the Call Option and the exact percentage of equity interest in Genius AFC to be acquired by BNPP PF have not been determined and are subject to agreement by the parties. Please refer to the Company's announcement dated 12 August 2020 for further details.

As at 31 December 2021, the aggregate bank balances deposited by the Group with Genius AFC amounted to approximately RMB6,600,000,000 (2020: RMB5,303,717,000).

Geely Sunwoda

On 27 July 2021, the Group entered into a joint venture agreement with Sunwoda, pursuant to which the parties agreed to establish a joint venture company, Geely Sunwoda, to engage in the development, production and sales of hybrid battery cells, battery modules and battery packs. Pursuant to the joint venture agreement, the registered capital of Geely Sunwoda will be contributed as to 41.5% (equivalent to RMB41,500,000), 30% (equivalent to RMB30,000,000) and 28.5% (equivalent to RMB28,500,000) by the Group, Sunwoda and Geely Holding Automobile, respectively. Shareholder's meeting is the highest authority and the voting rights in the shareholder's meeting are in proportion to respective shareholding ratio. Certain key corporate matters shall only be decided by more than 80% the voting rights from shareholders of Geely Sunwoda. Therefore, Geely Sunwoda is under the joint control of the three shareholders. The three shareholders have the rights to the net assets of Geely Sunwoda. Accordingly, the investment in Geely Sunwoda was recognised as a joint venture of the Group and accounted for using the equity method.

During the year ended 31 December 2021, the Group and the remaining joint venture partners contributed RMB8,300,000 and RMB11,700,000, respectively, to Geely Sunwoda.

19. INTERESTS IN JOINT VENTURES (Continued)

Xinyueneng

During the year ended 31 December 2021, the Group acquired Xinyueneng through a business combination (note 37). The cost of the investment in Xinyueneng acquired in the business combination is fair value at the date of acquisition.

Xinyueneng is engaged in the provision of integrated circuit design, manufacturing, sales and the manufacturing of semiconductor. Pursuant to the joint venture agreement, the registered capital of Xinyueneng will be contributed as to 40% (equivalent to RMB160,000,000), 40% (equivalent to RMB160,000,000) and 20% (equivalent to RMB80,000,000) by the Group, Guangdong Xinjuneng and Xinhe Technology, respectively. Shareholder's meeting is the highest authority and the voting rights in the shareholder's meeting are in proportion to respective subscribed shareholding ratio. Certain key corporate matters shall only be decided by two-thirds of the voting rights from shareholders of Xinyueneng. Therefore, Xinyueneng is under the joint control of the Group and Guangdong Xinjuneng because decisions about the key corporate matters cannot be made without the parties' agreement. Accordingly, the investment in Xinyueneng was recognised as a joint venture of the Group and accounted for using the equity method.

As at 31 December 2021, the Group and one of the joint venture partners contributed RMB120,000,000 and RMB120,000,000, respectively. However, the remaining joint venture partner has yet made any contribution as at 31 December 2021.

19. INTERESTS IN JOINT VENTURES (Continued)

Summarised financial information of the Zhejiang AISIN, LYNK & CO Investment and its subsidiaries ("LYNK & CO Group") and Genius AFC, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated statement of financial position, are disclosed below:

	Zhejiang AISIN		LYNK & CO Group		Genius AFC	
	2021	2020	**2021**	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Non-current assets	**1,405,627**	1,292,789	**14,156,681**	11,472,910	**1,811,372**	1,377,922
Current assets	**353,812**	346,304	**12,560,038**	12,615,050	**52,663,546**	44,753,614
Current liabilities	**(159,280)**	(74,922)	**(14,845,926)**	(11,399,157)	**(30,705,939)**	(26,308,969)
Non-current liabilities	**(1,003,564)**	(850,000)	**(3,886,217)**	(3,605,660)	**(17,231,651)**	(14,345,417)
Net assets	**596,595**	714,171	**7,984,576**	9,083,143	**6,537,328**	5,477,150
The above amounts of assets and liabilities include the following:						
Cash and cash equivalents	**290,394**	281,310	**1,694,958**	660,772	**5,797,475**	3,866,230
Current financial liabilities (excluding trade and other payables and provisions)	**–**	–	**(153,536)**	(1,059,166)	**(26,364,071)**	(22,288,975)
Non-current financial liabilities (excluding trade and other payables and provisions)	**(816,816)**	(650,000)	**(995,435)**	(952,551)	**(17,231,651)**	(14,345,417)
Revenue	**143**	131	**30,109,004**	23,781,859	**4,136,122**	3,268,936
(Loss)/Profit for the year	**(117,576)**	(41,367)	**700,680**	511,756	**1,060,178**	731,849
Other comprehensive expense for the year	**–**	–	**(21,869)**	(11,738)	**–**	–
Total comprehensive (expense)/income for the year	**(117,576)**	(41,367)	**678,811**	500,018	**1,060,178**	731,849
Dividend received from a joint venture	**–**	–	**888,689**	–	**–**	–
The above (loss)/profit for the year including the following:						
Depreciation and amortisation	**(19,182)**	(1,108)	**(2,335,497)**	(1,744,342)	**(33,486)**	(32,521)
Interest income	**3,183**	7,566	**44,847**	28,225	**4,057,053**	3,210,495
Interest expense	**(21,940)**	(12,833)	**(120,210)**	(59,586)	**(1,701,111)**	(1,313,160)
Income tax expense	**–**	–	**(219,199)**	(126,969)	**(393,976)**	(265,194)

19. INTERESTS IN JOINT VENTURES (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the Group's interests in joint ventures recognised in the consolidated statement of financial position:

	Zhejiang AISIN		LYNK & CO Group		Genius AFC	
	2021 RMB'000	2020 RMB'000	**2021 RMB'000**	2020 RMB'000	**2021 RMB'000**	2020 RMB'000
Net assets of the joint ventures	**596,595**	714,171	**7,984,576**	9,083,143	**6,537,328**	5,477,150
The Group's effective interests in the joint ventures	**40%**	40%	**50%**	50%	**80%**	80%
The Group's share of the net assets of the joint ventures	**238,638**	285,668	**3,992,288**	4,541,572	**5,229,862**	4,381,720
Unrealised gain on disposal of a subsidiary to a joint venture	**-**	–	**(14,943)**	(14,943)	**-**	–
Carrying amount of the Group's interests in joint ventures	**238,638**	285,668	**3,977,345**	4,526,629	**5,229,862**	4,381,720

Aggregate financial information of joint ventures that are not individually material:

	2021 RMB'000	2020 RMB'000
Aggregate amounts of the Group's share of loss for the year	**(4,444)**	–
Aggregate amounts of the Group's share of other comprehensive expense for the year	**–**	–
Aggregate carrying amount of the Group's interests in these joint ventures	**148,960**	–

20. INVENTORIES

	2021 RMB'000	2020 RMB'000
Raw materials	**2,120,500**	1,551,512
Work in progress	**509,762**	388,113
Finished goods	**2,940,334**	1,751,006
	5,570,596	3,690,631
Less: provision for inventories	**(49,023)**	–
	5,521,573	3,690,631

Write-down for slow-moving inventories amounted to RMB49,023,000 (2020: RMBNil) was recognised as an expense during the year ended 31 December 2021 and included in 'cost of sales' in the consolidated income statement.

21. TRADE AND OTHER RECEIVABLES

	Note	2021 RMB'000	2020 RMB'000
Trade and notes receivables			
Trade receivables, net of loss allowance			
– Third parties		**872,445**	429,220
– Joint ventures		**731,034**	339,094
– Associates		**1,682,610**	976,738
– Related companies controlled by the substantial shareholder of the Company		**3,882,261**	2,185,944
	(a)	**7,168,350**	3,930,996
Notes receivable	(b)	**19,863,681**	20,625,550
		27,032,031	24,556,546
Deposit, prepayment and other receivables			
Prepayment to suppliers			
– Third parties		**622,404**	194,981
– Related companies controlled by the substantial shareholder of the Company		**241,368**	401,883
		863,772	596,864
Deposits paid for acquisition of property, plant and equipment		**116,662**	164,359
Other contract costs	(c)	**433,012**	359,283
Utility deposits and other receivables		**1,006,913**	675,949
VAT and other taxes receivables		**2,706,652**	2,207,356
		5,127,011	4,003,811
Amounts due from related companies controlled by the substantial shareholder of the Company	(d)	**190,570**	260,231
		5,317,581	4,264,042
		32,349,612	28,820,588
Representing:			
– Current		**31,549,100**	27,868,232
– Non-current		**800,512**	952,356
		32,349,612	28,820,588

21. TRADE AND OTHER RECEIVABLES (Continued)

(a) Trade receivables

The Group allows average credit periods ranged from 30 days to 90 days to its PRC customers from sales of automobiles, automobile parts and components, battery packs and related parts, provision of research and development and related technological support services. In respect of the trade receivable from related companies arising from the licensing of intellectual properties, it will be settled within five years in accordance with the contract terms. Ageing analysis of the trade receivables of the PRC customers, based on invoice date and net of loss allowance, at the reporting date was as follows:

	2021 RMB'000	2020 RMB'000
0 – 60 days	**3,734,754**	2,024,533
61 – 90 days	**338,779**	10,291
91 – 365 days	**202,687**	363,989
Over 365 days	**445,107**	330,687
	4,721,327	2,729,500

For overseas customers, the Group allows credit periods ranged from 30 days to 210 days (2020: 30 days to 720 days). Ageing analysis of the trade receivables of the overseas customers, based on invoice date and net of loss allowance, at the reporting date was as follows:

	2021 RMB'000	2020 RMB'000
0 – 60 days	**1,582,818**	478,452
61 – 90 days	**281,174**	212,027
91 – 365 days	**583,031**	416,796
Over 365 days	**–**	94,221
	2,447,023	1,201,496

21. TRADE AND OTHER RECEIVABLES (Continued)

(b) Notes receivable

All notes receivable are denominated in RMB. As at 31 December 2021 and 2020, all notes receivable were guaranteed by established banks in the PRC and have maturities of less than one year from the reporting date.

The Group manages its notes receivable using the business model whose objective is achieved by both collecting contractual cash flows and selling of these assets. Accordingly, notes receivable are classified as financial assets at FVOCI (recycling) in accordance with HKFRS 9 “Financial Instruments” and are stated at fair value. The fair value is based on the net present value at 31 December 2021 and 2020 from expected timing of endorsements and discounting at the interest rates for the respective notes receivable. The fair value is within Level 2 of the fair value hierarchy.

As at 31 December 2021, the Group endorsed certain notes receivable accepted by banks in the PRC (the “Endorsed Notes”) with a carrying amount of RMB931,366,000 (2020: RMB646,804,000) to certain of its suppliers in order to settle the trade payables due to such suppliers (the “Endorsement”). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Notes, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Notes and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Notes, including the sale, transfer or pledge of the Endorsed Notes to any other third parties. As at 31 December 2021, the aggregate carrying amount of the trade payables settled by the Endorsed Notes during the year to which the suppliers have recourse was RMB931,366,000 (2020: RMB646,804,000).

As at 31 December 2021, the Group discounted and endorsed certain notes receivable accepted by banks in the PRC (the “Derecognised Notes”) to certain banks in order to obtain additional financing or to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB44,965,874,000 (2020: RMB24,756,861,000). The Derecognised Notes had a maturity of less than one year (2020: less than one year) at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Notes have a right of recourse against the Group if the PRC banks default (the “Continuing Involvement”). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Notes. Accordingly, it has derecognised the full carrying amounts of the Derecognised Notes and the associated liabilities. The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognised Notes and the undiscounted cash flows to repurchase these Derecognised Notes is equal to their carrying amounts.

21. TRADE AND OTHER RECEIVABLES (Continued)

(c) Other contract costs

Other contract costs capitalised as at 31 December 2021 and 2020 related to the costs incurred in providing internet connectivity services that is used to satisfy the performance obligations for providing such services to customers in the respective sales of automobile contracts at the reporting date. Contract costs are amortised in line with the recognition of the respective revenue in accordance with the terms of the contracts. There was no impairment in relation to the contract costs capitalised during the year (2020: RMBNil).

(d) Amounts due from related companies

The amounts due are unsecured, interest-free and repayable on demand.

Further details on the Group's credit policy and credit risk arising from trade receivables, other financial assets measured at amortised cost and debt instruments at FVOCI (recycling) are set out in note 42.

22. DERIVATIVE FINANCIAL INSTRUMENTS

The Group held foreign exchange forward contracts classified as held for trading and not qualified under hedge accounting. Foreign exchange forward contracts entered into by the Group with banks were measured at financial assets at FVTPL. The fair value of these contracts has been measured as described in note 42.

As at 31 December 2021, the Group had entered into the following foreign exchange forward contracts, which remain outstanding:

Contracts	Notional amount	Settlement date	Term	Forward rate on foreign exchange
A	Russian Rouble ("RUB") 15,570,000,000	27 January 2022 to 30 November 2022	90 to 336 days	RUB11.19 to RUB12.27 per RMB1.00
B	US$60,000,000	28 January 2022 to 22 August 2022	184 to 337 days	RMB6.48 to RMB6.66 per US$1.00
C	US$22,500,000	22 February 2022 to 26 October 2022	78 to 335 days	RMB6.42 to RMB6.63 per US$1.00
D	US$158,600,000	26 January 2022 to 26 October 2022	50 to 340 days	RMB6.40 to RMB6.72 per US$1.00

23. TRADE AND OTHER PAYABLES

	Note	2021 RMB'000	2020 RMB'000
Trade and notes payables			
Trade payables			
– Third parties		**27,711,329**	27,315,141
– Associates		**999,220**	1,334,777
– Joint ventures		**5,274**	2,711
– Related companies controlled by the substantial shareholder of the Company		**3,290,590**	1,265,467
	(a)	**32,006,413**	29,918,096
Notes payable	(b)	**106,947**	311,273
		32,113,360	30,229,369
Other payables			
Receipts in advance from customers	(c)		
– Third parties		**7,458,586**	2,589,346
– Associates		**8,307**	5,004
– Joint ventures		**194,088**	965
– Related companies controlled by the substantial shareholder of the Company		**387,506**	195,696
		8,048,487	2,791,011
Deferred government grants which conditions have not been satisfied		**3,574,474**	900,000
Payables for acquisition of property, plant and equipment		**2,304,916**	2,528,125
Payables for capitalised product development costs from related companies	(d)	**2,345,333**	–
Payables for acquisition of additional interests in a subsidiary (note 39(c))		**1,807,384**	–
Accrued staff salaries and benefits		**1,776,055**	1,282,871
VAT and other taxes payables		**1,276,494**	711,812
Other accrued charges and payables	(e)	**4,604,101**	3,130,626
		25,737,244	11,344,445
Amounts due to related companies controlled by the substantial shareholder of the Company	(f)	**503,883**	328,050
		26,241,127	11,672,495
		58,354,487	41,901,864
Representing:			
– Current		**57,392,790**	41,516,307
– Non-current		**961,697**	385,557
		58,354,487	41,901,864

23. TRADE AND OTHER PAYABLES (Continued)

(a) Trade payables

Ageing analysis of trade payables, based on invoice date, at the reporting date was as follows:

	2021	2020
	RMB'000	RMB'000
0 – 60 days	**29,125,014**	26,609,028
61 – 90 days	**1,699,916**	2,580,039
91 – 365 days	**950,736**	498,567
Over 365 days	**230,747**	230,462
	32,006,413	29,918,096

Trade payables are non-interest bearing. The average credit period on the settlement of purchase invoice is 60 days.

(b) Notes payable

All notes payable are denominated in RMB and are notes paid and/or payable to third parties for settlement of trade payables. As at 31 December 2021 and 2020, all notes payable had maturities of less than six months from the reporting date.

As at 31 December 2021 and 2020, the Group has no pledged bank deposits to secure the notes payable.

(c) Receipts in advance from customers

The following amounts represent (i) the advance payments from customers for the sales of automobiles, automobile parts and components, battery packs and related parts, and licensing of intellectual properties and (ii) the obligation for service agreed to be part of the sales of automobiles. The respective revenue will be recognised when the performance obligation is satisfied after the automobiles, automobile parts and components and services and battery packs and related parts were delivered to the customers and the right to use the intellectual properties was obtained by customers.

23. TRADE AND OTHER PAYABLES (Continued)

(c) Receipts in advance from customers (Continued)

	2021 RMB'000	2020 RMB'000
Relating to the sales of automobiles, automobile parts and components and battery packs and related parts	**6,689,535**	2,333,435
Relating to the licensing of intellectual properties	**215,017**	–
Relating to the obligation for services agreed to be part of the sales of automobiles	**1,143,935**	457,576
	8,048,487	2,791,011

The increase in receipts in advance from customers (2020: decrease) was mainly due to the increase (2020: decrease) in advances received from customers in relation to sales of automobiles, automobile parts and components and battery packs and related parts for the year ended 31 December 2021.

Receipts in advance from customers outstanding at the beginning of the year amounting to RMB2,791,011,000 (2020: RMB4,940,701,000) have been recognised as revenue during the year.

The transaction price allocated to the remaining unsatisfied or partially satisfied performance obligations as at the reporting date was as follows:

	2021 RMB'000	2020 RMB'000
Within one year	**182,238**	72,019
More than one year	**961,697**	385,557
	1,143,935	457,576

As permitted under HKFRS 15, the above transaction price allocated to the unsatisfied contracts does not include performance obligation from the Group's contracts with customers for the sales of automobiles, automobile parts and components and battery packs and related parts and licensing of intellectual properties, that have an original expected duration of one year or less.

23. TRADE AND OTHER PAYABLES (Continued)

(d) Payables for capitalised product development costs from related companies

The credit terms for payables for capitalised product development costs from related companies generally ranged from 60 days to 90 days.

(e) Other accrued charges and payables

The amounts mainly comprised (i) deposits provided by automobile dealers and (ii) payables for warranty, advertising and promotion, transportation and general operations.

(f) Amounts due to related companies

The amounts due are unsecured, interest-free and repayable on demand.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 **RMB'000**	2020 RMB'000
Preferred shares investments in an unlisted entity	**351,646**	–

The investments are convertible redeemable preferred shares. The Group has the right to require and demand the investees to redeem all of the shares held by the Group at guaranteed predetermined fixed amount upon redemption events which are out of control of issuers. Hence, these investments are accounted for as debt instruments and are measured at financial assets at FVTPL. The major assumptions used in the valuation for investment in the unlisted entity are set out in note 42.

25. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	2021 **RMB'000**	2020 RMB'000
Total minimum lease payments:		
Due within one year	**221,732**	30,952
Due in the second to fifth years	**538,490**	12,054
	760,222	43,006
Future finance charges on lease liabilities	**(59,446)**	(711)
Present value of lease liabilities	**700,776**	42,295

25. LEASE LIABILITIES (Continued)

	2021 **RMB'000**	2020 RMB'000
Present value of minimum lease payments:		
Due within one year	**198,290**	30,380
Due in the second to fifth years	**502,486**	11,915
	700,776	42,295
Less: Portion due within one year included under current liabilities	**(198,290)**	(30,380)
Portion due after one year included under non-current liabilities	**502,486**	11,915

During the year ended 31 December 2021, the total cash outflows for the leases are RMB133,178,000 (2020: RMB72,165,000).

Details of the lease activities

As at 31 December 2021, the Group has entered into leases for office, retail and service centres and factory premises and plant and machinery (2020: office and factory premises and plant and machinery).

Types of right-of-use assets	**Financial statements items of right-of-use assets included in**	**Number of leases**	**Range of remaining lease term**	**Particulars**
Office and factory premises	Buildings in "property, plant and equipment"	23 (2020: 10)	1 to 5 years (2020: 1 to 2 years)	• *Not contain any renewal and termination options* • *Fixed payments during the contract period*
Retail and service centres	Buildings in "property, plant and equipment"	72 (2020: Nil)	1 to 6 years (2020: Nil)	• *Not contain any renewal and termination options* • *Fixed payments during the contract period*
Plant and machinery	Plant and machinery in "property, plant and equipment"	Nil (2020: 1)	Nil (2020: 1 year)	• *All lease payments were prepaid upon entering the contract (note 38)* • *Not contain any renewal and termination options*

26. BANK BORROWINGS

	2021 RMB'000	2020 RMB'000
Bank loans, unsecured	**1,906,740**	1,959,750
Representing:		
– Current	**1,906,740**	–
– Non-current	**–**	1,959,750
	1,906,740	1,959,750

As at 31 December 2021 and 2020, the Group's bank borrowings were carried at amortised cost, repayable in July 2022 and interest-bearing at the London Interbank Offered Rates plus 0.95% per annum. Pursuant to the facility agreement, it will be an event of default if Mr. Li Shu Fu is (i) no longer the single largest beneficial shareholder of the Company, or (ii) no longer beneficially owns at least 25% of the issued share capital of the Company. In case of an event of default, the bank may by notice to the Company (a) cancel the loan facility, (b) declare that all or part of the loan, together with accrued interest, be immediately due and payable, and/or (c) declare that all or part of the loans be payable on demand.

As at 31 December 2021 and 2020, none of the covenants relating to drawn down facilities had been breached.

Further details of the Group's management of liquidity risk were set out in note 42.

27. SHARE CAPITAL

	2021		2020	
	Number of shares	**Nominal value RMB'000**	Number of shares	Nominal value RMB'000
Authorised:				
Ordinary shares of HK$0.02 each				
At 31 December	**12,000,000,000**	**246,720**	12,000,000,000	246,720
Issued and fully paid:				
Ordinary shares of HK$0.02 each				
At 1 January	**9,816,626,540**	**179,672**	9,166,997,540	167,733
Shares issued under share option scheme (note (a))	**5,405,000**	**91**	49,629,000	888
Shares issued upon placement (note (b))	**–**	**–**	600,000,000	11,051
Shares issued on acquisition of additional interests in a subsidiary (note 39(c))	**196,410,000**	**3,252**	–	–
At 31 December	**10,018,441,540**	**183,015**	9,816,626,540	179,672

27. SHARE CAPITAL (Continued)

Notes:

(a) During the year ended 31 December 2021, share options were exercised to subscribe for 5,405,000 ordinary shares (2020: 49,629,000 ordinary shares) of the Company at a consideration of approximately RMB30,734,000 (2020: RMB197,814,000) of which approximately RMB91,000 (2020: RMB888,000) was credited to share capital and approximately RMB30,643,000 (2020: RMB196,926,000) was credited to the share premium account. As a result of the exercise of share options, share-based compensation reserve of RMB7,812,000 (2020: RMB65,722,000) has been transferred to the share premium account in accordance with the accounting policy set out in note 4(p).

(b) On 29 May 2020, the Company entered into a placing agreement (the "Placing Agreement") with placing agents, to procure not less than six placees who are independent third parties to the Company to subscribe for 600,000,000 placing shares at the placing price of HK$10.8 per placing share (the "Placing"). All conditions of the Placing Agreement were fulfilled. The Placing was completed and fully subscribed on 5 June 2020. The gross proceeds from the Placing amounted to approximately HK$6,480,000,000 (equivalent to approximately RMB5,967,432,000) and the related directly attributable expenses were approximately HK$32,899,000 (equivalent to approximately RMB30,296,000).

28. PERPETUAL CAPITAL SECURITIES

On 9 December 2019, the Company (the "Issuer") issued 4% senior perpetual capital securities with an aggregate principal amount of US$500,000,000 (equivalent to approximately RMB3,425,857,000) (the "Securities") which are listed on Singapore Exchange Securities Trading Limited at an issue price of 99.641%. Transaction costs relating to the issue of the Securities amounted to approximately RMB12,755,000. Distribution is payable semi-annually in arrears in equal instalments on 9 June and 9 December of each year based on the distribution rate as defined in the subscription agreement. Distribution by the Issuer may be deferred at its sole discretion. The Securities have no fixed maturity and are redeemable in whole, but not in part, at the Issuer's option on 9 December 2024, or any distribution payment date falling thereafter at their principal amounts together with any accrued, unpaid or deferred distributions. While any distributions are unpaid or deferred, the Company will not declare, pay dividends or make distributions or similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower rank.

As the Securities do not contain any contractual obligation to pay cash or other financial assets, in accordance with HKAS 32 "Financial Instruments: Presentation", they are classified as equity for accounting purpose. Any distributions made by the Issuer to the holders of the Securities will be deducted directly to equity in the consolidated financial statements.

29. RESERVES

(a) Share premium

Share premium represents the excess of the net proceeds from issuance of the Company's shares over its par value.

(b) Capital reserve

Capital reserve represents (i) differences between the consideration paid/received and the fair value of net assets acquired/disposed of by the Group from/to Zhejiang Geely Holding Group Company Limited, the ultimate holding company of the Company in prior years; (ii) the differences between the considerations paid and the proportionate share of the carrying amount of the net assets attributable to the relevant interest upon the acquisition of additional interests in subsidiaries; and (iii) the differences between the considerations received and the proportionate share of the carrying amount of the net assets attributable to the relevant interests upon the deemed disposal of partial interest in subsidiaries.

(c) Statutory reserve

As stipulated by the relevant laws and regulations for foreign-invested enterprises in the PRC, the Company's subsidiaries incorporated in the PRC are required to maintain certain statutory reserves.

(d) Fair value reserve (recycling)

Fair value reserve (recycling) comprises the cumulative net change in the fair value of financial assets at FVOCI (recycling) (less related deferred tax charge) held at the end of the reporting period.

(e) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 4(g).

(f) Share-based compensation reserve

Share-based compensation reserve represents the fair value of share options and/or award shares granted to employees recognised and is dealt with in accordance with the accounting policy set out in note 4(p).

(g) Retained profits

Retained profits represent accumulated net profits or losses less dividends paid plus other transfers to or from other reserves.

30. BONDS PAYABLE

On 25 January 2018, the Company issued the bonds with an aggregate principal amount of US$300,000,000 (equivalent to approximately RMB1,944,690,000) (the "Bonds"). The Bonds carried interest at 3.625% per annum, payable semi-annually in arrears on 25 January and 25 July of each year, and the maturity date is 25 January 2023.

The Bonds are listed on Singapore Exchange Securities Trading Limited. They constitute direct, unconditional, unsubordinated and (subject to the terms and conditions of the Bonds) unsecured obligations of the Company and shall at all times rank pari passu and without any preference among themselves. The payment obligations of the Company under the Bonds shall, save for such exceptions as may be provided by applicable law and subject to the terms and conditions of the Bonds, at all times rank pari passu with all its other present and future unsecured and unsubordinated obligations.

The carrying amount of the Bonds at initial recognition net of transaction costs amounted to US$297,296,000 (equivalent to approximately RMB1,927,161,000) and the effective interest rate was 3.825% per annum. The Bonds were measured at amortised cost at the reporting date.

The movements of the Bonds during the year are set out below:

	2021 **RMB'000**	2020 RMB'000
Carrying amount		
At 1 January	**1,949,735**	2,060,085
Exchange differences	**(51,921)**	(113,914)
Interest expenses	**3,323**	3,564
At 31 December	**1,901,137**	1,949,735

31. CASH FLOW INFORMATION

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Dividends payable RMB'000	Lease liabilities RMB'000 (note 25)	Bank borrowings RMB'000 (note 26)	Bonds payable RMB'000 (note 30)	Total RMB'000
At 1 January 2020	–	63,589	2,089,110	2,060,085	4,212,784
Changes from financing cash flows:					
Capital element of lease rentals paid	–	(35,320)	–	–	(35,320)
Other borrowing costs paid	–	(2,852)	(54,796)	(76,347)	(133,995)
Dividends paid	(2,120,977)	–	–	–	(2,120,977)
Total changes from financing cash flows	(2,120,977)	(38,172)	(54,796)	(76,347)	(2,290,292)
Exchange adjustments	–	–	(129,360)	(113,914)	(243,274)
Other changes (note):					
Entering into new leases	–	14,026	–	–	14,026
Interest expenses	–	2,852	54,796	78,477	136,125
Dividends declared (note 11(b))	2,120,977	–	–	–	2,120,977
Others	–	–	–	1,434	1,434
Total other changes	2,120,977	16,878	54,796	79,911	2,272,562
At 31 December 2020	–	42,295	1,959,750	1,949,735	3,951,780

31. CASH FLOW INFORMATION (Continued)

Reconciliation of liabilities arising from financing activities (Continued)

	Dividends payable RMB'000	Lease liabilities RMB'000 (note 25)	Bank borrowings RMB'000 (note 26)	Bonds payable RMB'000 (note 30)	Total RMB'000
At 1 January 2021	–	42,295	1,959,750	1,949,735	3,951,780
Changes from financing cash flows:					
Capital element of lease rentals paid	–	(90,251)	–	–	(90,251)
Other borrowing costs paid	–	(13,396)	(58,594)	(68,696)	(140,686)
Dividends paid	(1,611,439)	–	–	–	(1,611,439)
Total changes from financing cash flows	(1,611,439)	(103,647)	(58,594)	(68,696)	(1,842,376)
Exchange adjustments	–	–	(53,010)	(51,921)	(104,931)
Other changes (note):					
Entering into new leases	–	726,835	–	–	726,835
Interest expenses	–	13,396	58,594	72,639	144,629
Dividends declared (note 11(b))	1,611,439	–	–	–	1,611,439
Acquisition through business combination (note 37)	–	21,897	–	–	21,897
Others	–	–	–	(620)	(620)
Total other changes	1,611,439	762,128	58,594	72,019	2,504,180
At 31 December 2021	**–**	**700,776**	**1,906,740**	**1,901,137**	**4,508,653**

Note: Other changes include interest accruals.

32. DEFERRED TAX ASSETS AND LIABILITIES

The movements during the year in the deferred tax liabilities/(assets) is as follows:

	2021 RMB'000	2020 RMB'000
At 1 January	**(561,382)**	(564,487)
Acquisition through business combinations (note 37)	**10,671**	–
Disposed of through disposal of subsidiaries (note 38)	**–**	34,364
Recognised in other comprehensive income	**1,739**	(42,935)
Recognised in profit or loss (note 10)	**(1,481,665)**	11,676
At 31 December	**(2,030,637)**	(561,382)

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the years is as follow:

Deferred tax assets

	Unused tax losses RMB'000	Amortisation of intangible assets RMB'000	Change in fair value of notes receivable RMB'000	Others RMB'000	Total RMB'000
At 1 January 2020	190,095	431,564	–	243,947	865,606
Recognised in profit or loss	(75,612)	295,760	–	(124,314)	95,834
Recognised in other comprehensive income	–	–	42,935	–	42,935
Disposed of through disposal of subsidiaries (note 38)	–	(34,364)	–	–	(34,364)
At 31 December 2020 and 1 January 2021	114,483	692,960	42,935	119,633	970,011
Recognised in profit or loss	1,048,299	470,987	–	72,389	1,591,675
Recognised in other comprehensive income	–	–	(1,739)	–	(1,739)
Acquisition through business combination (note 37)	53,613	–	–	–	53,613
At 31 December 2021	**1,216,395**	**1,163,947**	**41,196**	**192,022**	**2,613,560**

32. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the years is as follow (Continued):

Deferred tax liabilities

	Withholding tax on undistributed profits from the PRC subsidiaries RMB'000	Fair value adjustments arising from business combination RMB'000	Others RMB'000	Total RMB'000
At 1 January 2020	301,119	–	–	301,119
Recognised in profit or loss	87,299	–	20,211	107,510
At 31 December 2020 and 1 January 2021	388,418	–	20,211	408,629
Recognised in profit or loss	10,989	–	99,021	110,010
Acquisition through business combination (note 37)	–	64,284	–	64,284
At 31 December 2021	399,407	64,284	119,232	582,923

The amounts recognised in the consolidated statement of financial position are as follows:

	2021 RMB'000	2020 RMB'000
Deferred tax assets recognised in the consolidated statement of financial position	**(2,435,192)**	(970,011)
Deferred tax liabilities recognised in the consolidated statement of financial position	**404,555**	408,629
Net deferred tax assets	**(2,030,637)**	(561,382)

32. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

Deferred tax liabilities (Continued)

Withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred tax liabilities have been provided in the consolidated financial statements in respect of temporary differences attributable to the profits earned by the PRC subsidiaries based on the expected dividends payout ratio of these PRC subsidiaries. Deferred tax liabilities have not been recognised in respect of temporary differences relating to the post-2007 profits earned by the PRC subsidiaries amounting to approximately RMB13,364,461,000 (2020: RMB15,130,460,000).

As at the reporting date, the Group has not recognised deferred tax assets in respect of tax losses and deductible temporary differences of approximately RMB2,106,943,000 (2020: RMB1,786,814,000) and RMB220,997,000 (2020: RMB600,766,000), respectively. Of the total unrecognised tax losses, approximately RMB2,032,414,000 (2020: RMB248,784,000) may be carried forward for five years from the year of incurring the loss, and the remaining unrecognised tax losses have no expiry dates. No deferred tax asset has been recognised in respect of those tax losses and deductible temporary differences due to the unpredictability of future profit streams.

33. COMMITMENTS

Capital commitments

As at the reporting date, the capital commitments not provided for in the consolidated financial statements were as follows:

	2021 **RMB'000**	2020 RMB'000
Contracted but not provided for, net of deposits/investments paid		
– purchase of property, plant and equipment	**1,356,552**	1,065,835
– acquisition of a subsidiary (note 45)	**745,600**	–
– investment in associates (note (a) and note 18)	**581,510**	440,510
– investment in joint ventures (notes (b) and (c) and note 19)	**987,255**	613,341
	3,670,917	2,119,686

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. COMMITMENTS (Continued)

Capital commitments (Continued)

Notes:

(a) On 20 December 2018, Zhejiang Jirun Automobile Company Limited# 浙江吉潤汽車有限公司 ("Jirun Automobile"), an indirect non wholly-owned subsidiary of the Company, entered into an investment agreement (the "Investment Agreement 1") with Contemporary Amperex Technology Company Limited# 寧德時代新能源科技股份有限公司 ("CATL Battery"), an independent third party, pursuant to which the parties agreed to establish an associate company, Times Geely Power Battery Company Limited# 時代吉利動力電池有限公司 ("Times Geely"). Pursuant to the terms of the Investment Agreement 1, Times Geely will be owned as to 49% by Jirun Automobile and as to 51% by CATL Battery, respectively. The registered capital of Times Geely will be RMB1,000,000,000, and will be contributed as to 49% (equivalent to RMB490,000,000) in cash by Jirun Automobile and as to 51% (equivalent to RMB510,000,000) in cash by CATL Battery, respectively. As at 31 December 2021 and 2020, the Group and CATL Battery contributed RMB49,490,000 and RMB51,510,000, respectively, to Times Geely.

(b) On 12 June 2019, Zeekr Automobile (Shanghai) Company Limited (formerly known as Shanghai Maple Guorun Automobile Company Limited)# 極氪汽車(上海)有限公司 (formerly known as 上海華普國潤汽車有限公司) ("Zeekr Automobile (Shanghai)"), an indirect non wholly-owned subsidiary of the Company, entered into an investment agreement (the "Investment Agreement 2") with LG Chem Ltd. ("LG Chem"), an independent third party, pursuant to which the parties agreed to establish a joint venture company (the "JV 1") to principally engage in the production and sales of batteries for electric vehicles. Pursuant to the terms of the Investment Agreement 2, the JV 1 will be owned as to 50% by Zeekr Automobile (Shanghai) and as to 50% by LG Chem. The registered capital of the JV 1 will be US$188,000,000 (equivalent to approximately RMB1,228,110,000), and will be contributed as to 50% (US$94,000,000 or equivalent to approximately RMB614,055,000) and 50% (US$94,000,000 or equivalent to approximately RMB614,055,000) by Zeekr Automobile (Shanghai) and LG Chem, respectively. As at 31 December 2021, the formation of the JV 1 was not yet completed. Please refer to the Company's announcement dated 12 June 2019 for further details.

(c) On 13 December 2021, the Company entered into the investment cooperation agreement with Lifan Technology (Group) Company Limited# 力帆科技(集團)股份有限公司 ("Lifan Technology"), pursuant to which the Company and Lifan Technology agreed to form a joint venture company to engage in the research and development, sales and operations of vehicles (including but not limited to battery swapping vehicles). Pursuant to the terms of the investment cooperation agreement, the registered capital of the joint venture company will be RMB600 million, and will be contributed as to 50% (equivalent to RMB300 million) by the Company and as to 50% (equivalent to RMB300 million) by Lifan Technology, respectively. The formation of the joint venture company was completed in January 2022. Please refer to the Company's announcements dated 13 December 2021 and 24 January 2022 for further details.

The English translation of the names of the companies established in the PRC is for reference only. The official names of these companies are in Chinese.

33. COMMITMENTS (Continued)

As lessee

As at the reporting date, the lease commitments for short-term leases are as follows:

	2021	2020
	RMB'000	RMB'000
Office and factory premises		
– Within one year	**20,385**	322

As at 31 December 2021 and 2020, the Group leases a number of office and factory premises which are qualified to be accounted for under short-term lease exemption under HKFRS 16. Details of the leases are set out in note 25.

As lessor

As at the reporting date, the total future minimum lease receipts in respect of certain portion of buildings under non-cancellable operating leases are receivable as follows:

	2021	2020
	RMB'000	RMB'000
Buildings		
– Within one year	**3,417**	5,557
– After one year but within two years	**1,155**	284
– After two years but within three years	**385**	–
	4,957	5,841

Leases are negotiated and rental are fixed for an initial period of one to five years (2020: one to five years).

34. RETIREMENT BENEFITS SCHEME

The Group participates in MPF Scheme established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the scheme are held separately from those of the Group in funds under the control of trustees.

For members of the Mandatory Provident Fund Scheme ("the Scheme"), the Group contributes 5% of the employees' relevant income to the Scheme. Both the employer's and the employees' contributions are subject to a maximum of monthly relevant income of HK$30,000 (equivalent to RMB25,000) per employee. Contributions to the plan vest immediately.

The employees of the Company's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries are required to contribute a fixed percentage of the employees' basic salary to the retirement benefit scheme to fund the benefit. The only obligation of the Group in respect of the retirement benefit scheme is to make the specified contributions.

Contributions are made by the Company's subsidiaries in other overseas countries to defined contribution superannuation funds in accordance with the relevant laws and regulations in those countries.

During the year, the aggregate employer's contributions made by the Group amounted to RMB421,576,000 (2020: RMB299,469,000).

Besides, the Group had no forfeited contributions under its retirement benefit schemes which may be used to reduce the existing level of contributions during the years ended 31 December 2021 and 2020.

35. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS

Share option scheme of the Company

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 31 May 2002, a share option scheme was adopted by the Company and is valid and effective for a period of ten years from 31 May 2002 (the "Old Share Option Scheme"). Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 18 May 2012, a new share option scheme (the "New Share Option Scheme") was adopted to replace the Old Share Option Scheme with the same terms. The Old Share Option Scheme and the New Share Option Scheme are collectively referred to as the "Scheme". After adoption of the New Share Option Scheme, the Old Share Option Scheme was terminated.

The Scheme was adopted for the purpose of providing eligible participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. All directors, full-time employees and any other persons who, in the sole discretion of the Board of Directors, have contributed or will contribute to the Group are eligible to participate in the Scheme.

35. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

Share option scheme of the Company (Continued)

The maximum number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not in aggregate exceed 30% of the issued share capital of the Company from time to time.

Shares which may be issued upon exercise of all options to be granted under the Scheme or any other share option schemes adopted by the Company must not in aggregate exceed 10% of the shares of the Company in issue on the date of adoption.

Unless approved by the shareholders of the Company, the total number of shares of the Company issued and to be issued upon the exercise of the options granted to each participant (including both exercised and unexercised options) under the Scheme or any other share option schemes adopted by the Company in any twelve-month period must not exceed 1% of the issued share capital of the Company.

The period within which the options must be exercised will be specified by the Company at the time of grant. This period must expire no later than ten years from the date of grant of the options. At the time of grant of the options, the Company may specify a minimum period for which an option must be held before it can be exercised. The offer of a grant of share options may be accepted within five business days from the date of offer, the offer is delivered to that participant and the amount payable on acceptance of each share option is HK$1.

For those share options granted after 1 January 2010 and prior to 1 January 2015, one-tenth of share options granted will vest in every year from the grant date with one-tenth of options being vested immediately at the date of grant. For those share options granted after 1 January 2015 and prior to 1 January 2021, none of the share options will be vested in the first year, one-fourth of share options granted will vest in every year after the first year of the grant date. For those share options granted after 1 January 2021, none of the share options will be vested in the first two years, one-fifth of share options granted will vest in every year after the two years of the grant date.

The subscription price for the shares under the Scheme is a price determined by the directors, but not less than the highest of (i) the closing price of shares as stated on the SEHK on the date of the offer of grant; (ii) the average closing price of the shares as stated on the SEHK's daily quotations sheet for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares.

No options may be granted under the Scheme after the date of the tenth anniversary of its adoption.

35. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

Share option scheme of the Company (Continued)

The following table discloses details of the Company's share options under the Scheme held by directors, eligible employees and other persons:

2021

	Exercisable period	Exercise price per share HK$	Outstanding at 1 January	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December
Directors							
Mr. Li Dong Hui, Daniel	23 March 2012 to 22 March 2022	4.07	1,400,000	–	(1,400,000)	–	–
	15 January 2023 to 14 January 2028	32.70	–	14,000,000	–	–	14,000,000
Ms. Wei Mei	23 March 2012 to 22 March 2022	4.07	1,000,000	–	(895,000)	–	105,000
	15 January 2023 to 14 January 2028	32.70	–	7,000,000	–	–	7,000,000
Mr. An Cong Hui	15 January 2023 to 14 January 2028	32.70	–	22,000,000	–	–	22,000,000
Mr. Ang Siu Lun, Lawrence	15 January 2023 to 14 January 2028	32.70	–	3,000,000	–	–	3,000,000
Mr. Gui Sheng Yue	15 January 2023 to 14 January 2028	32.70	–	13,500,000	–	–	13,500,000
Mr. Yang Jian	15 January 2023 to 14 January 2028	32.70	–	3,000,000	–	–	3,000,000
			2,400,000	62,500,000	(2,295,000)	–	62,605,000

35. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

Share option scheme of the Company (Continued)

The following table discloses details of the Company's share options under the Scheme held by directors, eligible employees and other persons (Continued):

2021 (Continued)

	Exercisable period	Exercise price per share HK$	Outstanding at 1 January	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December
Employees	23 March 2012 to 22 March 2022	4.07	3,600,000	–	(1,300,000)	–	2,300,000
	7 September 2019 to 6 September 2023	15.96	600,000	–	–	–	600,000
	15 January 2023 to 14 January 2028	32.70	–	566,610,000	–	(55,010,000)	511,600,000
			4,200,000	566,610,000	(1,300,000)	(55,010,000)	514,500,000
Other eligible participants	31 March 2018 to 30 March 2022	12.22	3,100,000	–	(1,800,000)	–	1,300,000
	14 January 2021 to 13 January 2025	16.04	800,000	–	(10,000)	–	790,000
			3,900,000	–	(1,810,000)	–	2,090,000
			10,500,000	629,110,000	(5,405,000)	(55,010,000)	579,195,000

35. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

Share option scheme of the Company (Continued)

The following table discloses details of the Company's share options under the Scheme held by directors, eligible employees and other persons (Continued):

2021 (Continued)

	Outstanding at 1 January HK$	Granted during the year HK$	Exercised during the year HK$	Forfeited during the year HK$	Outstanding at 31 December HK$
Weighted average exercise price per share	**8.07**	**32.70**	**6.81**	**32.70**	**32.48**
Weighted average remaining contractual life of options outstanding as at 31 December 2021					**5.99 years**
Number of options exercisable as at 31 December 2021					**3,439,500**
Weighted average exercise price per share of options exercisable as at 31 December 2021					**HK$7.42**

35. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

Share option scheme of the Company (Continued)

The following table discloses details of the Company's share options under the Scheme held by directors, eligible employees and other persons (Continued):

2020

	Exercisable period	Exercise price per share HK$	Outstanding at 1 January	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December
Directors							
Mr. Li Dong Hui, Daniel	23 March 2012 to 22 March 2022	4.07	1,400,000	–	–	–	1,400,000
Ms. Wei Mei	23 March 2012 to 22 March 2022	4.07	1,000,000	–	–	–	1,000,000
			2,400,000	–	–	–	2,400,000
Employees	18 January 2010 to 17January 2020	4.07	34,132,000	–	(33,132,000)	(1,000,000)	–
	21 April 2010 to 20 April 2020	4.07	4,060,000	–	(4,000,000)	(60,000)	–
	23 March 2012 to 22 March 2022	4.07	5,200,000	–	(1,600,000)	–	3,600,000
	2 June 2016 to 1 June 2020	4.08	300,000	–	(300,000)	–	–
	7 September 2019 to 6 September 2023	15.96	600,000	–	–	–	600,000
			44,292,000	–	(39,032,000)	(1,060,000)	4,200,000
Other eligible participants	2 June 2016 to 1 June 2020	4.08	8,197,000	–	(8,197,000)	–	–
	31 March 2018 to 30 March 2022	12.22	5,500,000	–	(2,400,000)	–	3,100,000
	14 January 2021 to 13 January 2025	16.04	–	800,000	–	–	800.000
			13,697,000	800,000	(10,597,000)	–	3,900,000
			60,389,000	800,000	(49,629,000)	(1,060,000)	10,500,000

35. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

Share option scheme of the Company (Continued)

The following table discloses details of the Company's share options under the Scheme held by directors, eligible employees and other persons (Continued):

2020 (Continued)

	Outstanding at 1 January HK$	Granted during the year HK$	Exercised during the year HK$	Forfeited during the year HK$	Outstanding at 31 December HK$
Weighted average exercise price per share	4.93	16.04	4.47	4.07	8.07
Weighted average remaining contractual life of options outstanding as at 31 December 2020					1.53 years
Number of options exercisable as at 31 December 2020					8,025,000
Weighted average exercise price per share of options exercisable as at 31 December 2020					HK$6.88

35. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

Share option scheme of the Company (Continued)

During the year ended 31 December 2021, 629,110,000 options were granted on 15 January 2021 with total estimated fair values of approximately RMB5,091,294,000. The closing price of the Company's shares on the date on which the options were granted was HK$31.20. The exercise price of the share options granted was HK$32.70 per share.

During the year ended 31 December 2020, 800,000 options were granted on 14 January 2020 with total estimated fair values of approximately RMB3,731,000. The closing price of the Company's shares on the date on which the options were granted was HK$16.04. The exercise price of the share options granted was HK$16.04 per share.

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair values were measured based on Binomial Option Pricing Model. The inputs into the model are as follows:

Grant date	**15 January 2021**	14 January 2020
Share price	**HK$31.20**	HK$16.04
Exercise price	**HK$32.70**	HK$16.04
Expected volatility	**38.95%**	48.08%
Expected life (expressed as weighted average life used in the modelling under Binomial Option Pricing Model)	**7 years**	5 years
Risk-free interest rate	**0.55%**	1.48%
Expected dividend yield	**2%**	1.40%

Expected volatility was determined by using historical volatility of the comparable companies' share price. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There was no market conditions associated with the share options granted.

35. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

Share award scheme of the Company (Continued)

The Company has adopted a share award scheme on pursuant to an ordinary resolution passed at the board meeting of the Company held on 30 August 2021 for the purposes of attracting and retaining the high calibre employees whose contributions will be beneficial to the growth and development of the Group (the “Share Award Scheme”).

The Share Award Scheme does not constitute a share option scheme under Chapter 17 of the Listing Rules and is a discretionary scheme of the Company. No shareholders’ approval is required to adopt the Share Award Scheme.

Following the adoption of the Share Award Scheme, the Company resolved to award an aggregate of 167,022,000 ordinary shares to 10,884 selected participants by way of issue and allotment of new ordinary shares under the general mandate. The shares being granted with respect to a selected participant will vest in 4 tranches of 25% each year from 30 August 2022 to 29 August 2025, on the condition that the employees remain in service with performance requirements, including but not limited to meeting the company-level performance target and the selected participant’s level performance target. Subject to the satisfaction of the vesting conditions, such new award shares will be transferred to the selected participants at nominal value on the vesting date. The selected participants are required to pay the nominal value for the award shares.

As at 31 December 2021, the Company has appointed a professional and independent trustee, BOCI Prudential Trustee Limited (“Trustee”), to assist with the administration and vesting of award shares granted pursuant to the Share Award Scheme. The Trustee will not exercise the voting rights in respect of any ordinary shares held under the trust. The award shares will be allotted and issued to the Trustee who will hold the award shares in trust in accordance with the trust deed for the selected participants.

Movements in the number of award shares outstanding are as follows:

	2021	2020
Balance at 1 January	**–**	–
Granted	**167,022,000**	–
Lapsed	**(7,522,701)**	–
Balance at 31 December	**159,499,299**	–

The fair value of each award share was calculated based on the market price of the Company’s shares at the respective grant date.

35. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

Share award scheme of Zeekr Intelligent Technology Holding Limited ("Zeekr Holding")

On 20 August 2021, Zeekr Holding also adopted a share award scheme (the "Zeekr Share Award Scheme"). The purposes of the Zeekr Share Award Scheme are to encourage the selected participants to continuously make greater contributions to the long-term growth of the Zeekr Holding and its subsidiaries ("Zeekr Group") and thereby enhancing the value of the Company for the benefit of the shareholders, and to attract and retain high calibre employees whose contributions will be beneficial to the growth and development of the Zeekr Group. Details of the Zeekr Share Award Scheme were set out in the announcement of the Company dated 20 August 2021.

The Zeekr Share Award Scheme does not constitute a share option scheme under Chapter 17 of the Listing Rules and is a discretionary share award scheme of the Company. No shareholders' approval is required to adopt the Zeekr Share Award Scheme.

Immediately upon the adoption of the Zeekr Share Award Scheme, Zeekr Holding granted 56,560,400 ordinary shares (the "Zeekr Award Shares") to 3,393 selected participants under the Zeekr Share Award Scheme by way of reservation and future issuance of new ordinary shares. The vesting schedule of the Zeekr Award Shares granted would be subject to both the initial public offering condition and service-and-performance-based condition. Subject to the satisfaction of the conditions for vesting as provided under the Zeekr Share Award Scheme, the Zeekr Award Shares granted shall be vested in four batches as follows: (i) the first batch (being up to 25% of the Zeekr Award Shares granted) will be vested on 15 April 2022; (ii) the second batch (being up to 25% of the Zeekr Award Shares granted) will be vested on 15 April 2023; (iii) the third batch (being up to 25% of the Zeekr Award Shares granted) will be vested on 15 April 2024; and (iv) the fourth batch (being up to 25% of the Zeekr Award Shares granted) will be vested on 15 April 2025. The selected participants are required to pay the nominal value for the Zeekr Award Shares.

Back-solve method was used to determine the underlying equity fair value of the Zeekr Holding and the option-pricing method was used to determine the fair value of the underlying shares. The fair value of Zeekr Award Shares granted at grant date was approximately RMB647,972,000. Key assumptions adopted in determining the fair value are as follows:

Grant date	**20 August 2021**
Expected volatility	53.14%
Risk-free interest rate	0.79%
Expected dividend yield	0.00%

Expected volatility was determined by using average historical volatilities of comparable companies in the same industry. Expected dividend yield is based on the management's estimate at valuation date.

35. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

Share award scheme of Zeekr Intelligent Technology Holding Limited (“Zeekr Holding”) (Continued)

Movements in the number of Zeekr Award Shares outstanding are as follows:

	2021	2020
Balance at 1 January	**–**	–
Granted	**56,560,400**	–
Lapsed	**(3,595,600)**	–
Balance at 31 December	**52,964,800**	–

Equity settled share-based payments have been recorded in the consolidated financial statements as follows:

	2021			2020		
	Expensed	**Capitalised as product development cost of intangible assets**	**Total**	Expensed	Capitalised as product development cost of intangible assets	Total
	RMB’000	**RMB’000**	**RMB’000**	RMB’000	RMB’000	RMB’000
Share option scheme of the Company	**814,007**	**196,629**	**1,010,636**	4,095	–	4,095
Share award scheme of the Company	**398,692**	**137,494**	**536,186**	–	–	–
Share award scheme of Zeekr Holding (note)	**–**	**–**	**–**	–	–	–
	1,212,699	**334,123**	**1,546,822**	4,095	–	4,095

Note: The Group had not recognised any equity settled share-based payments for share award scheme of Zeekr Holding as the management considers that it is not probable that the condition related to the initial public offering of Zeekr Holding will be satisfied until the event occurs.

36. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the years ended 31 December 2021 and 2020, the Group had the following material transactions with connected and related parties:

(a) Transactions

Name of related parties	Nature of transactions	2021 RMB'000	2020 RMB'000
Related companies (notes a and b)			
Zhejiang Geely Automobile Company Limited# 浙江吉利汽車有限公司	Sales of complete knock down kits (note d)	**36,344,784**	32,324,576
	Sales of complete buildup units, complete knock down kits and related after-sales parts (note d)	**689,283**	–
	Sales of complete buildup units, complete knock down kits and related after-sales parts (Proton Sales Agreement) (note d)	**–**	1,134,549
	Purchase of complete buildup units (note d)	**37,877,190**	33,878,372
	Claims income on defective materials purchased	**246,352**	203,181
	Claims paid on defective materials sold	**276,537**	157,485
	Sales of automobile parts and components (note d)	**86,309**	13,525
	Research, development and technology licensing service income (note d)	**38,321**	–
Shanghai Maple Automobile Company Limited# 上海華普汽車有限公司	Sales of powertrain and related components (note d)	**–**	5,890
Zhejiang Haoqing Automobile Manufacturing Company Limited# 浙江豪情汽車製造有限公司	Sales of complete knock down kits (note d)	**38,115,188**	36,487,866
	Purchase of complete buildup units (note d)	**39,421,642**	37,847,042
	Claims income on defective materials purchased	**223,242**	259,276
	Claims paid on defective materials sold	**240,124**	247,856
	Sales of complete buildup units, complete knock down kits and related after-sales parts (note d)	**1,102,207**	–
	Sales of complete buildup units, complete knock down kits and related after-sales parts (Proton Sales Agreement) (note d)	**–**	879,963
	Sales of automobile parts and components (note d)	**46,987**	6,105
	Acquisition of property, plant and equipment (note h)	**56,598**	–

36. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the years ended 31 December 2021 and 2020, the Group had the following material transactions with connected and related parties (Continued):

(a) Transactions (Continued)

Name of related parties	Nature of transactions	2021 RMB'000	2020 RMB'000
Related companies (notes a and b)			
Geely Automobile Group Company Limited# 吉利汽車集團有限公司	Disposal of subsidiaries (note d) (note 38)	–	729,387
	Operational service fee (note d)	36,226	62,601
	Operational service income (note d)	15,367	19,368
	Acquisition of property, plant and equipment (note h)	52,773	–
	Acquisition of a subsidiary (note d) (note 37)	485,329	–
Zhejiang Geely Automobile Parts and Components Company Limited# 浙江吉利汽車零部件採購有限公司	Purchase of automobile parts and components (note d)	727,348	268,117
Ningbo Geely Automobile R&D Company Limited# 寧波吉利汽車研究開發有限公司	Sales of powertrain and related components (note d)	34,746	30,072
	Purchase of automobile parts and components (note d)	23,661	11,440
	License fee income received (note i)	255,000	–
	License fee income receivable	–	470,000
	Research, development and technology licensing service income (note d)	2,623,163	394,982
	Research, development and technology licensing service fee (note d)	1,730,420	242,380
	Research, development and technology support service income (note d)	–	427,795
	Research, development and technology support service fee (note d)	–	76,172
	Operational service income (note d)	42,718	58,539
	Sales of automobile parts and components (note d)	13,473	4,977
	Purchase of complete buildup units (note d)	–	2,336
	Acquisition of property, plant and equipment (note e and h)	65,908	334,087
	Disposal of property, plant and equipment (note d)	51,063	–

36. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the years ended 31 December 2021 and 2020, the Group had the following material transactions with connected and related parties (Continued):

(a) Transactions (Continued)

Name of related parties	Nature of transactions	2021 RMB'000	2020 RMB'000
Related companies (notes a and b)			
Linyi Lingji Chunhua Automobile Sales Service Company Limited# 臨沂領吉春華汽車銷售服務有限公司	Sales of complete build-up units and related after-sales parts, components and accessories (note d)	**213,210**	149,966
Hangzhou Geely New Energy Automobile Sales Company Limited# 杭州吉利新能源汽車銷售有限公司	Sales of complete buildup units (electric vehicles) (note d)	**27,225**	–
Xiamen Geely Automobile Sales Company Limited# 廈門吉利汽車銷售有限公司	Sales of complete buildup units (electric vehicles) (note d)	**–**	4,677
Yiwu Geely Engine Company Limited# 義烏吉利發動機有限公司	Acquisition of property, plant and equipment (note h)	**266,880**	–
Hangzhou Youhang Technology Company Limited# 杭州優行科技有限公司	Sales of complete buildup units (electric vehicles) (note d)	**12,124**	300,708
Hubei Ecarx Company Limited# 湖北億咖通科技有限公司	Purchase of automobile components (Automobile Components Procurement Agreement) (note d)	**5,674**	846,059
Zhejiang Huanfu Technology Co., Ltd. (formerly known as Zhejiang Ecarx Company Limited)# 浙江寰福科技有限公司(前稱浙江億咖通科技有限公司)	Purchase of automobile components (Automobile Components Procurement Agreement) (note d)	**–**	37,311

36. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the years ended 31 December 2021 and 2020, the Group had the following material transactions with connected and related parties (Continued):

(a) Transactions (Continued)

Name of related parties	Nature of transactions	2021 RMB'000	2020 RMB'000
Related companies (notes a and b)			
Shenzhen Geely Automobile Sales Company Limited# 深圳吉利汽車銷售有限公司	Sales of complete buildup units (electric vehicles) (note d)	–	49,614
Shanxi New Energy Automobile Industrial Company Limited# 山西新能源汽車工業有限公司	Sales of complete knock down kits (note d)	1,919,315	1,810,793
	Purchase of complete buildup units (note d)	1,934,588	1,570,447
Hangzhou Geely Yiyun Technology Company Limited# 杭州吉利易雲科技有限公司	IT services expenses	–	8,379
	Operational service income (note d)	14,877	–
Zhejiang Geely Business Services Company Limited# 浙江吉利商務服務有限公司	Business travel services expenses (note d)	22,921	53,310
Fengsheng Automobile (Jiangsu) Company Limited# 楓盛汽車(江蘇)有限公司	Sales of automobile parts and components (note d)	–	29,756
Viridi E-Mobility Technology (Suzhou) Co., Ltd.# 威睿電動汽車技術(蘇州)有限公司	Purchase of automobile components (Automobile Components Procurement Agreement) (note d)	69,029	104,473

36. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the years ended 31 December 2021 and 2020, the Group had the following material transactions with connected and related parties (Continued):

(a) Transactions (Continued)

Name of related parties	Nature of transactions	2021 RMB'000	2020 RMB'000
Related companies (notes a and b)			
Viridi E-Mobility Technology (Ningbo) Co., Ltd# ("Ningbo Viridi") 威睿電動汽車技術(寧波)有限公司 (note g)	Purchase of automobile components (Automobile Components Procurement Agreement) (note d)	**711,331**	169,281
	Operational service income (note d)	**3,582**	1,120
Yaou Automobile Manufacturing (Taizhou) Company Limited# 亞歐汽車製造(台州)有限公司	Sales of powertrain and related components (note d)	**–**	187,578
	Sales of automobile parts and components (Automobile Parts Supply Agreement) (note d)	**–**	15,088
Shanghai Meihuan Trade Company Limited# 上海美寰貿易有限公司	Sales of complete buildup units, complete knock down kits and related after-sales parts (Proton Sales Agreement) (note d)	**–**	406,802
	Sales of complete buildup units, complete knock down kits and related after-sales parts (note d)	**591,896**	–
	Sales of powertrain and related components (note d)	**5,859**	3,563
	Sales of automobile components (Automobile Components Sales Agreement) (note d)	**10,981**	–
	Operational service income (note d)	**124,312**	71,420
Guangzhou Geely New Energy Automobile Sales Company Limited# 廣州吉利新能源汽車銷售有限公司	Sales of complete buildup units (electric vehicles) (note d)	**–**	44,736
Fuzhou Geely Emgrand New Energy Automobile Sales Company Limited# 福州吉利帝豪新能源汽車銷售有限公司	Sales of complete buildup units (electric vehicles) (note d)	**–**	11,323

36. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the years ended 31 December 2021 and 2020, the Group had the following material transactions with connected and related parties (Continued):

(a) Transactions (Continued)

Name of related parties	Nature of transactions	2021 RMB'000	2020 RMB'000
Related companies (notes a and b)			
Zhejiang Xuan Fu Automatic Transmission Company Limited# 浙江軒孚自動變速器有限公司	Sales of complete knock down kits (note d)	**–**	1,779
Xian Geely New Energy Automobile Sales Company Limited# 西安吉利新能源汽車銷售有限公司	Sales of complete buildup units (electric vehicles) (note d)	**–**	52,387
London EV Company Limited	Sales of powertrain and related components (note d)	**17,805**	15,446
Zhangjiakou Jiguangwan Engine Manufacturing Company Limited (formerly known as Zhangjiakou Volvo Automobile Engines Manufacturing Company Limited)# 張家口極光灣發動機製造有限公司(前稱張家口沃爾沃汽車發動機製造有限公司)	Purchase of automobile parts and components (note d)	**–**	3,334
Taizhou Haoqing Automobile Sales Company Limited# 台州豪情汽車銷售有限公司	Sales of complete knock down kits (note d)	**–**	9,768
Zhejiang Zhihui Puhua Financial Leasing Company Limited# 浙江智慧普華融資租賃有限公司	Sales of complete buildup units (electric vehicles) (note d)	**40,214**	–
China-Euro Vehicle Technology AB	Research, development and technology licensing service fee (note d)	**413,612**	–

36. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the years ended 31 December 2021 and 2020, the Group had the following material transactions with connected and related parties (Continued):

(a) Transactions (Continued)

Name of related parties	Nature of transactions	2021 RMB'000	2020 RMB'000
Related companies (notes a and b)			
SCI Seating (Ningbo) Co., Ltd.# 舒茨曼座椅(寧波)有限公司	Purchase of automobile components (Automobile Components Procurement Agreement) (note d)	**16,698**	80,911
Zhejiang Jichuang Auto Parts Company Limited# 浙江吉創汽車零部件有限公司	Purchase of automobile parts and components (note d)	**2,521,849**	–
	Purchase of automobile components (Automobile Components Procurement Agreement) (note d)	**–**	586,274
	Disposal of a subsidiary (note d) (note 38)	**–**	30,495
	Claims income on defective materials purchased	**29,526**	–
Zhejiang Jizhi New Energy Automobile Technology Company Limited# 浙江吉智新能源汽車科技有限公司	Sales of automobile parts and components (note d)	**1,277**	1,744
	Research, development and technology licensing service income (note d)	**31,211**	–
Hangzhou Xuanyu Human Resources Company Limited# 杭州軒宇人力資源有限公司	Operational service fee (note d)	**77,948**	16,577
Geely Changxing Automatic Transmission Company Limited# 吉利長興自動變速器有限公司	Sales of powertrain and related components (note d)	**4,234**	2,258
	Research, development and technology support service income (note d)	**–**	21,117
	Research, development and technology licensing service income (note d)	**165,923**	–
	Operational service income (note d)	**13,740**	–
Volvo Personvagnar AB	Sales of powertrain and related components (note d)	**768,708**	600,305

36. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the years ended 31 December 2021 and 2020, the Group had the following material transactions with connected and related parties (Continued):

(a) Transactions (Continued)

Name of related parties	Nature of transactions	2021 RMB'000	2020 RMB'000
Related companies (notes a and b)			
Geely Sichuan Commercial Vehicle Company Limited# 吉利四川商用車有限公司	Sales of powertrain and related components (note d)	**13,305**	4,476
Sichuan Lingji Automobile Manufacturing Company Limited# 四川領吉汽車製造有限公司	Sales of powertrain and related components (note d)	**1,184,649**	542,758
	Purchase of complete knocks down kits and automobile components (note d)	**2,311,047**	–
	Sales of automobile components (Automobile Components Sales Agreement) (note d)	**52,750**	–
	Sales of automobile parts and components (note d)	**30,161**	–
	Operational service income (note d)	**22,798**	–
Zhejiang Yinglun Automobile Company Limited# 浙江英倫汽車有限公司	Sales of powertrain and related components (note d)	**3,617**	3,995
Guiyang Geely Engines Company Limited# 貴陽吉利發動機有限公司	Purchase of automobile components (Automobile Components Procurement Agreement) (note d)	**–**	132,708
	Acquisition of property, plant and equipment (note e)	**–**	132,709
Feixian Lingji Chunhua Automobile Sales Service Company Limited# 費縣領吉春華汽車銷售服務有限公司	Sales of complete build-up units and related after-sales parts components and accessories (note d)	**53,813**	48,473
Yishui Lingji Yuantong Automobile Sales Service Company Limited# 沂水領吉遠通汽車銷售服務有限公司	Sales of complete build-up units and related after-sales parts, components and accessories (note d)	**36,622**	35,907

36. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the years ended 31 December 2021 and 2020, the Group had the following material transactions with connected and related parties (Continued):

(a) Transactions (Continued)

Name of related parties	Nature of transactions	**2021 RMB'000**	2020 RMB'000
Related companies (notes a and b)			
Dongying Lingji Kaihua Automobile Sales Service Company Limited# 東營領吉凱華汽車銷售服務有限公司	Sales of complete build-up units and related after-sales parts, components and accessories (note d)	**68,626**	37,604
Hefei Geely New Energy Automobile Sales Company Limited# 合肥吉利新能源汽車銷售有限公司	Sales of complete buildup units (electric vehicles) (note d)	**–**	7,762
Taizhou Geely Luoyou Engines Company Limited# 台州吉利羅佑發動機有限公司	Acquisition of property, plant and equipment (note e)	**–**	153,152
Changsha Geely New Energy Automobile Sales Company Limited# 長沙吉利新能源汽車銷售有限公司	Sales of complete buildup units (electric vehicles) (note d)	**12,965**	268,671
Linyi Lingji Maohua Automobile Sales Service Company Limited# 臨沂領吉茂華汽車銷售服務有限公司	Sales of complete build-up units and related after-sales parts, components and accessories (note d)	**236,047**	164,993
Zhejiang Joint Control Technology Company Limited# 浙江聯控技術有限公司	Research, development and technology licensing service income (note d)	**679,059**	–
	Operational service income (note d)	**–**	19,143
Lingji Automobile Trading Company Limited# 領吉汽車商貿有限公司	Sales of complete build-up units and related after-sales parts, components and accessories (note d)	**19,381**	40,403

36. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the years ended 31 December 2021 and 2020, the Group had the following material transactions with connected and related parties (Continued):

(a) Transactions (Continued)

Name of related parties	Nature of transactions	2021 RMB'000	2020 RMB'000
Related companies (notes a and b)			
Volvo Automobile Sales (Shanghai) Company Limited# 沃爾沃汽車銷售(上海)有限公司	Sales of powertrain and related components (note d)	**–**	5,852
Zhejiang Mingdao Industrial Co., Ltd. (formerly known as Zhejiang Juke Industrial Company Limited)# 浙江銘島實業有限公司(前稱浙江巨科實業有限公司)	Purchase of automobile components (Automobile Components Procurement Agreement) (note d)	**3,606**	2,016
Hangzhou Fenghua Cultural and Creative Company Limited# 杭州楓華文化創意有限公司	Purchase of automobile components (Automobile Components Procurement Agreement) (note d)	**4,344**	1,817
	Sales of automobile parts and components (note d)	**–**	1,360
Ningbo Jihao Automobile Service Company Limited# 寧波吉豪汽車服務有限公司	Sales of automobile parts and components (note d)	**–**	9,694
Ningbo Xianglong Automobile Sales Service Company Limited# 寧波祥龍汽車銷售服務有限公司	Sales of automobile parts and components (note d)	**–**	3,410
Ningbo Haorui Automobile Sales Service Company Limited# 寧波豪瑞汽車銷售服務有限公司	Sales of automobile parts and components (note d)	**–**	4,705
Ningbo Juntai Automobile Sales Service Company Limited# 寧波駿泰汽車銷售服務有限公司	Sales of automobile parts and components (note d)	**–**	1,473

36. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the years ended 31 December 2021 and 2020, the Group had the following material transactions with connected and related parties (Continued):

(a) Transactions (Continued)

Name of related parties	Nature of transactions	2021 RMB'000	2020 RMB'000
Related companies (notes a and b)			
Ningbo Yongcheng Youxing New Energy Vehicle Sales Service Company Limited# 寧波甬成優行新能源汽車銷售服務有限公司	Sales of automobile parts and components (note d)	–	4,022
Shandong Geely New Energy Commercial Vehicle Company Limited# 山東吉利新能源商用車有限公司	Sales of automobile parts and components (note d)	20,173	7,226
	Sales of powertrain and related components (note d)	13,023	11,108
Hangzhou Geely Automobile Research and Development Company Limited# 杭州吉利汽車研究開發有限公司	Research, development and technology licensing service fee (note d)	–	2,093
Chengdu Gaoyuan Automobile Industries Company Limited# ("Chengdu Automobile") 成都高原汽車工業有限公司 (note f)	Sales of complete knock down kits (note d)	687,617	3,088,354
	Purchase of complete buildup units (note d)	743,610	2,968,950
	Acquisition of property, plant and equipment (note h)	30,447	–
Putian Geely New Energy Automobile Sales Company Limited# 莆田市吉利新能源汽車銷售有限公司	Sales of complete buildup units (electric vehicles) (note d)	–	1,178
Jinan Geely Automobile Company Limited# 濟南吉利汽車有限公司	Sales of automobile parts and components (note d)	–	1,828

36. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the years ended 31 December 2021 and 2020, the Group had the following material transactions with connected and related parties (Continued):

(a) Transactions (Continued)

Name of related parties	Nature of transactions	2021 RMB'000	2020 RMB'000
Related companies (notes a and b)			
Zhejiang Jirun Meishan Automobile Parts Company Limited# 浙江吉潤梅山汽車部件有限公司	Research, development and technology licensing services income (note d)	–	16,365
	Purchase of complete buildup units (note d)	42,088	–
	Sales of automobile components (Automobile Components Sales Agreement) (note d)	91,541	–
	Sales of powertrain and related components (note d)	48,796	–
	Operational service income (note d)	11,967	–
Jinan Geely Auto Parts Company Limited# 濟南吉利汽車零部件有限公司	Acquisition of property, plant and equipment (note e)	–	9,691
Ningbo Hangzhou Bay Geely Automobile Components Company Limited# 寧波杭州灣吉利汽車部件有限公司	Purchase of complete buildup units (note d)	103,432	–
	Purchase of complete knocks down kits and automobile components (note d)	1,815,884	–
	Sales of automobile components (Automobile Components Sales Agreement) (note d)	18,548	–
	Acquisition of property, plant and equipment (note h)	34,319	–
	Operational service income (note d)	12,215	–
Guangzhou Lingjixing Automobile Sales Service Company Limited# 廣州領吉行汽車銷售服務有限公司	Sales of complete build-up units and related after-sales parts, components and accessories (note d)	11,518	–
Hangzhou Zhihui Puhua Leasing Company Limited# 杭州智慧普華租賃有限公司	Sales of complete buildup units (electric vehicles) (note d)	20,497	–

36. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the years ended 31 December 2021 and 2020, the Group had the following material transactions with connected and related parties (Continued):

(a) Transactions (Continued)

Name of related parties	Nature of transactions	2021 RMB'000	2020 RMB'000
Related companies (notes a and b)			
Zhongjia Automobile Manufacturing (Chengdu) Company Limited# 中嘉汽車製造(成都)有限公司	Sales of automobile components (Automobile Components Sales Agreement) (note d)	**28,000**	–
Wuhan Lingjixing Automobile Sales Service Company Limited# 武漢領吉行汽車銷售服務有限公司	Sales of complete build-up units and related after-sales parts, components and accessories (note d)	**22,129**	–
Suzhou Lingjixin Automobile Sales Service Company Limited# 蘇州領吉鑫汽車銷售服務有限公司	Sales of complete build-up units and related after-sales parts, components and accessories (note d)	**17,657**	–
Hangzhou Fuzhao Langfeng Technology Company Limited# 杭州福兆朗風科技有限公司	Purchase of automobile parts and components (note d)	**19,610**	–
	Purchase of automobile components (Automobile Components Procurement Agreement) (note d)	**–**	9,060
Geely Changxing New Energy Automobile Company Limited# 吉利長興新能源汽車有限公司	Purchase of automobile components (Automobile Components Procurement Agreement) (note d)	**37,321**	–
	Acquisition of a subsidiary (note d) (note 37)	**2,534,689**	–
	Operational service income (note d)	**–**	5,320
Shanghai Jijin Mechanical and Electrical Equipment Company Limited# 上海吉津機電設備有限公司	Acquisition of property, plant and equipment (note h)	**38,300**	–

36. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the years ended 31 December 2021 and 2020, the Group had the following material transactions with connected and related parties (Continued):

(a) Transactions (Continued)

Name of related parties	Nature of transactions	2021 RMB'000	2020 RMB'000
Related companies (notes a and b)			
Xian Geely Automobile Company Limited# 西安吉利汽車有限公司	Purchase of complete buildup units (note d)	**5,959,872**	–
	Sales of powertrain and related components (note d)	**617,624**	2,152
	Acquisition of property, plant and equipment (note h)	**51,790**	–
	Operational service income (note d)	**38,686**	4,219
	Purchase of complete knocks down kits and automobile components (note d)	**29,767**	–
	Purchase of automobile parts and components (note d)	**–**	12,555
	Sales of automobile parts and components (note d)	**–**	3,139
Zhejiang Limin Industrial Group Company Limited# 浙江利民實業集團有限公司	Purchase of automobile parts and components (note d)	**650,452**	–
Polestar Performance AB	Research, development and technology licensing services income (note d)	**33,345**	–
Microcity Electric Vehicle Service (Shanghai) Company Limited# 左中右電動汽車服務(上海)有限公司	Sales of complete buildup units (electric vehicles) (note d)	**14,455**	–
Jizhi (Hangzhou) Cultural Creativity Company Limited# 吉智(杭州)文化創意有限公司	Business travel services expenses (note d)	**123,953**	–
Volvo Car Corporation	Research, development and technology licensing services income (note d)	**43,147**	–
Ningbo Jining Auto Parts Company Limited# 寧波吉寧汽車零部件有限公司	Purchase of automobile parts and components (note d)	**16,985**	–

36. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the years ended 31 December 2021 and 2020, the Group had the following material transactions with connected and related parties (Continued):

(a) Transactions (Continued)

Name of related parties	Nature of transactions	2021 RMB'000	2020 RMB'000
Related companies (notes a and b)			
Zhejiang Fengsheng Auto Parts Company Limited[#] 浙江楓盛汽車零部件有限公司	Purchase of automobile parts and components (note d)	**10,685**	–
Xian Liancheng Intelligent Technology Company Limited[#] 西安聯乘智能科技有限公司	Purchase of automobile parts and components (note d)	**33,282**	–
Beijing Lingjisheng Automobile Sales Service Company Limited[#] 北京領吉盛汽車銷售服務有限公司	Sales of complete build-up units and related after-sales parts, components and accessories (note d)	**55,093**	–
Polestar Automobile Sales Co., Ltd.[#] 極星汽車銷售有限公司	Sales of powertrain and related components (note d)	**12,222**	–
Valmet Automotive EV Power Ltd.	Sales of automobile components (Automobile Components Sales Agreement) (note d)	**378,137**	–
Associates			
Mando (Ningbo) Automotive Parts Co., Limited[#] 萬都(寧波)汽車零部件有限公司	Purchase of automobile parts and components	**1,359,244**	1,819,086
	Claims income on defective materials purchased	**21,573**	–
BELGEE	Sales of automobile parts and components	**911,210**	719,576
Zhejiang Haohan Energy Technology Co., Ltd.[#] 浙江浩瀚能源科技有限公司	Purchase of complete knocks down kits and automobile components (note d)	**17,100**	–

36. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the years ended 31 December 2021 and 2020, the Group had the following material transactions with connected and related parties (Continued):

(a) Transactions (Continued)

Name of related parties	Nature of transactions	2021 RMB'000	2020 RMB'000
Joint ventures			
LYNK & CO Automobile Sales Company Limited# 領克汽車銷售有限公司	Sales of powertrain and related components (note d)	**5,614**	2,142
	Storage fees for provision of warehouse services (note d)	**8,644**	10,666
	Purchase of complete buildup units (note d)	**18,778**	12,372
	Operational service income (note d)	**176,978**	157,535
	Sales of complete build-up units and related after-sales parts, components and accessories (note d)	**58,990**	–
Kaiyue Auto Parts Manufacture (Zhangjiakou) Co., Ltd.# 凱悦汽車大部件製造(張家口)有限公司	Sales of powertrain and related components (note d)	**1,436,936**	1,426,344
	Operational service income (note d)	**146,195**	118,358
	Purchase of automobile parts and components (note d)	**15,124**	–
	Purchase of automobile components (Automobile Components Procurement Agreement) (note d)	**–**	1,771
	Research, development and technology licensing services income (note d)	**162,156**	–
	Sales of automobile parts and components (note d)	**19,621**	–
Yuyao LYNK & CO Auto Parts Company Limited# 余姚領克汽車部件有限公司	Sales of powertrain and related components (note d)	**1,033,935**	585,725
	Purchase of automobile components (Automobile Components Procurement Agreement) (note d)	**20,721**	1,301
	Research, development and technology licensing services income (note d)	**261,951**	26,204
	Operational service income (note d)	**129,484**	11,969
	Sales of automobile components (Automobile Components Sales Agreement) (note d)	**61,999**	–
LYNK & CO (Yuyao) Company Limited (formerly known as LYNK & CO (Taizhou) Company Limited)# 領克汽車科技(余姚)有限公司 (前稱領克汽車(台州)有限公司)	Operational service income (note d)	**–**	2,319

36. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the years ended 31 December 2021 and 2020, the Group had the following material transactions with connected and related parties (Continued):

(a) Transactions (Continued)

Name of related parties	Nature of transactions	2021 RMB'000	2020 RMB'000
Joint ventures			
Chengdu LYNK & CO Automobile Company Limited# 成都領克汽車有限公司	Operational service income (note d)	**9,506**	2,487
	Research, development and technology licensing services income (note d)	**51,784**	–
LYNK & CO (Zhangjiakou) Co., Ltd.# 領克汽車(張家口)有限公司	Operational service income (note d)	**121,568**	71,983
LYNK & CO International Sales (Yuyao) Co., Ltd.# 領克汽車國際銷售(余姚)有限公司	Operational service income (note d)	**93,771**	–
Geely Yaou (Ningbo Meishan Bonded Port Area) Technology Co., Ltd.# 吉利亞歐(寧波梅山保税港區)科技有限公司	Research, development and technology licensing services income (note d)	**172,497**	–
Genius Auto Finance Co., Ltd.# 吉致汽車金融有限公司	Interest income	**281,581**	181,746
	Service charge	**29,423**	–
Ultimate holding company			
Zhejiang Geely Holding Group Company Limited# ("Geely Holding") 浙江吉利控股集團有限公司	Sales of automobile parts and components (note d)	**–**	1,127
	Operational service income (note d)	**9,262**	3,396
	Disposal of a subsidiary (note d) (note 38)	**–**	76,272

The English translation of the names of the companies established in the PRC is for reference only. The official names of these companies are in Chinese.

36. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the years ended 31 December 2021 and 2020, the Group had the following material transactions with connected and related parties (Continued):

(a) Transactions (Continued)

Notes:

(a) The Group and the related companies are under the common control of the substantial shareholder of the Company's ultimate holding company.

(b) The Group does not have the automobile catalogue issued by the National Development Reform Commission in the PRC which is required to facilitate payment of the PRC consumption tax. The related parties referred to above have the relevant automobile catalogue license and therefore the sales of complete knock down kits to and purchase of complete buildup units from related parties as set out above have been presented on a net basis in the consolidated income statement (to the extent that they are back-to-back transactions) since the said related parties in effect only act as a channel to facilitate the payment of the PRC consumption tax. For the same reason, the related claims income from and claims expenses paid to these related parties have also been presented on a net basis as long as they are back-to-back transactions.

(c) The related party transactions were conducted in the Group's normal course of business and at prices and terms no less than those charged to and contracted with other third parties of the Group.

(d) The related party transactions constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are disclosed in "Directors' Report" section to the annual report.

(e) Pursuant to the acquisition agreement dated 5 October 2018, the Company entered into a transaction with Geely Holding, pursuant to which the Group agreed to acquire and the Geely Holding Group agreed to sell the assets comprising predominantly imported equipment for use in the Group's production and research and development, as well as a small amount of office equipment and software system for a maximum consideration of approximately RMB679,871,000.

(f) Chengdu Automobile had been disposed by the Group in July 2020 (note 38). The amounts disclosed represented the transactions entered into after disposal.

(g) Ningbo Viridi had been acquired by the Group in October 2021 (note 37). The amounts disclosed represented the transactions entered into before acquisition.

(h) Pursuant to the acquisition agreement dated 4 November 2020, the Company entered into a transaction with Geely Holding, pursuant to which the Group agreed to acquire and the Geely Holding Group agreed to sell the assets comprising predominantly imported equipment for use in the Group's production and research and development, as well as a small amount of office equipment and software system for a maximum consideration of approximately RMB743,918,000.

(i) Pursuant to the licensing agreement dated 26 November 2019, the Company entered into a transaction with Geely Holding, pursuant to which the Group agreed to license the intellectual properties to Geely Holding Group for the design, development, manufacture, sale, marketing and distribution of the licensed engine (i.e. GEP3 engine) and related parts and components within the licensed regions during the licensed period. Pursuant to the licensing agreement, Geely Holding Group is permitted to sub-license the intellectual properties only to the Proton Group for the aforesaid purposes during the period.

36. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

(b) Remuneration of key management personnel

The remuneration of directors (as disclosed in note 13) and other members of key management personnel during the year are as follows:

	2021 RMB'000	2020 RMB'000
Short-term benefits	**17,916**	18,212
Retirement scheme contribution	**236**	239
Equity settled share-based payments	**176,848**	4,095
	195,000	22,546

The remuneration of directors and key management personnel are determined by the remuneration committee having regard to the performance of individuals and market trends. Total remuneration is included "staff costs" (see note 9(b)).

Other than the material related party transactions disclosed above, no other transaction, arrangement or contract of significance to which the Company was a party and in which a director of the Company or a connected entity of the director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. BUSINESS COMBINATION

Zeekr Automobile (Ningbo Hangzhou Bay New Zone) Company Limited# 極氪汽車(寧波杭州灣新區)有限公司 ("Zeekr Automobile")

On 28 April 2021, Zeekr Automobile (Shanghai) and a fellow subsidiary owned by the Company's ultimate holding company entered into an acquisition agreement pursuant to which Zeekr Automobile (Shanghai) has conditionally agreed to acquire, and the fellow subsidiary has conditionally agreed to sell the 100% equity interests of Zeekr Automobile for a cash consideration of approximately RMB485,329,000. Zeekr Automobile is engaged in research and development, purchase and sale of the electric mobility related products under the ZEEKR brand in the PRC. The acquisition of Zeekr Automobile was completed on 6 July 2021. Please refer to the Company's announcement dated 28 April 2021 for further details.

The assets acquired and liabilities recognised at the acquisition date are as follows:

	Pre-acquisition carrying amounts RMB'000	Fair value adjustments RMB'000	Recognised values on acquisition RMB'000
The net assets acquired:			
Property, plant and equipment (note 14)	32,813	–	32,813
Intangible assets (note 15)	1,674,498	160,122	1,834,620
Trade and other receivables	106,257	–	106,257
Deferred tax assets (note 32)	47,154	–	47,154
Bank balances and cash	476,973	–	476,973
Trade and other payables	(1,957,259)	–	(1,957,259)
Lease liabilities	(21,897)	–	(21,897)
Deferred tax liabilities (note 32)	–	(40,031)	(40,031)
	358,539	120,091	478,630
Goodwill arising on acquisition (note 17):			
Cash consideration transferred			485,329
Fair value of identifiable net assets acquired			(478,630)
			6,699
Net cash outflow arising on acquisition of a subsidiary:			
Cash consideration paid			(485,329)
Bank balances and cash acquired			476,973
			(8,356)

37. BUSINESS COMBINATION (Continued)

Zeekr Automobile (Ningbo Hangzhou Bay New Zone) Company Limited# 極氪汽車(寧波杭州灣新區)有限公司 ("Zeekr Automobile") (Continued)

No acquisition-related costs had been incurred in relation to the acquisition.

As a result of the acquisition, the Group is expected to increase its manufacturing capacity to meet the increasing demand of automobiles in the PRC, as well as enhancing its production capabilities. Goodwill arose because the consideration paid included amounts in relation to the revenue growth and future market development of the businesses acquired. These benefits are not recognised separately from goodwill, because they do not meet the recognition criteria for identifiable intangible assets. Goodwill arising from the acquisition is not expected to be deductible for tax purpose.

Zeekr Automobile has contributed revenue of RMB1,822,266,000 and loss of RMB369,805,000, respectively from the acquisition date to 31 December 2021.

If the acquisition had occurred on 1 January 2021, the consolidated revenue and consolidated profit of the Group for the year ended 31 December 2021 would be RMB101,611,056,000 and RMB4,211,547,000, respectively. The proforma financial information is for illustrative purpose only and does not necessarily reflect the Group's revenue and operating results if the acquisition had been occurred on 1 January 2021 and could not serve as a basis for the forecast of future operation results.

Changxing Geely Automobile Components Company Limited# 長興吉利汽車部件有限公司 ("Changxing Components")

On 13 May 2021, Jirun Automobile and a fellow subsidiary owned by the Company's ultimate holding company entered into an acquisition agreement pursuant to which Jirun Automobile has conditionally agreed to acquire, and the fellow subsidiary has conditionally agreed to sell the 100% equity interests of Changxing Components for a cash consideration of approximately RMB2,534,689,000. Changxing Components is engaged in research, development, production and sale of complete knock down kits, related automobile components and provision of after-sales services in the PRC. The acquisition of Changxing Components was completed on 8 July 2021. Please refer to the Company's announcement dated 13 May 2021 for further details.

37. BUSINESS COMBINATION (Continued)

Changxing Geely Automobile Components Company Limited# 長興吉利汽車部件有限公司 ("Changxing Components") (Continued)

The assets acquired and liabilities recognised at the acquisition date are as follows:

	Pre-acquisition carrying amounts RMB'000	Fair value adjustments RMB'000	Recognised values on acquisition RMB'000
The net assets acquired:			
Property, plant and equipment (note 14)	3,022,580	10,482	3,033,062
Intangible assets (note 15)	64,964	–	64,964
Land lease prepayments (note 16)	397,952	8,048	406,000
Deferred tax assets (note 32)	6,459	–	6,459
Trade and other receivables	207,803	–	207,803
Inventories	67,870	–	67,870
Bank balances and cash	1,245	–	1,245
Trade and other payables	(1,253,664)	–	(1,253,664)
Deferred tax liabilities (note 32)	–	(4,633)	(4,633)
	2,515,209	13,897	2,529,106
Goodwill arising on acquisition (note 17):			
Cash consideration transferred			2,534,689
Fair value of identifiable net assets acquired			(2,529,106)
			5,583
Net cash outflow arising on acquisition of a subsidiary:			
Cash consideration paid			(2,534,689)
Bank balances and cash acquired			1,245
			(2,533,444)

No acquisition-related costs had been incurred in relation to the acquisition.

37. BUSINESS COMBINATION (Continued)

Changxing Geely Automobile Components Company Limited# 長興吉利汽車部件有限公司 ("Changxing Components") (Continued)

As a result of the acquisition, the Group is expected to increase its manufacturing capacity to meet the increasing demand of automobiles in the PRC, as well as enhancing its production capabilities. Goodwill arose because the consideration paid included amounts in relation to the revenue growth and future market development of the businesses acquired. These benefits are not recognised separately from goodwill, because they do not meet the recognition criteria for identifiable intangible assets. Goodwill arising from the acquisition is not expected to be deductible for tax purpose.

Changxing Components has contributed revenue of RMBNil and loss of RMB136,969,000, respectively from the acquisition date to 31 December 2021.

If the acquisition had occurred on 1 January 2021, the consolidated revenue and consolidated profit of the Group for the year ended 31 December 2021 would be RMB101,611,056,000 and RMB4,332,921,000, respectively. The proforma financial information is for illustrative purpose only and does not necessarily reflect the Group's revenue and operating results if the acquisition had been occurred on 1 January 2021 and could not serve as a basis for the forecast of future operation results.

Viridi E-Mobility Technology (Ningbo) Company Limited# 威睿電動汽車技術(寧波)有限公司 ("Ningbo Viridi")

On 2 July 2021, Zeekr Automobile (Shanghai) entered into a subscription agreement with Ningbo Viridi and a fellow subsidiary owned by the Company's ultimate holding company pursuant to which Zeekr Automobile (Shanghai) has conditionally agreed to subscribe for additional capital of Ningbo Viridi at a cash consideration of approximately RMB860,697,000.

Upon completion of the subscription of Ningbo Viridi, Zeekr Automobile (Shanghai) will hold 51% of the enlarged share capital of Ningbo Viridi. Ningbo Viridi is engaged in research, development, production and sale of automobile components including electric powertrain and battery systems and related products and provision of after-sales services in the PRC. The subscription of Ningbo Viridi was completed on 28 October 2021. Please refer to the Company's circular dated 5 August 2021 for further details.

37. BUSINESS COMBINATION (Continued)

Viridi E-Mobility Technology (Ningbo) Company Limited# 威睿電動汽車技術(寧波)有限公司 ("Ningbo Viridi") (Continued)

The assets acquired and liabilities recognised immediately after the subscription are as follows:

	Pre-subscription carrying amounts RMB'000	Effect on subscription RMB'000	Fair value adjustments RMB'000	Recognised values immediately after the subscription RMB'000
The net assets acquired:				
Property, plant and equipment (note 14)	739,704	–	(5,804)	733,900
Intangible assets (note 15)	275,865	–	97,357	373,222
Land lease prepayments (note 16)	54,304	–	12,661	66,965
Interest in a joint venture (note 19)	118,524	–	26,580	145,104
Trade and other receivables	635,992	860,697	–	1,496,689
Inventories	538,950	–	–	538,950
Bank balances and cash	1,141	–	–	1,141
Trade and other payables	(1,654,800)	–	–	(1,654,800)
Deferred tax liabilities (note 32)	–	–	(19,620)	(19,620)
	709,680	860,697	111,174	1,681,551
Goodwill arising on acquisition (note 17):				
Consideration payable to Ningbo Viridi				860,697
Non-controlling interests at proportionate share of net assets immediately after the subscription				823,959
Fair value of identifiable net assets acquired				(1,681,551)
				3,105
Cash inflow arising on acquisition of a subsidiary:				
Bank balances and cash acquired				1,141

No acquisition-related costs had been incurred in relation to the acquisition.

37. BUSINESS COMBINATION (Continued)

Viridi E-Mobility Technology (Ningbo) Company Limited# 威睿電動汽車技術(寧波)有限公司 ("Ningbo Viridi") (Continued)

As a result of the subscription, the Group is expected to increase its manufacturing capacity to meet the increasing demand of automobiles in the PRC, as well as enhancing its production capabilities. Goodwill arose because the consideration paid included amounts in relation to the revenue growth and future market development of the businesses acquired. These benefits are not recognised separately from goodwill, because they do not meet the recognition criteria for identifiable intangible assets. Goodwill arising from the acquisition is not expected to be deductible for tax purpose.

Ningbo Viridi has contributed revenue of RMB861,952,000 and loss of RMB168,195,000, respectively from the completion date of the subscription to 31 December 2021.

If the subscription had occurred on 1 January 2021, the consolidated revenue and consolidated profit of the Group for the year ended 31 December 2021 would be RMB102,182,494,000 and RMB4,333,711,000, respectively. The proforma financial information is for illustrative purpose only and does not necessarily reflect the Group's revenue and operating results if the acquisition had been occurred on 1 January 2021 and could not serve as a basis for the forecast of future operation results.

The English translation of the names of the companies established in the PRC is for reference only. The official names of these companies are in Chinese.

38. DISPOSAL OF SUBSIDIARIES

Disposal of subsidiaries with loss of control

Disposals of Chengdu Gaoyuan Automobile Industries Company Limited[#] 成都高原汽車工業有限公司 ***("Chengdu Automobile"), Ningbo Beilun Geely Automotive Manufacturing Company Limited[#]*** 寧波北侖吉利汽車製造有限公司 ***("Ningbo Beilun") and Ningbo Jining Automobile Components Company Limited[#]*** 寧波吉寧汽車零部件有限公司 ***("Ningbo Jining")***

On 8 July 2020, the Group and the companies owned by the Company's ultimate holding company ("Ultimate Holding Companies") entered into certain disposal agreements pursuant to which the Group conditionally agreed to sell, and the Ultimate Holding Companies conditionally agreed to acquire the entire equity interests of Chengdu Automobile, Ningbo Beilun and Ningbo Jining for total net cash considerations of approximately RMB76,272,000, RMB729,387,000 and RMB30,495,000, respectively. The disposals of Chengdu Automobile, Ningbo Beilun and Ningbo Jining were completed in July 2020, September 2020 and August 2020, respectively. Please refer to the Company's announcement dated 9 July 2020 for further details. The net assets disposed of at the disposal date are set out as follows:

	Chengdu Automobile RMB'000	Ningbo Jining RMB'000	Ningbo Beilun RMB'000	Total RMB'000
Net assets disposed of:				
Property, plant and equipment (note 14)	492,587	275,580	278,392	1,046,559
Land lease prepayments (note 16)	70,241	18,421	61,470	150,132
Deferred tax assets (note 32)	34,364	–	–	34,364
Inventories	–	26,018	–	26,018
Trade and other receivables	91,599	65,009	44,256	200,864
Bank balances and cash	12,314	4,718	28	17,060
Trade and other payables	(608,897)	(365,086)	(200)	(974,183)
	92,208	24,660	383,946	500,814
Gain on disposal of subsidiaries:				
Cash consideration received	76,272	30,495	729,387	836,154
Right-of-use assets acquired*	56,700	–	–	56,700
Net assets disposed of	(92,208)	(24,660)	(383,946)	(500,814)
	40,764	5,835	345,441	392,040
Net cash inflow arising on disposal:				
Cash consideration received				836,154
Bank balances and cash disposed of				(17,060)
				819,094

* The consideration of approximately RMB56,700,000 paid by the Group for the grant of right to continue to use the manufacturing facilities of Chengdu Automobile upon completion of the disposal of Chengdu Automobile (the "Chengdu Automobile Disposal") will partially offset the consideration for the Chengdu Automobile Disposal, which results in a net consideration of approximately RMB76,272,000 received by the Group.

39. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

(a) Non-controlling interests arising on change in ownership interests in a subsidiary upon group reorganisation

On 23 March 2021, the Company entered into the framework agreement with Geely Holding, pursuant to which the Company and Geely Holding agreed to form a joint venture company, Zeekr Holding, to engage in the research and development, purchase and sale of the electric mobility related products such as the intelligent electric vehicles under the Zeekr brand and the provision of service relating thereto in the PRC.

Pursuant to the framework agreement, Zeekr Holding issued 2 billion shares. The Company and Geely Holding made capital contributions of RMB2 billion in total, and subscribed for 51% (representing RMB1.02 billion) and 49% (representing RMB980 million) of the total shares issued by Zeekr Holding, respectively. After its formation in late March 2021, Zeekr Holding becomes a subsidiary of the Company, and its financial results are consolidated into the consolidated financial statements of the Group.

On 28 April 2021, Value Century Group Limited ("Value Century") and Zhejiang Fulin Guorun Automobile Parts Company Limited# 浙江福林國潤汽車零部件有限公司 ("Zhejiang Fulin"), both wholly owned subsidiaries of the Company, a fellow subsidiary owned by the Company's ultimate holding company and Zeekr Holding, a non wholly owned subsidiary of the Company, entered into a disposal agreement pursuant to which Zeekr Holding conditionally agreed to acquire through its indirect wholly foreign-owned subsidiary, and Value Century, Zhejiang Fulin and the fellow subsidiary conditionally agreed to sell, their respective 91%, 8% and 1% equity interest(s) of Zeekr Automobile (Shanghai), for a cash consideration of approximately RMB980.4 million in total. The reorganisation of Zeekr Automobile (Shanghai) was completed in August 2021. Please refer to the Company's announcement dated 28 April 2021 for further details.

Immediately prior to the reorganisation, the carrying amount of the existing 1% non-controlling interests in Zeekr Automobile (Shanghai) was RMB6,797,000. The Group recognised a decrease in non-controlling interests of RMB6,797,000 and a decrease in equity attributable to equity holders of the Company of RMB3,007,000. Following the completion of the reorganisation, Zeekr Automobile (Shanghai) continues to be a subsidiary of the Company and its financial results continue to be consolidated into the consolidated financial statements of the Group.

	RMB'000
Consideration paid to non-controlling interests	**(9,804)**
Carrying amount of non-controlling interests acquired	**6,797**
Decrease in capital reserve	**(3,007)**

39. TRANSACTIONS WITH NON-CONTROLLING INTERESTS (Continued)

(b) Non-controlling interests arising on change in ownership interests in subsidiaries upon issuance of new shares

On 27 August 2021, Zeekr Holding entered into a share purchase agreement with five investors, pursuant to which such investors agreed to subscribe for 126,470,585 series pre-A preferred shares ("Series Pre-A Preferred Shares") at a total consideration of US$500,000,000. Three of the investors completed the subscription for 75,882,351 Series Pre-A Preferred Shares at a total consideration of US$300,000,000 (equivalent to approximately RMB1,938,150,000) in September 2021. The remaining two investors have not yet completed the subscription as at 31 December 2021.

The major terms of the Series Pre-A Preferred Shares are set out below:

(i) The Series Pre-A Preferred Shares carry voting rights and can vote together with ordinary shares as a single class on a fully diluted, as converted and as exercised basis.

(ii) The holders of Series Pre-A Preferred Shares are entitled to dividend on each share held on a pari passu basis with the ordinary shares and the dividend declared or paid is non-cumulative.

(iii) The Series Pre-A Preferred Shares are non-redeemable.

(iv) The Series Pre-A Preferred Shares are convertible into ordinary shares of Zeekr Holding on a one to one basis at the options of the holder.

Immediately after the issuance of 75,882,351 Series Pre-A Preferred Shares, the carrying amount of Zeekr Holding was RMB4,217,849,000 and subsequent to the issuance of Series Pre-A Preferred Shares, the equity interests of the Group and Geely Holding in Zeekr Holding was reduced from approximately 51% to 49.13% and from approximately 49% to 47.21%, respectively, and the corresponding carrying amount of approximately 3.66% non-controlling interests in Zeekr Holding was RMB154,373,000. The Group recognised an increase in non-controlling interests of RMB154,373,000 and an increase in equity attributable to equity holders of the Company of RMB1,783,777,000. Notwithstanding that the Group's equity interests in Zeekr Holding is below 50%, for the reasons that the Group remains as the single largest shareholder in Zeekr Holding with the equity interests of approximately 49%, and the Group can still control the board of directors of Zeekr Holding and the Group continues to be able to control Zeekr Holding.

	RMB'000
Consideration received from non-controlling interests	**1,938,150**
Carrying amount of non-controlling interests deemed to be disposed of	**(154,373)**
Increase in capital reserve	**1,783,777**

39. TRANSACTIONS WITH NON-CONTROLLING INTERESTS (Continued)

(c) Acquisition of additional equity interests from non-controlling interests

On 29 October 2021, the Company entered into a share purchase agreement with Geely Group Limited, a company wholly owned by Mr. Li Shu Fu, to acquire approximately 10.6% of the issued ordinary share capital of Zeekr Holding. The consideration paid is satisfied by the allotment and issue of 196,410,000 ordinary shares of the Company and by cash of approximately RMB1,807.4 million. The fair value of the Company's ordinary shares issued are based on the quoted market price at the date of completion of the acquisition. The acquisition was completed in December 2021. Please refer to the Company's announcement dated 29 October 2021 for further details.

Immediately prior to the acquisition, the carrying amount of the existing 10.6% non-controlling interests in Zeekr Holding was RMB380,446,000. The Group recognised a decrease in non-controlling interests of RMB380,446,000 and a decrease in equity attributable to equity holders of the Company of RMB4,816,902,000.

	RMB'000
Consideration paid to non-controlling interests:	
– Fair value of the Company's ordinary shares issued	**(3,389,964)**
– Consideration payable* (note 23)	**(1,807,384)**
	(5,197,348)
Carrying amount of non-controlling interests acquired	**380,446**
Decrease in capital reserve	**(4,816,902)**

* Pursuant to the share purchase agreement, the consideration payable of RMB1,807,384,000 will be paid to Geely Group Limited by the end of March 2022.

40. NON-CASH TRANSACTIONS

The Group entered into the following non-cash investing and financing activities which are not reflected in the consolidated statement of cash flows:

During the year ended 31 December 2021, the Group entered into certain lease contracts in which additions to right-of-use assets and lease liabilities amounting to RMB726,835,000 (2020: RMB14,026,000) was recognised at the lease commencement date.

During the year ended 31 December 2021, the Group capitalised equity settled share-based payments as product development costs of intangible assets, amounting to RMB334,123,000 (2020: RMBNil).

41. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from the prior year.

The capital structure of the Group consists of debt (which includes bonds payable and bank borrowings) and equity attributable to equity holders of the Company, comprising issued share capital, perpetual capital securities and reserves.

Gearing ratio

The Company's Board of Directors reviews the capital structure on a regular basis. As part of this review, the Board of Directors considers the cost of capital and the risks associated with each class of capital. The Group does not have a specific target gearing ratio determined as the proportion of debt to equity but will closely monitor the fluctuations of the gearing ratio.

The gearing ratio as at the reporting date was as follows:

	2021 **RMB'000**	2020 RMB'000
Debt	**3,807,877**	3,909,485
Equity attributable to equity holders of the Company	**68,606,146**	63,631,114
Debt to equity ratio	**6%**	6%

42. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to market risk (including interest rate risk and currency risk), credit risk and liquidity risk arise in the normal course of the Group's business. Market risk exposures are measured using sensitivity analysis. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

These risks are limited by the Group's financial management policies and practices described below.

42. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Categories of financial assets and liabilities

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of financial assets and financial liabilities:

	2021 RMB'000	2020 RMB'000
Financial assets		
Financial assets at FVOCI (recycling)		
– Trade and other receivables	**19,863,681**	20,625,550
Financial assets at FVTPL		
– Preferred shares investments in an unlisted entity	**351,646**	–
– Derivative financial instruments	**66,892**	–
Financial assets carried at amortised cost		
– Trade and other receivables	**8,365,833**	4,867,176
– Pledged bank deposits	**3,912**	174,422
– Bank balances and cash	**28,013,995**	18,956,843
	56,665,959	44,623,991
Financial liabilities		
Financial liabilities measured at amortised cost		
– Trade and other payables	**45,455,032**	37,499,041
– Bank borrowings	**1,906,740**	1,959,750
– Bonds payable	**1,901,137**	1,949,735
– Lease liabilities	**700,776**	42,295
	49,963,685	41,450,821

42. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations and from its investing activities.

The Group's maximum exposure to credit risk without taking into account any collateral held is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any loss allowance. The Group does not provide any guarantees which would expose the Group to credit risk.

Trade receivables

The Group's policy is to deal only with creditworthy counterparties. Credit terms are granted to new customers after a credit worthiness assessment by the credit control department. When considered appropriate, customers may be requested to provide proof as to their financial position. Where available at reasonable cost, external credit ratings and/or reports on customers are obtained and used. Customers who are not considered creditworthy are required to pay in advance or on delivery of goods. Payment record of customers is closely monitored. It is not the Group's policy to request collateral from its customers. As at 31 December 2021, 50% (2020: 64%) of the total trade receivables was due from the Group's five largest customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is assessed individually or based on provision matrix, as appropriate. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

As at 31 December 2021, the Group has adopted average expected loss rate of 5% (2020: 5%) on the gross carrying amounts of the trade receivables amounted to RMB7,391,128,000 (2020: RMB4,025,484,000). The loss allowance as at 31 December 2021 is RMB222,778,000 (2020: RMB94,488,000).

Expected loss rates are based on actual loss experience over the past years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. In applying the forward-looking information, the Group has taken into account the possible impacts associated with the overall change in the economic environment arising from COVID-19.

42. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Credit risk (Continued)

Trade receivables (Continued)

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2021 **RMB'000**	2020 RMB'000
Balance at 1 January	**94,488**	85,894
Impairment losses recognised during the year	**128,290**	8,594
Balance at 31 December	**222,778**	94,488

Debts instruments at FVOCI (recycling) and other financial assets at amortised cost

Other financial assets at amortised cost include utility deposits and other receivables, amounts due from related companies, pledged time deposits and bank balances and cash. In order to minimise the credit risk of utility deposits and other receivables and amounts due from related companies, the management makes periodic collective and individual assessment on their recoverability based on historical settlement records and past experience as well as current external information and adjusted to reflect probability-weighted forward-looking information, including the default rate where the relevant debtors operates. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In these regards, the credit risk of utility deposits and other receivables and amounts due from related companies are considered to be low.

Besides, management is of the opinion that there is no significant increase in credit risk on these utility deposits and other receivables and amounts due from related companies since initial recognition as the risk of default is low after considering the factors as set out in note 4(h) and, thus ECL recognised is based on 12-month ECLs.

The credit risks on pledged time deposits and bank balances and cash are considered to be insignificant because the counterparties are banks/financial institutions with high credit ratings assigned by international credit-rating agencies.

The credit risk on notes receivable is considered to be insignificant because there was no material default by the counterparties in the past.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade and other payables and its financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

Analysed below is the Group's remaining contractual maturities for its non-derivative financial liabilities as at 31 December 2021. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Group can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Group is committed to pay.

The contractual maturity analysis below is based on the undiscounted cash flows of the financial liabilities.

	Weighted average effective interest rate %	Within one year or on demand RMB'000	More than one year but less than two years RMB'000	More than two years RMB'000	Total contractual undiscounted cash flows RMB'000	Total carrying amount as at 31 December RMB'000
2021						
Financial liabilities measured at amortised cost:						
Trade and other payables	N/A	45,455,032	–	–	45,455,032	45,455,032
Bank borrowings	1.05	1,916,760	–	–	1,916,760	1,906,740
Bonds payable	3.83	69,119	1,912,500	–	1,981,619	1,901,137
Lease liabilities	4.76	221,732	207,128	331,362	760,222	700,776
		47,662,643	2,119,628	331,362	50,113,633	49,963,685

42. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Liquidity risk (Continued)

	Weighted average effective interest rate %	Within one year or on demand RMB'000	More than one year but less than two years RMB'000	More than two years RMB'000	Total contractual undiscounted cash flows RMB'000	Total carrying amount as at 31 December RMB'000
2020						
Financial liabilities measured at amortised cost:						
Trade and other payables	N/A	37,499,041	–	–	37,499,041	37,499,041
Bank borrowings	1.09	21,361	1,970,431	–	1,991,792	1,959,750
Bonds payable	3.83	71,041	71,041	1,959,750	2,101,832	1,949,735
Lease liabilities	4.65	30,952	6,667	5,387	43,006	42,295
		37,622,395	2,048,139	1,965,137	41,635,671	41,450,821

Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from long-term borrowings. Lease liabilities (note 25) and bonds payable (note 30) bearing fixed rates and bank borrowings (note 26) bearing variable rates expose the Group to cash flow interest rate risk and fair value interest rate risk, respectively. The expense to interest rates for the Group's short-term bank deposits is considered immaterial.

The interest rate profile of the Group as at the reporting date has been set out in the liquidity risk section of this note.

As at 31 December 2021, it is estimated that an increase/(decrease) of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after taxation and retained profits by approximately RMB19,067,000 (2020: RMB19,598,000).

The assumed changes in interest rates are considered to be reasonably possible based on observation of current market conditions and represents management's assessment of a reasonably possible change in interest rate over the next twelve-month period.

The calculations are based on a change in average market interest rates for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant. The analysis is performed on the same basis as 2020.

42. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to currency risks primarily through sales and purchases which give rise to receivables, payables, interest bearing borrowings and bank balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The foreign currencies giving rise to this risk are primarily HK$, US$, RUB and BYN.

The Group has entered into certain foreign exchange forward contract as set out in note 22 to mitigate part of its foreign exchange exposure. These foreign exchange forward contract do not qualify for hedge accounting and are accounted for at fair value through profit or loss.

The following table details the Group's exposure as at the reporting date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	2021				2020			
	HK$	**US$**	**RUB**	**BYN**	HK$	US$	RUB	BYN
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000	RMB'000
Bank balances and cash	**366,376**	**2,671,234**	**391,425**	**7,364**	286,501	893,482	894,971	487
Trade and other receivables	**606**	**359,676**	**26,852**	**284,140**	656	119,047	14,329	108,003
Bonds payable	**–**	**(1,901,137)**	**–**	**–**	–	(1,949,735)	–	–
Bank borrowings	**–**	**(1,906,740)**	**–**	**–**	–	(1,959,750)	–	–
Trade and other payables	**–**	**(79,307)**	**(15,664)**	**(585,298)**	–	(111,360)	(98,176)	(598,561)
Net exposure arising from recognised assets and liabilities	**366,982**	**(856,274)**	**402,613**	**(293,794)**	287,157	(3,008,316)	811,124	(490,071)

As the Group is mainly exposed to the effects of fluctuation in HK$/US$/RUB/BYN, the following table indicates the approximate change in the Group's profit after taxation and retained profits. The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the reporting date for a 5% change in foreign currency rate. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2020. Results of the analysis as presented in the below table represent an aggregation of the effects on each of the Group entities' profit after taxation and retained profits measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the reporting date for presentation purposes.

42. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Currency risk (Continued)

	Impact of HK$		Impact of US$		Impact of RUB		Impact of BYN	
	2021 RMB'000	2020 RMB'000	**2021 RMB'000**	2020 RMB'000	**2021 RMB'000**	2020 RMB'000	**2021 RMB'000**	2020 RMB'000
Profit after taxation/Retained profits	**18,349**	14,358	**(79,179)**	(157,820)	**16,030**	33,911	**(8,838)**	(18,519)

Fair value measurements of financial instruments

Financial assets and liabilities measured at fair value in the consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability and significance of inputs to the measurements, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and not using significant unobservable inputs.
- Level 3: significant unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial assets measured at fair value in the consolidated statement of financial position on a recurring basis are grouped into the fair value hierarchy as follows:

	Fair value as at 31 December		Fair value hierarchy
	2021 RMB'000	2020 RMB'000	
Financial assets at FVTPL			
Preferred shares investments in an unlisted entity	**351,646**	–	Level 3
Foreign exchange forward contracts not designated as hedging instruments	**66,892**	–	Level 2
Financial assets at FVOCI (recycling)			
Notes receivable measured at FVOCI (recycling)	**19,863,681**	20,625,550	Level 2

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42. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Fair value measurements of financial instruments (Continued)

There were no transfer between the different levels of the fair value hierarchy during the year ended 31 December 2021 (2020: Nil).

The methods and valuation techniques used for the purpose of measuring fair values categorised in Levels 2 and 3 are unchanged compared to the previous reporting periods and are described below.

Notes receivable measured at FVOCI (recycling)

The fair value of notes receivable in Level 2 of the fair value hierarchy is determined by discounting its future cash flows. The discount rates used are reference to rates currently available for instruments issued by commercial banks/government with similar terms, credit risk and remaining maturities.

Foreign exchange forward contracts not designated as hedging instruments

Where derivatives are traded either on exchanges or liquid over-the-counter markets, the Group uses the closing price at the end of the reporting period. Normally, the derivatives entered into by the Group are not traded on active markets. The fair values of such contracts are estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the current contract using a risk-free interest rate. The effects of non-observable inputs are not significant for the derivative financial instruments.

Preferred shares investments in an unlisted entity

The information about the fair value of preferred shares investments in an unlisted entity categorised under Level 3 of the fair value hierarchy is described below:

	Valuation techniques	Significant unobservable inputs	Range (weighted average)	Relation of significant unobservable Inputs to fair value
2021				
Preferred shares investments in an unlisted entity	Market comparable companies	Discount of lack of marketability	26% to 45%	The discount rate is negatively correlated to the fair value measurement

The fair value of preferred shares investments in an unlisted entity is determined using the price/sales of comparable listed companies adjusted for lack of marketability discount. As at 31 December 2021, it is estimated that with all other variables held constant, an increase/decrease in the discount for lack of marketability by 10% would have decreased/increased the Group's profit after taxation and retained profits by approximately RMB59,000,000 (2020: RMBNil).

42. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Fair value measurements of financial instruments (Continued)

The movements during the year in the balance of Level 3 fair value measurements are as follows:

	2021 **RMB'000**	2020 RMB'000
Balance at 1 January	**–**	–
Payment for purchases	**323,025**	–
Changes in fair value recognised in profit or loss during the year	**28,621**	–
Balance at 31 December	**351,646**	–

There have been no transfers into or out of Level 3 during the year ended 31 December 2021.

Fair value of financial assets and liabilities carried at amortised cost

The directors of the Company consider that the carrying amounts of financial instruments of the Group are not materially different from their fair values as at 31 December 2021 and 2020.

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2021 RMB'000	2020 RMB'000
Non-current assets		
Property, plant and equipment	4,081	2,445
Investments in subsidiaries	7,788,612	5,021,000
Interest in a joint venture	5,229,862	4,381,720
Financial assets at FVTPL	351,646	–
	13,374,201	9,405,165
Current assets		
Prepayments and other receivables	1,654	10,502
Amounts due from subsidiaries	9,999,162	5,067,904
Bank balances and cash	350,488	606,474
	10,351,304	5,684,880
Current liabilities		
Other payables	1,873,615	123,294
Bank borrowings	1,906,740	–
Lease liabilities	2,182	1,744
	3,782,537	125,038
Net current assets	6,568,767	5,559,842
Total assets less current liabilities	19,942,968	14,965,007

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

	2021 RMB'000	2020 RMB'000
Capital and reserves		
Share capital	**183,015**	179,672
Perpetual capital securities	**3,413,102**	3,413,102
Reserves (note)	**14,444,229**	7,462,748
Total equity	**18,040,346**	11,055,522
Non-current liabilities		
Lease liabilities	**1,485**	–
Bonds payable	**1,901,137**	1,949,735
Bank borrowings	**–**	1,959,750
	1,902,622	3,909,485
	19,942,968	14,965,007

Approved and authorised for issue by the Board of Directors on 23 March 2022.

Li Shu Fu	**Gui Sheng Yue**
Director	*Director*

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43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

The movement of reserves represents:

	Share premium# RMB'000	Share-based compensation reserve RMB'000	Accumulated losses# RMB'000	Total RMB'000
Balance at 1 January 2020	7,591,592	100,301	(4,598,761)	3,093,132
Profit for the year	–	–	363,487	363,487
Transactions with owners:				
Equity settled share-based payments (note 35)	–	4,095	–	4,095
Shares issued upon placement (note 27(b))	5,926,085	–	–	5,926,085
Shares issued under share option scheme (note 27(a))	262,648	(65,722)	–	196,926
Transfer upon forfeiture of share options	–	(15,065)	15,065	–
Dividends paid to equity holders of the Company (note 11)	–	–	(2,120,977)	(2,120,977)
Total transactions with owners	6,188,733	(76,692)	(2,105,912)	4,006,129
Balance at 31 December 2020	13,780,325	23,609	(6,341,186)	7,462,748
Balance at 1 January 2021	**13,780,325**	**23,609**	**(6,341,186)**	**7,462,748**
Profit for the year	**–**	**–**	**3,628,743**	**3,628,743**
Transactions with owners:				
Equity settled share-based payments (note 35)	**–**	**1,546,822**	**–**	**1,546,822**
Shares issued under share option scheme (note 27(a))	**38,455**	**(7,812)**	**–**	**30,643**
Shares issued on acquisition of additional interests in a subsidiary (note 27(b))	**3,386,712**	**–**	**–**	**3,386,712**
Dividends paid to equity holders of the Company (note 11)	**–**	**–**	**(1,611,439)**	**(1,611,439)**
Total transactions with owners	**3,425,167**	**1,539,010**	**2,017,304**	**6,981,481**
Balance at 31 December 2021	**17,205,492**	**1,562,619**	**(4,323,882)**	**14,444,229**

As at 31 December 2021, the aggregate amount of reserves available for distribution to equity holders of the Company was RMB12,881,610,000 (2020: RMB7,439,139,000).

44. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries represent unlisted shares at cost. Particulars of the principal subsidiaries at 31 December 2021 and 2020 are as follows:

Name of companies	Place of incorporation/ registration and operations	Issued and fully paid up/registered capital	Percentage of equity interests held in 2021		Percentage of equity interests held in 2020		Principal activities
			Directly	Indirectly	Directly	Indirectly	
Centurion Industries Limited	BVI	US$2	**100%**	**-**	100%	–	Investment holding
Value Century Group Limited	BVI	US$1	**100%**	**-**	100%	–	Investment holding
Zeekr Intelligent Technology Holding Limited	Cayman Islands	US$400,000	**-**	**59.73%**	–	–	Investment holding
Geely International Limited@ 吉利國際貿易有限公司	Hong Kong	2 shares	**100%**	**-**	100%	–	Investment holding and export of vehicles outside the PRC
Zhejiang Fulin Guorun Automobile Parts & Components Co., Ltd.#* 浙江福林國潤汽車零部件有限公司	PRC	US$93,851,017 (2020: US$57,637,742)	**-**	**100%**	–	100%	Research, production, marketing and sales of automobile parts and related components in the PRC
Zhejiang Geely Automobile Sales Company Limited# 浙江吉利汽車銷售有限公司	PRC	RMB15,000,000	**-**	**99%**	–	99%	Sales of automobile parts and components in the PRC
Zhejiang Jirun Automobile Company Limited^# 浙江吉潤汽車有限公司	PRC	US$790,000,000 (2020: US$690,000,000)	**-**	**99%**	–	99%	Research, development, production, marketing and sales of vehicles and related automobile components in the PRC
Zeekr Automobile (Shanghai) Company Limited (formerly known as Shanghai Maple Guorun Automobile Company Limited)^# 極氪汽車(上海)有限公司(前稱上海華普國潤汽車有限公司)	PRC	US$121,363,600	**-**	**59.73%**	–	99%	Research, development, production, marketing and sales of vehicles and related automobile components in the PRC

44. INVESTMENTS IN SUBSIDIARIES (Continued)

Investments in subsidiaries represent unlisted shares at cost. Particulars of the principal subsidiaries at 31 December 2021 and 2020 are as follows (Continued):

Name of companies	Place of incorporation/ registration and operations	Issued and fully paid up/registered capital	Percentage of equity interests held in 2021		Percentage of equity interests held in 2020		Principal activities
			Directly	Indirectly	Directly	Indirectly	
Zhejiang Geely Holding Group Automobile Sales Company Limited^# 浙江吉利控股集團汽車銷售有限公司	PRC	RMB60,559,006	-	99%	–	99%	Marketing and sales of vehicles in the PRC
Geely International Corporation# 上海吉利美嘉峰國際貿易股份有限公司	PRC	RMB100,000,000	-	99%	–	99%	Export of vehicles outside the PRC
Zhejiang Geely Automobile Research Institute Limited# 浙江吉利汽車研究院有限公司	PRC	RMB30,000,000	-	99%	–	99%	Research and development of vehicles and related automobile components in the PRC
Zhejiang Ruhoo Automobile Company Limited^# 浙江陸虎汽車有限公司	PRC	RMB521,676,992	-	99%	–	99%	Research, development, production, marketing and sales of vehicles and related automobile components in the PRC
Shanghai Jicining Mechanical and Electrical Equipment Company Limited# 上海吉茨寧機電設備有限公司	PRC	RMB20,000,000	-	99%	–	99%	Procurement of mechanical and electrical equipment in the PRC
Hunan Geely Automobile Components Company Limited^# 湖南吉利汽車部件有限公司	PRC	US$88,500,000	-	99%	–	99%	Research, development, production, marketing and sales of vehicles and related automobile components in the PRC
Zhejiang Vision Auto-parts Fittings Company Limited# 浙江遠景汽配有限公司	PRC	RMB50,000,000	-	99%	–	99%	Procurement of automobile parts and components in the PRC

44. INVESTMENTS IN SUBSIDIARIES (Continued)

Investments in subsidiaries represent unlisted shares at cost. Particulars of the principal subsidiaries at 31 December 2021 and 2020 are as follows (Continued):

Name of companies	Place of incorporation/ registration and operations	Issued and fully paid up/registered capital	Percentage of equity interests held in 2021		Percentage of equity interests held in 2020		Principal activities
			Directly	Indirectly	Directly	Indirectly	
Ningbo Vision Automobile Parts and Components Company Limited# 寧波遠景汽車零部件有限公司	PRC	RMB1,500,000,000	-	**99%**	–	99%	Research, development, production, marketing and sales of vehicles and related automobile components in the PRC
Baoji Geely Engine Company Limited# 寶雞吉利發動機有限公司	PRC	RMB300,000,000	-	**99%**	–	99%	Research, development, production and sales of vehicle engines and related after-sales parts in the PRC
Ningbo Shangzhongxia Automatic Transmission Company Limited# 寧波上中下自動變速器有限公司	PRC	RMB1,000,000,000	-	**99%**	–	99%	Research, development, production and sales of vehicle transmissions and related after-sales parts in the PRC
Zhejiang Yili Automobile Components Company Limited# 浙江義利汽車零部件有限公司	PRC	RMB500,000,000	-	**99%**	–	99%	Research, development, production and sales of vehicle engines and related after-sales parts in the PRC
Limited Liability Company "Borisov Engine Plant <<Geely>>"	Belarus	BYN1,000,000	-	**50.49%**	–	50.49%	Production, marketing and sales of vehicles
Limited Liability Company "Geely Motors"	Russia	RUB10,000	-	**99%**	–	99%	Marketing and sales of vehicles in Russia
Zhejiang Fengrui Engine Company Limited# 浙江鋒銳發動機有限公司	PRC	RMB100,000,000	-	**99%**	–	99%	Production of automobile engines in the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. INVESTMENTS IN SUBSIDIARIES (Continued)

Investments in subsidiaries represent unlisted shares at cost. Particulars of the principal subsidiaries at 31 December 2021 and 2020 are as follows (Continued):

Name of companies	Place of incorporation/ registration and operations	Issued and fully paid up/registered capital	Percentage of equity interests held in 2021		Percentage of equity interests held in 2020		Principal activities
			Directly	Indirectly	Directly	Indirectly	
Chengdu Geely Automobile Manufacturing Company Limited# 成都吉利汽車製造有限公司	PRC	RMB200,000,000	-	99%	–	99%	Research and development, manufacturing, promotion and sales of vehicles and related automobile components and provision of related after-sales and technical services in the PRC
Jiguangwan Technology Co., Ltd. (formerly known as Zhejiang Geely Powertrain Company Limited)# 極光灣科技有限公司 (前稱浙江吉利動力總成有限公司)	PRC	RMB500,000,000	-	99%	–	99%	Production of automobile engines in the PRC
Ningbo Geely Luoyou Engine Components Company Limited# 寧波吉利羅佑發動機零部件有限公司	PRC	RMB282,800,000	-	99%	–	99%	Production of automobile components in the PRC
Taizhou Geely International Corporation# 台州吉利汽車銷售有限公司	PRC	RMB10,000,000	-	99%	–	99%	Marketing and sales of vehicles in the PRC
Zhejiang Jirun Chunxiao Automobile Components Company Limited# 浙江吉潤春曉汽車部件有限公司	PRC	RMB1,500,000,000	-	99%	–	99%	Research, development, production, marketing and sales of vehicles and related automobile components in the PRC

44. INVESTMENTS IN SUBSIDIARIES (Continued)

Investments in subsidiaries represent unlisted shares at cost. Particulars of the principal subsidiaries at 31 December 2021 and 2020 are as follows (Continued):

Name of companies	Place of incorporation/ registration and operations	Issued and fully paid up/registered capital	Percentage of equity interests held in 2021		Percentage of equity interests held in 2020		Principal activities
			Directly	Indirectly	Directly	Indirectly	
Geometry Automobile (Shanxi) Company Limited (formerly known as Shanxi Geely New Energy Automobile Sales Company Limited)# 幾何汽車(山西)有限公司(前稱山西吉利新能源汽車銷售有限公司)	PRC	RMB5,000,000	-	99%	–	99%	Marketing and sales of vehicles in the PRC
Baoji Geely Automobile Sales Company Limited# 寶雞吉利汽車銷售有限公司	PRC	RMB5,000,000	-	99%	–	99%	Marketing and sales of vehicles in the PRC
Baoji Geely Automobile Components Company Limited# 寶雞吉利汽車部件有限公司	PRC	RMB1,500,000,000	-	99%	–	99%	Research, development, production, marketing and sales of vehicles and related automobile components in the PRC
Shanxi Geely Automobile Components Company Limited# 山西吉利汽車部件有限公司	PRC	RMB1,500,000,000	-	99%	–	99%	Research, development, production, marketing and sales of vehicles and related automobile components in the PRC
Zhejiang Geely International Limited# 浙江吉利汽車國際貿易有限公司	PRC	RMB10,000,000	-	99%	–	99%	Export of vehicles outside the PRC
Geely Automobile Research Institute (Ningbo) Company Limited# 吉利汽車研究院(寧波)有限公司	PRC	RMB30,000,000	-	99%	–	99%	Research and development of vehicles and related automobile components in the PRC

44. INVESTMENTS IN SUBSIDIARIES (Continued)

Investments in subsidiaries represent unlisted shares at cost. Particulars of the principal subsidiaries at 31 December 2021 and 2020 are as follows (Continued):

Name of companies	Place of incorporation/ registration and operations	Issued and fully paid up/registered capital	Percentage of equity interests held in 2021		Percentage of equity interests held in 2020		Principal activities
			Directly	Indirectly	Directly	Indirectly	
Ningbo Jirun Automobile Components Company Limited# 寧波吉潤汽車部件有限公司	PRC	RMB1,500,000,000	-	99%	–	99%	Research and development, manufacturing, promotion and sales of vehicles and related automobile components and provision of related after-sales and technical services in the PRC
Hangzhou Geely Automobile Company Limited# 杭州吉利汽車有限公司	PRC	RMB1,500,000,000	-	99%	–	99%	Research and development, manufacturing, promotion and sales of vehicles and related automobile components and provision of related after-sales and technical services in the PRC
Guizhou Geely Automobile Manufacturing Company Limited# 貴州吉利汽車製造有限公司	PRC	RMB1,500,000,000	-	99%	–	99%	Research and development, manufacturing, promotion and sales of vehicles and related automobile components and provision of related after-sales and technical services in the PRC
Guizhou Geely Engine Company Limited# 貴州吉利發動機有限公司	PRC	RMB480,000,000	-	99%	–	99%	Preparation and construction of engine manufactory project in the PRC
Taizhou Binhai Geely Engine Company Limited# 台州濱海吉利發動機有限公司	PRC	RMB770,000,000	-	99%	–	99%	Preparation and construction of engine manufactory project in the PRC
Guiyang Geely Automobile Sales Company Limited# 貴陽吉利汽車銷售有限公司	PRC	RMB5,000,000	-	99%	–	99%	Marketing and sales of vehicles in the PRC

44. INVESTMENTS IN SUBSIDIARIES (Continued)

Investments in subsidiaries represent unlisted shares at cost. Particulars of the principal subsidiaries at 31 December 2021 and 2020 are as follows (Continued):

Name of companies	Place of incorporation/ registration and operations	Issued and fully paid up/registered capital	Percentage of equity interests held in 2021		Percentage of equity interests held in 2020		Principal activities
			Directly	Indirectly	Directly	Indirectly	
Shanghai Geely Diran Automobile Design Company Limited# 上海吉利翟然汽車設計有限公司	PRC	RMB30,000,000	-	99%	–	99%	Provision of vehicles design services in the PRC
Hangzhou Geely Vision Purchasing Company Limited# 杭州吉利遠景採購有限公司	PRC	RMB10,000,000	-	99%	–	99%	Procurement of automobile parts and components in the PRC
Yiwu Geely Powertrain Company Limited# 義烏吉利動力總成有限公司	PRC	RMB320,000,000	-	99%	–	99%	Technology research and development, technology consultancy services, manufacture and sale of vehicle engines and provision of after-sales services in the PRC
Ningbo Hangzhou Bay New Zone Geely Automobile Sales Company Limited# 寧波杭州灣新區吉利汽車銷售有限公司	PRC	RMB50,000,000	-	99%	–	99%	Marketing and sales of vehicles in the PRC
Changsha Geely Automobile Components Company Limited# 長沙吉利汽車部件有限公司	PRC	RMB20,000,000	-	99%	–	99%	Research and development, manufacturing, promotion and sales of vehicles and related automobile components and provision of related after-sales and technical services in the PRC
Zhejiang Jisu Logistics Company Limited# 浙江吉速物流有限公司	PRC	RMB50,000,000	-	99%	–	99%	General logistic, packing, and storage services in the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. INVESTMENTS IN SUBSIDIARIES (Continued)

Investments in subsidiaries represent unlisted shares at cost. Particulars of the principal subsidiaries at 31 December 2021 and 2020 are as follows (Continued):

Name of companies	Place of incorporation/ registration and operations	Issued and fully paid up/registered capital	Percentage of equity interests held in 2021		Percentage of equity interests held in 2020		Principal activities
			Directly	Indirectly	Directly	Indirectly	
Zeekr Automobile (Ningbo Hangzhou Bay New Zone) Company Limited# 極氪汽車(寧波杭州灣新區)有限公司	PRC	RMB500,000,000	**-**	**59.73%**	–	–	Research and development, purchase and sale of the electric mobility related products under the ZEEKR Brand in the PRC
Changxing Geely Automobile Components Company Limited# 長興吉利汽車部件有限公司	PRC	RMB600,000,000	**-**	**99%**	–	–	Research, development, production and sale of complete knock down kits, related automobile components and provision of after-sales services in the PRC
Viridi E-Mobility Technology (Ningbo) Company Limited# 威睿電動汽車技術(寧波)有限公司	PRC	RMB122,448,980	**-**	**30.46%**	–	–	Research, development, production and sale of automobile components including electric powertrain and battery systems and related products and provision of after-sales services in the PRC

* The Company's subsidiary in the PRC is wholly foreign-owned enterprise established for a period of 30 to 50 years.

^ The Company's subsidiary in the PRC is sino-foreign equity joint venture established for a period of 30 to 50 years.

@ The name of the subsidiary was changed from Geely International Limited to Geely Auto International Limited in January 2022 and its Chinese name, which is part of its legal name, was changed from 吉利國際貿易有限公司 to 吉利汽車國際有限公司. Besides, the shareholder of the subsidiary was changed from the Company to Centurion Industries Limited at the same date.

The English translation of the names of the companies established in the PRC is for reference only. The official names of these companies are in Chinese.

None of the subsidiaries had issued any debt securities during the year or at the end of the year except for the issuance of Series Pre-A Preferred Shares by Zeekr Holding (note 39(b)).

44. INVESTMENTS IN SUBSIDIARIES (Continued)

The following tables list out the information related to subgroup of Jirun Automobile and Zeekr Holding, the subsidiaries of the Group which have material non-controlling interests. The summarised financial information presented below represents the amounts before any inter-company elimination.

	Jirun Automobile	
	2021	2020
	RMB'000	RMB'000
Non-controlling interests percentage	**1%**	1%
Non-current assets	**54,051,493**	49,730,317
Current assets	**144,902,780**	135,822,851
Current liabilities	**(144,495,481)**	(137,946,751)
Non-current liabilities	**(1,421,525)**	(579,905)
Net assets	**53,037,267**	47,026,512
Carrying amount of non-controlling interests	**529,894**	473,193
Revenue	**178,792,371**	115,893,753
Profit for the year	**4,511,220**	3,690,941
Other comprehensive expense for the year	**(18,233)**	(228,919)
Total comprehensive income for the year	**4,492,987**	3,462,022
Profit allocated to non-controlling interests	**45,112**	36,909
Other comprehensive expense allocated to non-controlling interests	**(182)**	(2,289)
Cash flows generated from operating activities	**10,438,459**	1,066,651
Cash flows used in investing activities	**(6,212,424)**	(9,346,977)
Cash flows (used in)/generated from financing activities	**(239,224)**	7,104,116
Net cash inflows/(outflows)	**3,986,811**	(1,176,210)

44. INVESTMENTS IN SUBSIDIARIES (Continued)

	Zeekr Holding
	2021
	RMB'000
Non-controlling interests percentage	40.27%
Non-current assets	5,323,972
Current assets	6,839,320
Current liabilities	(7,853,511)
Non-current liabilities	(486,229)
Net assets	3,823,552
Carrying amount of non-controlling interests	1,021,717
Revenue	2,868,157
Loss for the year	(1,010,101)
Other comprehensive expense for the year	(31,043)
Total comprehensive expense for the year	(1,041,144)
Loss allocated to non-controlling interests	(540,960)
Other comprehensive expense allocated to non-controlling interests	(15,210)
Cash flows generated from operating activities	586,215
Cash flows used in investing activities	(1,175,071)
Cash flows generated from financing activities	3,924,778
Net cash inflows	3,335,922

45. EVENT AFTER THE REPORTING DATE

Acquisition of China-Euro Vehicle Technology AB ("CEVT")

On 2 July 2021, Zeekr Holding and a fellow subsidiary owned by the Company's ultimate holding company entered into an acquisition agreement pursuant to which Zeekr Holding conditionally agreed to acquire 100% of the equity interests in CEVT for a cash consideration of approximately 1,057.8 million Swedish Krona (equivalent to approximately RMB745.6 million). CEVT is principally engaged in automotive design, software systems development, modular development, virtual engineering of intelligent electric vehicles and provision of mobility technology solutions. The acquisition of CEVT was completed in February 2022. Please refer to the Company's announcement dated 2 July 2021 for further details.

However, as at the date of authorisation of these consolidated financial statements, the initial accounting for the business combination has not yet been completed.

CORPORATE INFORMATION

Executive Directors:

Mr. Li Shu Fu *(Chairman)*
Mr. Yang Jian *(Vice Chairman)*
Mr. Li Dong Hui, Daniel *(Vice Chairman)*
Mr. Gui Sheng Yue *(Chief Executive Officer)*
Mr. An Cong Hui
Mr. Ang Siu Lun, Lawrence
Ms. Wei Mei

Independent Non-executive Directors:

Mr. Lee Cheuk Yin, Dannis
Mr. Yeung Sau Hung, Alex
Mr. An Qing Heng
Mr. Wang Yang
Ms. Lam Yin Shan, Jocelyn *(Appointed on 1 November 2021)*
Ms. Gao Jie *(Appointed on 1 November 2021)*

Audit Committee:

Mr. Lee Cheuk Yin, Dannis *(Committee's Chairman)*
Mr. Yeung Sau Hung, Alex
Mr. An Qing Heng
Mr. Wang Yang
Ms. Lam Yin Shan, Jocelyn
(Appointed as committee's member on 1 November 2021)
Ms. Gao Jie
(Appointed as committee's member on 1 November 2021)

Remuneration Committee:

Mr. Yeung Sau Hung, Alex *(Committee's Chairman)*
Ms. Wei Mei
Mr. Lee Cheuk Yin, Dannis
Mr. Wang Yang
Ms. Lam Yin Shan, Jocelyn
(Appointed as committee's member on 1 November 2021)
Ms. Gao Jie
(Appointed as committee's member on 1 November 2021)

Nomination Committee:

Mr. Wang Yang *(Committee's Chairman)*
Mr. Gui Sheng Yue
Mr. Lee Cheuk Yin, Dannis
Mr. Yeung Sau Hung, Alex
Ms. Lam Yin Shan, Jocelyn
(Appointed as committee's member on 1 November 2021)
Ms. Gao Jie
(Appointed as committee's member on 1 November 2021)

Sustainability Committee:

Mr. An Cong Hui *(Committee's Chairman)*
Mr. Gui Sheng Yue
Mr. Wang Yang

Company Secretary:

Mr. Cheung Chung Yan, David

Auditor:

Grant Thornton Hong Kong Limited

APPENDIX II

RECENT DEVELOPMENTS IN THE ISSUER'S BUSINESS

This section supersedes in its entirety the section in the Base Listing Document entitled "Information Relating to UBS AG".

1. Overview

UBS AG ("**Issuer**") with its subsidiaries (together, "**UBS AG consolidated**", or "**UBS AG Group**"; together with UBS Group AG, which is the holding company of UBS AG, and its subsidiaries, "**UBS Group**", "**Group**", "**UBS**" or "**UBS Group AG consolidated**") provides financial advice and solutions to private, institutional and corporate clients worldwide, as well as private clients in Switzerland. The operational structure of the Group is comprised of the Group Functions and four business divisions: Global Wealth Management, Personal & Corporate Banking, Asset Management and the Investment Bank.

On 31 March 2022, UBS Group's common equity tier 1 ("**CET1**") capital ratio was 14.3%, the CET1 leverage ratio was 4.16%, the total loss-absorbing capacity ratio was 34.2%, and the total loss-absorbing capacity leverage ratio was 9.9%.[1] On the same date, invested assets stood at USD 4,380 billion, equity attributable to shareholders was USD 58,855 million and market capitalisation was USD 65,775 million. On the same date, UBS employed 71,697 people.[2]

On 31 March 2022, UBS AG consolidated CET1 capital ratio was 13.4%, the CET1 leverage ratio was 3.88%, the total loss-absorbing capacity ratio was 33.1%, and the total loss-absorbing capacity leverage ratio was 9.6%.[1] On the same date, invested assets stood at USD 4,380 billion and equity attributable to UBS AG shareholders was USD 57,962 million. On the same date, UBS AG Group employed 47,139 people.[2]

The rating agencies S&P Global Ratings Europe Limited ("**S&P**"), Moody's Deutschland GmbH ("**Moody's**"), and Fitch Ratings Limited ("**Fitch**") have published solicited credit ratings reflecting their assessment of the creditworthiness of UBS AG, i.e. its ability to fulfil in a timely manner payment obligations, such as principal or interest payments on long-term loans, also known as debt servicing. The ratings from Fitch and S&P may be attributed a plus or minus sign, and those from Moody's a number. These supplementary attributes indicate the relative position within the respective rating class. UBS AG has a long-term counterparty credit rating of A+ from S&P, long-term senior debt rating of Aa3 from Moody's, and long-term issuer default rating of AA- from Fitch.

An explanation of the significance of ratings may be obtained from the rating agencies. Generally, rating agencies base their ratings on such material and information, and such of their own investigations, studies and assumptions, as they deem appropriate. The ratings of UBS AG should be evaluated independently from similar ratings of other entities, and from the rating, if any, of its securities. A credit rating is not a recommendation to buy, sell or hold securities issued or guaranteed by the rated entity and may be subject to review, revision, suspension, reduction or withdrawal at any time by the assigning rating agency. Fitch is established in the UK and registered under Regulation (EU) No 1060/2009 as it forms part of domestic law of the UK by virtue of the EUWA (the "**UK CRA Regulation**") and currently appears on the list of credit rating agencies registered or certified with the Financial Conduct Authority published on its website www.fca.org.uk/markets/credit-rating-agencies/registered-certified-cras. Ratings given by Fitch are endorsed by Fitch Ratings Ireland Limited, which is established in the EEA and registered under Regulation (EU) No 1060/2009, as

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[1] All figures based on the Swiss systemically relevant bank framework. Refer to the "Capital management" section of the Annual Report 2021 and of the UBS Group First Quarter 2022 Report for more information.
[2] Full-time equivalents.

amended (the "**EU CRA Regulation**") and currently appears on the list of credit ratings agencies published by ESMA on its website www.esma.europa.eu in accordance with the EU CRA Regulation. S&P and Moody's are established in the European Union and registered under the EU CRA Regulation and currently appear on the list of credit ratings agencies published by ESMA on its website in accordance with the EU CRA Regulation. Ratings given by S&P and Moody's are endorsed by Standard & Poor's Global Ratings UK Limited and Moody's Investors Service Ltd, respectively, which are established in the UK and registered under the UK CRA Regulation and currently appear on the list of credit rating agencies registered or certified with the FCA published on its website.

No profit forecasts or estimates are included in this document.

No recent events particular to the Issuer have occurred which are to a material extent relevant to the evaluation of the Issuer's solvency.

2. Information about the Issuer

2.1 Corporate Information

The legal and commercial name of the Issuer is UBS AG.

The Issuer was incorporated under the name SBC AG on 28 February 1978 for an unlimited duration and entered in the Commercial Register of Canton Basel-City on that day. On 8 December 1997, the Issuer changed its name to UBS AG. The Issuer in its present form was created on 29 June 1998 by the merger of Union Bank of Switzerland (founded 1862) and Swiss Bank Corporation (founded 1872). UBS AG is entered in the Commercial Registers of Canton Zurich and Canton Basel-City. The registration number is CHE-101.329.561.

UBS AG is incorporated and domiciled in Switzerland and operates under the Swiss Code of Obligations as an Aktiengesellschaft, a corporation limited by shares. UBS AG's Legal Entity Identifier (LEI) code is BFM8T61CT2L1QCEMIK50.

According to article 2 of the articles of association of UBS AG dated 26 April 2018 ("**Articles of Association**"), the purpose of UBS AG is the operation of a bank. Its scope of operations extends to all types of banking, financial, advisory, trading and service activities in Switzerland and abroad. UBS AG may establish branches and representative offices as well as banks, finance companies and other enterprises of any kind in Switzerland and abroad, hold equity interests in these companies, and conduct their management. UBS AG is authorized to acquire, mortgage and sell real estate and building rights in Switzerland and abroad. UBS AG may borrow and invest money on the capital markets. UBS AG is part of the group of companies controlled by the group parent company UBS Group AG. It may promote the interests of the group parent company or other group companies. It may provide loans, guarantees and other kinds of financing and security for group companies.

The addresses and telephone numbers of UBS AG's two registered offices and principal places of business are: Bahnhofstrasse 45, CH-8001 Zurich, Switzerland, telephone +41 44 234 1111; and Aeschenvorstadt 1, CH-4051 Basel, Switzerland, telephone +41 61 288 5050.

2.2 UBS's borrowing and funding structure and financing of UBS's activities

For information on UBS's expected financing of its business activities, please refer to "*Liquidity and funding management*" in the "*Capital, liquidity and funding, and balance sheet*" section of the Annual Report 2021.

3. Business Overview

3.1 Organisational Structure of the Issuer

UBS AG is a Swiss bank and the parent company of the UBS AG Group. It is 100% owned by UBS

Group AG, which is the holding company of the UBS Group. UBS operates as a group with four business divisions and Group Functions.

In 2014, UBS began adapting its legal entity structure in response to too-big-to-fail requirements and other regulatory initiatives. First, UBS Group AG was established as the ultimate parent holding company for the Group. In 2015, UBS AG transferred its personal & corporate banking and Swiss-booked wealth management businesses to the newly established UBS Switzerland AG, a banking subsidiary of UBS AG in Switzerland. That same year, UBS Business Solutions AG, a wholly owned subsidiary of UBS Group AG, was established and acts as the Group service company. In 2016, UBS Americas Holding LLC became the intermediate holding company for UBS's US subsidiaries and UBS's wealth management subsidiaries across Europe were merged into UBS Europe SE, UBS's German-headquartered European subsidiary. In 2019, UBS Limited, UBS's UK headquartered subsidiary, was merged into UBS Europe SE.

UBS Group AG's interests in subsidiaries and other entities as of 31 December 2021, including interests in significant subsidiaries, are discussed in "Note 29 Interests in subsidiaries and other entities" to the UBS Group AG's consolidated financial statements included in the UBS Group AG and UBS AG Annual Report 2021 published on 07 March 2022 ("**Annual Report 2021**").

UBS AG's interests in subsidiaries and other entities as of 31 December 2021, including interests in significant subsidiaries, are discussed in "Note 29 Interests in subsidiaries and other entities" to the UBS AG's consolidated financial statements included in the Annual Report 2021.

UBS AG is the parent company of, and conducts a significant portion of its operations through, its subsidiaries. UBS AG has contributed a significant portion of its capital and provides substantial liquidity to subsidiaries. In addition, UBS Business Solutions AG provides substantial services to group companies including UBS AG and its subsidiaries. To this extent, UBS AG is dependent on certain of the entities of the UBS AG Group and of the UBS Group.

3.2 Principal activities

UBS businesses are organised globally into four business divisions: Global Wealth Management, Personal & Corporate Banking, Asset Management, and the Investment Bank. All four business divisions are supported by Group Functions. Each of the business divisions and Group Functions are described below. A description of the businesses, organisational structures, products and services and targeted markets of the business divisions and Group Functions can be found under "*Our business*es" in the "*Our strategy, business model and environment*" section of the Annual Report 2021.

- *Global Wealth Management* provides financial services, advice and solutions to private clients, in particular in the ultrahigh net worth and high net worth segments. Its offering ranges from investment management to estate planning and corporate finance advice, in addition to specific wealth management products and services. The business division is managed globally across the regions.

- *Personal & Corporate Banking* serves its private, corporate, and institutional clients' needs, from basic banking to retirement, financing, investments and strategic transactions, in Switzerland, through its branch network and digital channels.

- Asset Management is a large-scale and diversified global asset manager. It offers investment capabilities and styles across all major traditional and alternative asset classes, as well as advisory support to institutions, wholesale intermediaries and wealth management clients globally.

– The *Investment Bank* provides a range of services to institutional, corporate and wealth management clients globally, to help them raise capital, grow their businesses, invest and manage risks. Its offerings include advisory services, facilitating clients raising debt and equity from the public and private markets and capital markets, cash and derivatives trading across equities and fixed income, and financing.

– *Group Functions* is made up of the following major areas: Group Services (which consists of Technology, Corporate Services, Human Resources, Finance, Legal, Risk Control, Compliance, Regulatory & Governance, Communications & Branding and Group Sustainability and Impact), Group Treasury and Non-core and Legacy Portfolio.

3.3 Competition

The financial services industry is characterized by intense competition, continuous innovation, restrictive, detailed, and sometimes fragmented regulation and ongoing consolidation. UBS faces competition at the level of local markets and individual business lines, and from global financial institutions that are comparable to UBS in their size and breadth, as well as competition from new technology-based market entrants, which may not be subject to the same level of regulation. Barriers to entry in individual markets and pricing levels are being eroded by new technology. UBS expects these trends to continue and competition to increase.

Any statements regarding the competitive position of UBS AG, UBS AG Group or the Group contained in this document are made on the basis of the opinion of UBS AG or the Group.

3.4 Recent Developments

3.4.1 UBS AG consolidated key figures

UBS AG derived the selected consolidated financial information included in the table below for the years ended 31 December 2021, 2020 and 2019 from the Annual Report 2021, except where noted. The selected consolidated financial information included in the table below for the quarter ended 31 March 2022 and 31 March 2021 was derived from the UBS AG First Quarter 2022 Report.

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board ("**IASB**").

Information for the years ended 31 December 2021, 2020 and 2019 which is indicated as being unaudited in the table below was included in the Annual Report 2021, but has not been audited on the basis that the respective disclosures are not required under IFRS, and therefore are not part of the audited financial statements. Prospective investors should read the whole of this document, the Annual Report 2021 and the UBS AG First Quarter 2022 Report and should not rely solely on the summarized information set out below.

	As of or for the quarter ended		As of or for the year ended		
USD million, except where indicated	31.3.22	31.3.21	31.12.21	31.12.20	31.12.19
	unaudited		*audited, except where indicated*		
Results					
Income statement					
Operating income	9,475	8,836	35,976	32,780	29,307
Net interest income	1,746	1,589	6,605	5,788	4,415
Net fee and commission income	5,384	5,719	22,438	19,207	17,460

Credit loss (expense) / release	(18)	28	148	(695)	(78)
Other net income from financial instruments measured at fair value through profit or loss	2,225	1,314	5,844	6,930	6,833
Operating expenses	6,916	6,684	27,012	25,081	24,138
Operating profit / (loss) before tax	2,559	2,151	8,964	7,699	5,169
Net profit / (loss) attributable to shareholders	2,004	1,710	7,032	6,196	3,965
Balance sheet [1]					
Total assets	1,139,876		1,116,145	1,125,327	971,927
Total financial liabilities measured at amortized cost	749,052		744,762	732,364	617,429
of which: customer deposits	542,984		544,834	527,929	450,591
of which: debt issued measured at amortized cost	75,013		82,432	85,351	62,835
of which: subordinated debt	5,056		5,163	7,744	7,431
Total financial liabilities measured at fair value through profit or loss	322,941		300,916	325,080	291,452
of which: debt issued designated at fair value	69,421		71,460	59,868	66,592
Loans and advances to customers	393,960		398,693	380,977	327,992
Total equity	58,319		58,442	58,073	53,896
Equity attributable to shareholders	57,962		58,102	57,754	53,722
Profitability and growth					
Return on equity (%) [2]	13.8	11.9	12.3*	10.9*	7.4*
Return on tangible equity (%) [3]	15.5	13.4	13.9*	12.4*	8.5*
Return on common equity tier 1 capital (%) [4]	19.3	17.8	17.6*	16.6*	11.3*
Return on risk-weighted assets, gross (%) [5]	12.5	12.3	12.3*	11.9*	11.2*
Return on leverage ratio denominator, gross (%) [6, 7]	3.5	3.4	3.4*	3.4*	3.2*
Cost / income ratio (%) [8]	72.8	75.9	75.4*	74.9*	82.1*
Net profit growth (%) [9]	17.2	20.3	13.5*	56.3*	(3.4)*
Resources					
Common equity tier 1 capital [10]	41,577	38,826	41,594	38,181	35,233*
Risk-weighted assets [10]	309,374	285,119	299,005*	286,743*	257,831*
Common equity tier 1 capital ratio (%) [10]	13.4	13.6	13.9*	13.3*	13.7*
Going concern capital ratio (%) [10]	18.1	18.7	18.5*	18.3*	18.3*
Total loss-absorbing capacity ratio (%) [10]	33.1	34.2	33.3*	34.2*	33.9*
Leverage ratio denominator [6, 10]	1,072,766	1,039,736	1,067,679*	1,036,771*	911,228*
Common equity tier 1 leverage ratio (%) [6, 10]	3.88	3.73	3.90*	3.68*	3.87*
Going concern leverage ratio (%) [6, 10]	5.2	5.1	5.2*	5.1*	5.2*
Total loss-absorbing capacity leverage ratio (%) [10]	9.6	9.4	9.3*	9.5*	9.6*
Other					
Invested assets (USD billion) [11]	4,380	4,306	4,596	4,187	3,607
Personnel (full-time equivalents)	47,139	47,592	47,067*	47,546*	47,005*

* unaudited

[1] Except for *Total assets*, *Total equity* and *Equity attributable to shareholders*, balance sheet information for year ended 31 December 2019 is derived from the Annual Report 2020.
[2] Calculated as annualized net profit attributable to shareholders divided by average equity attributable to shareholders. This measure provides information about the profitability of the business in relation to equity.
[3] Calculated as annualized net profit attributable to shareholders divided by average equity attributable to shareholders less average goodwill and intangible assets. This measure provides information about the profitability of the business in relation to tangible equity.
[4] Calculated as annualized net profit attributable to shareholders divided by average common equity tier 1 capital. This measure provides information about the profitability of the business in relation to common equity tier 1 capital.
[5] Calculated as annualized operating income before credit loss expense or release divided by average risk-weighted assets. This measure provides information about the revenues of the business in relation to risk-weighted assets.
[6] Leverage ratio denominators and leverage ratios for year 2020 do not reflect the effects of the temporary exemption that applied from 25 March 2020 until 1 January 2021 and was granted by FINMA in connection with COVID-19.
[7] Calculated as annualized operating income before credit loss expense or release divided by average leverage ratio denominator. This measure provides information about the revenues of the business in relation to leverage ratio denominator.
[8] Calculated as operating expenses divided by operating income before credit loss expense or release (annualized as applicable). This measure provides information about the efficiency of the business by comparing operating expenses with gross income.
[9] Calculated as the change in net profit attributable to shareholders from continuing operations between current and comparison periods divided by net profit attributable to shareholders from continuing operations of the comparison period. This measure provides information about profit growth in comparison with the prior period.
[10] Based on the applicable Swiss systemically relevant bank framework as of 1 January 2020.
[11] Consists of invested assets for Global Wealth Management, Asset Management and Personal & Corporate Banking. Calculated as the sum of managed fund assets, managed institutional assets, discretionary and advisory wealth management portfolios, fiduciary deposits, time deposits, savings accounts, and wealth management securities or brokerage accounts. This measure provides information about the volume of client assets managed by or deposited with UBS for investment purposes.

3.4.2 Regulatory, legal and other developments

Refer to "*Recent developments*" in the UBS Group First Quarter 2022 Report, as well as to "*Our environment" and "Regulatory and legal developments*" in the Annual Report 2021, for further information on key regulatory, legal and other developments.

3.5 Trend Information

For information on trends, refer to "*Outlook*" under "*Group performance*" and to "*Country risk*" under "*Risk management and control*" in the UBS Group First Quarter 2022 Report, as well as to the "*Our environment*" section, and to "*Top and emerging risks*" and "*Country risk*" in the "*Risk management and control*" section of the Annual Report 2021. In addition, please refer to the "*Risk factors*" and the "*Recent Developments*" sections of this document for more information.

4. Administrative, Management and Supervisory Bodies of the Issuer

UBS AG complies with all relevant Swiss legal and regulatory corporate governance requirements. As a foreign private issuer with debt securities listed on the New York Stock Exchange ("**NYSE**"), UBS AG also complies with the relevant NYSE corporate governance standards applicable to foreign private issuers.

UBS AG operates under a strict dual board structure, as mandated by Swiss banking law. The Board of Directors ("**BoD**") exercises the ultimate supervision over management, whereas the Executive

Board ("**EB**"), headed by the President of the Executive Board ("**President of the EB**"), has executive management responsibility. The functions of Chairman of the BoD and President of the EB are assigned to two different people, ensuring a separation of power. This structure establishes checks and balances and preserves the institutional independence of the BoD from the executive management of UBS AG Group, for which responsibility is delegated to the EB under the leadership of the President of the EB. No member of one board may simultaneously be a member of the other.

Supervision and control of the EB remain with the BoD. The authorities and responsibilities of the two bodies are governed by the Articles of Association and the Organization Regulations of UBS AG.

4.1 Board of Directors

The BoD consists of between 5 and 12 members. All the members of the BoD are elected individually by the shareholders at the Annual General Meeting ("**AGM**") for a term of office of one year, which expires after the completion of the next AGM. Shareholders also elect the Chairman upon proposal of the BoD.

The BoD meets as often as business requires, and at least six times a year.

4.1.1 Members of the Board of Directors

The current members of the BoD are listed below.

Member	Title	Term of office	Current principal activities outside UBS AG
Colm Kelleher	Chairman	2023	Chairman of the Board of Directors of UBS Group AG; member of the board of Norfolk Southern Corporation (chair of the risk and finance committee); member of the Board of Directors of the Bretton Woods Committee; member of the board of Americans for Oxford; member of the Oxford Chancellor's Court of Benefactors; and member of the Advisory Council of the British Museum.
Lukas Gähwiler	Member	2023	Vice Chairman of the Board of Directors of UBS Group AG; member of the Board of Directors of Pilatus Aircraft Ltd; member of the Board of Directors of Ringier AG; member of the Board of Directors of Opernhaus Zürich AG; chairman of the Employers Association of Banks in Switzerland; member of the Board of Directors of the Swiss Employers Association; member of the Board of economiesuisse; chairman of the Foundation Board of the UBS Pension Fund; member of the Foundation Council of the UBS Center for Economics in Society; and member of the board of the Swiss Finance Council.
Jeremy Anderson	Member	2023	Senior Independent Director of the Board of Directors of UBS Group AG; board member of Prudential plc; trustee of the UK's Productivity Leadership Group; trustee of Kingham Hill Trust; trustee of St. Helen Bishopsgate.

Claudia Böckstiegel	Member	2023	Member of the Board of Directors of UBS Group AG; General Counsel and member of the Enlarged Executive Committee of Roche Holding AG.
William C. Dudley	Member	2023	Member of the Board of Directors of UBS Group AG; member of the board of Treliant LLC; senior advisor to the Griswold Center for Economic Policy Studies at Princeton University; member of the Group of Thirty; member of the Council on Foreign Relations; chair of the Bretton Woods Committee board of directors; member of the board of the Council for Economic Education.
Patrick Firmenich	Member	2023	Member of the Board of Directors of UBS Group AG; chairman of the board of Firmenich International SA; member of the board of Jacobs Holding AG; member of the Board of INSEAD and INSEAD World Foundation; member of the Advisory Council of the Swiss Board Institute.
Fred Hu	Member	2023	Member of the Board of Directors of UBS Group AG; non-executive chairman of the board of Yum China Holdings (chair of the nomination and governance committee); board member of Industrial and Commercial Bank of China; chairman of Primavera Capital Ltd and of Primavera Capital Group; member of the Board of Ant Group; board member of Minsheng Financial Leasing Co.; trustee of the China Medical Board; Governor of the Chinese International School in Hong Kong; co-chairman of the Nature Conservancy Asia Pacific Council; member of the Board of Trustees of the Institute for Advanced Studies (IAS).
Mark Hughes	Member	2023	Member of the Board of Directors of UBS Group AG; chair of the Board of Directors of the Global Risk Institute; visiting lecturer at the University of Leeds; senior advisor to McKinsey & Company.
Nathalie Rachou	Member	2023	Member of the Board of Directors of UBS Group AG; member of the board of Euronext N.V. (chair of the remuneration committee); member of the board of Veolia Environnement SA (chair of the audit committee); member of the board of the African Financial Institutions Investment Platform.
Julie G. Richardson	Member	2023	Member of the Board of Directors of UBS Group AG; member of the board of Yext (chair of the audit committee); member of the board of Datalog (chair of the audit committee).
Dieter Wemmer	Member	2023	Member of the Board of Directors of UBS Group AG; board member of Ørsted A/S (chair of the audit and risk committee); chairman of Marco Capital Holdings

			Limited and Marco Insurance, Malta; member of the Berlin Center of Corporate Governance.
Jeanette Wong	Member	2023	Member of the Board of Directors of UBS Group AG; member of the board of Prudential plc; member of the board of Singapore Airlines Limited; member of the Board Risk Committee of GIC Pte Ltd; board member of Jurong Town Corporation; board member of PSA International; chairman of the CareShield Life Council; member of the Securities Industry Council; member of the Board of Trustees of the National University of Singapore.

4.2 Executive Board ("EB")

Under the leadership of the President of the EB, the EB has executive management responsibility for UBS AG and its business. All EB members (with the exception of the President of the EB) are proposed by the President of the EB. The appointments are made by the BoD.

4.2.1 Members of the Executive Board

The current members of the EB are listed below. In addition, Sarah Youngwood joined the GEB at the beginning of March 2022, and will take over as Group Chief Financial Officer from 16 May 2022 succeeding Kirt Gardner, who will retire from the firm.

Member and business address	Function	Current principal activities outside UBS AG
Ralph Hamers UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	President of the Executive Board	Member of the Group Executive Board and Group Chief Executive Officer of UBS Group AG; member of the Board of the Swiss-American Chamber of Commerce; member of the Institut International D'Etudes Bancaires; member of the IMD Foundation Board; member of the McKinsey Advisory Council; member of the World Economic Forum International Business Council; Governor of the World Economic Forum (Financial Services).
Christian Bluhm UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Chief Risk Officer	Member of the Group Executive Board and Group Chief Risk Officer of UBS Group AG; board member of UBS Switzerland AG; member of the Foundation Board of the UBS Pension Fund; member of the Foundation Board – International Financial Risk Institute.
Mike Dargan UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Chief Digital and Information Officer	Member of the Group Executive Board and Chief Digital and Information Officer of UBS Group AG; President of the Executive Board and board member of UBS Business Solutions AG; member of the Board of Directors of Done Next Holdings AG; member of the Board of Trustees of the Inter-

		Community School Zurich.
Kirt Gardner UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Chief Financial Officer	Member of the Group Executive Board and Group Chief Financial Officer of UBS Group AG; board member of UBS Business Solutions AG.
Suni Harford UBS AG, 1285 Avenue of the Americas, New York, NY 10019 USA	President Asset Management	Member of the Executive Board and President Asset Management of UBS Group AG; chairman of the Board of Directors of UBS Asset Management AG; chair of the Board of UBS Optimus Foundation; member of the Leadership Council of the Bob Woodruff Foundation.
Robert Karofsky UBS AG, 1285 Avenue of the Americas, New York, NY 10019, USA	President Investment Bank	Member of the Group Executive Board and President Investment Bank of UBS Group AG; president of UBS Securities LLC; member of the board of UBS Americas Holding LLC; member of the board of UBS Optimus Foundation; trustee of the UBS Americas Inc. Political Action Committee.
Iqbal Khan UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Co-President Global Wealth Management and President UBS Europe, Middle East and Africa	Member of the Executive Board, co-President Global Wealth Management and President UBS Europe, Middle East and Africa of UBS Group AG; member of the Supervisory Board of UBS Europe SE; member of the board of UBS Optimus Foundation; board member of Room to Read Switzerland.
Edmund Koh UBS AG, One Raffles Quay North Tower, Singapore 048583	President UBS Asia Pacific	Member of the Group Executive Board and President UBS Asia Pacific of UBS Group AG; member of a sub-committee of the Singapore Ministry of Finance's Committee on the Future Economy; member of the Financial Centre Advisory Panel of the Monetary Authority of Singapore; council member of the Asian Bureau of Finance and Economic Research; member of the Board of Trustees of the Wealth Management Institute, Singapore; board member of Next50 Limited, Singapore; board member of Medico Suites (S) Pte Ltd; Council member of the KidSTART program of the Early Childhood Development Agency Singapore; trustee of the Cultural Matching Fund, Singapore; member of University of Toronto's International Leadership Council for Asia.
Barbara Levi	General Counsel	Member of the Group Executive Board and Group General Counsel of UBS Group AG; member of

UBS AG, Bahnhofstrasse 45, CH-8001 Zurich		the Employers' Board of the Global Institute for Women's Leadership, King's College London; member of the Board of Directors of the European General Counsel Association.
Tom Naratil UBS AG, 1285 Avenue of the Americas, New York, NY 10019 USA	Co-President Global Wealth Management and President UBS Americas	Member of the Group Executive Board and co-President Global Wealth Management and President UBS Americas of UBS Group AG; CEO and board member of UBS Americas Holding LLC; board member of the American Swiss Foundation.
Markus Ronner UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Chief Compliance and Governance Officer	Member of the Group Executive Board and Group Chief Compliance and Governance Officer of UBS Group AG.
Sarah Youngwood UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Designated Chief Financial Officer as of 16 May 2022	Member of the Group Executive Board of UBS Group AG, and Designated Group Chief Financial Officer as of May 2022; Advisory Board Member – Wall Street Women's Alliance.

4.3 Potential Conflicts of Interest

Members of the BoD and the EB may act as directors or executive officers of other companies (for current principal positions outside UBS AG, if any, of BoD and EB members, please see sections 4.1.1 and 4.2.1 above, respectively) and may have economic or other private interests that differ from those of UBS AG. Conflicts of interest may potentially arise from these positions or interests. For example, it cannot be excluded that a member of the BoD or EB has or will have a function within a company, the shares of which are or will be traded by UBS AG or which has or will have a business relationship with UBS AG. UBS AG is confident that its internal corporate governance practices and its compliance with relevant legal and regulatory provisions reasonably ensure that any conflicts of interest of the type described above are appropriately managed, including through disclosure when appropriate.

Other than as indicated above, UBS is not aware of potential conflicts of interests between any duties to the Issuer of the members of the BoD and the EB and their private interests or other duties.

5. Auditors

Based on article 31 of the Articles of Association, UBS AG shareholders elect the auditors for a term of office of one year. At the AGMs of 27 April 2020, 7 April 2021 and 5 April 2022, Ernst & Young Ltd., Aeschengraben 27, 4051 Basel, Switzerland ("**Ernst & Young**") was elected as auditor for the consolidated and standalone financial statements of UBS AG for a one-year term.

Ernst & Young is a member of EXPERTsuisse, the Swiss Expert Association for Audit, Tax and Fiduciary. Ernst & Young is also registered with the Swiss Federal Audit Oversight Authority, which is responsible for the licensing and supervision of audit firms and individuals that provide audit services in Switzerland.

6. Major Shareholders of the Issuer

UBS Group AG owns 100% of the outstanding shares of UBS AG. UBS AG is a wholly owned subsidiary of UBS Group AG. While UBS has no specific corporate measures intended to prevent abuse of control to the detriment of minority shareholders, UBS has adopted a comprehensive and integrated governance framework which takes into account the specific requirements of each relevant jurisdiction. This governance framework includes separate articles of association and organizational regulations for UBS Group AG and UBS AG. In addition, as UBS AG is regulated as a bank in Switzerland, it is subject to capital regulation and close supervisory oversight. This includes the general requirement under Swiss law that contracts of UBS AG with affiliates are subject to an arm's length principle of negotiation.

7. Financial Information concerning the Issuer's Assets and Liabilities, Financial Position and Profits and Losses

7.1 Historical Annual Financial Information

Detailed information about UBS AG consolidated and UBS AG assets and liabilities, financial position and profits and losses for financial year 2021 is available in the section "*UBS AG consolidated financial statements*" of the Annual Report 2021 and in the UBS AG's standalone financial statements for the year ended 31 December 2021 (the "**Standalone Financial Statements 2021**"), respectively; and for financial year 2020 it is available in the "*UBS AG consolidated financial statements*" section of the UBS Group AG and UBS AG annual report 2020, published on 5 March 2021 ("**Annual Report 2020**") and in the UBS AG's standalone financial statements for the year ended 31 December 2020 published on 5 March 2021 (the "**Standalone Financial Statements 2020**"). The consolidated and standalone financial accounts are closed on 31 December of each year.

The annual financial reports form an essential part of UBS AG's reporting. They include the audited consolidated financial statements of UBS AG, prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board. The annual reports also include discussions and analysis of the consolidated financial and business results of UBS, its business divisions and Group Functions. In addition, UBS AG prepares and publishes standalone financial statements in accordance with Swiss GAAP, as well as certain additional disclosures required under US Securities and Exchange Commission regulations.

7.2 Auditing of Historical Annual Financial Information

The consolidated financial statements and the standalone financial statements of UBS AG for the financial years 2021 and 2020 were audited by Ernst & Young. The reports of the auditors on the consolidated financial statements can be found on pages 422-428 (inclusive) of the Annual Report 2021 and on pages 417-428 (inclusive) of the Annual Report 2020. The reports of the auditors on the standalone financial statements of UBS AG can be found on pages 37-42 (inclusive) of the Standalone Financial Statements 2021 and on pages 34-39 (inclusive) of the Standalone Financial Statements 2020.

There are no qualifications in the auditors' reports on the consolidated financial statements of UBS AG and the standalone financial statements of UBS AG for the years ended on 31 December 2021 and 31 December 2020.

7.3 Interim Financial Information

Reference is also made to the UBS Group AG first quarter 2022 report published on 26 April 2022 ("**UBS Group First Quarter 2022 Report**"), and the UBS AG first quarter 2022 report published on 29 April 2022 ("**UBS AG First Quarter 2022 Report**"), which contain information on the financial condition and results of operations, including the interim financial statements, of UBS Group AG consolidated and UBS AG consolidated, respectively, as of and for the period ended 31 March 2022. The interim consolidated financial statements are not audited.

7.4 Litigation, Regulatory and Similar Matters

UBS operates in a legal and regulatory environment that exposes it to significant litigation and similar risks arising from disputes and regulatory proceedings. As a result, UBS is involved in various disputes and legal proceedings, including litigation, arbitration, and regulatory and criminal investigations. Such matters are subject to many uncertainties, and the outcome and the timing of resolution are often difficult to predict, particularly in the earlier stages of a case. The uncertainties inherent in all such matters affect the amount and timing of any potential outflows for both matters with respect to which provisions have been established and other contingent liabilities. Litigation, regulatory and similar matters may also result in non-monetary penalties and consequences. A guilty plea to, or conviction of, a crime could have material consequences for UBS. Resolution of regulatory proceedings may require UBS to obtain waivers of regulatory disqualifications to maintain certain operations, may entitle regulatory authorities to limit, suspend or terminate licenses and regulatory authorizations and may permit financial market utilities to limit, suspend or terminate UBS's participation in such utilities. Failure to obtain such waivers, or any limitation, suspension or termination of licenses, authorizations or participations, could have material consequences for UBS.

Specific litigation, regulatory and other matters, including all such matters that management considers to be material and others that management believes to be of significance due to potential financial, reputational and other effects, are described in "*Note 15 Provisions and contingent liabilities*" to the UBS AG unaudited interim consolidated financial statements included in the UBS AG First Quarter 2022 Report. The amount of damages claimed, the size of a transaction or other information is provided where available and appropriate in order to assist users in considering the magnitude of potential exposures.

7.5 Material Contracts

Except as otherwise disclosed in this document (including the documents incorporated herein by reference), no material contracts have been entered into outside of the ordinary course of UBS AG's or UBS AG Group's business which could result in any member of the UBS AG Group being under an obligation or entitlement that is material to UBS AG's ability to meet its obligations to the investors in relation to the issued securities.

7.6 Significant Changes in the Financial Position and Performance; Material Adverse Change in Prospects

Except as otherwise indicated in this document (including the documents incorporated herein by reference), no material changes have occurred in UBS AG's assets and liabilities, financial position or profits and losses since 31 March 2022.

8. Share Capital

As reflected in the Articles of Association most recently registered with the Commercial Register of the Canton of Zurich and the Commercial Register of Basel-City, UBS AG has (i) fully paid and issued share capital of CHF 385,840,846.60, divided into 3,858,408,466 registered shares with a par value of CHF 0.10 each (article 4), and (ii) conditional capital in the amount of CHF 38,000,000, comprising

380,000,000 registered shares with a par value of CHF 0.10 each that can be issued upon the voluntary or mandatory exercise of conversion rights and/or warrants (article 4a).

9. Documents Available

The most recent Articles of Association of UBS AG are available on UBS's Corporate Governance website, at www.ubs.com/governance. Save as otherwise indicated herein, information on or accessible through the Group’s corporate website, www.ubs.com, does not form part of and is not incorporated into this document.

APPENDIX III

EXTRACT OF
THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF
UBS AG AND ITS SUBSIDIARIES
FOR THE FIRST QUARTER ENDED 31 MARCH 2022

UBS AG interim consolidated financial statements (unaudited)

Income statement

		For the quarter ended		
USD million	Note	31.3.22	31.12.21	31.3.21
Interest income from financial instruments measured at amortized cost and fair value through other comprehensive income	3	2,145	2,152	2,098
Interest expense from financial instruments measured at amortized cost	3	(809)	(794)	(859)
Net interest income from financial instruments measured at fair value through profit or loss	3	410	388	351
Net interest income	3	1,746	1,746	1,589
Other net income from financial instruments measured at fair value through profit or loss		2,225	1,364	1,314
Credit loss (expense) / release	8	(18)	27	28
Fee and commission income	4	5,868	6,054	6,197
Fee and commission expense	4	(485)	(513)	(478)
Net fee and commission income	4	5,384	5,541	5,719
Other income		139	169	185
Total operating income		9,475	8,846	8,836
Personnel expenses	5	4,233	3,552	4,086
General and administrative expenses	6	2,233	3,164	2,141
Depreciation, amortization and impairment of non-financial assets		449	511	457
Total operating expenses		6,916	7,227	6,684
Operating profit / (loss) before tax		2,559	1,619	2,151
Tax expense / (benefit)	7	547	353	439
Net profit / (loss)		2,012	1,266	1,713
Net profit / (loss) attributable to non-controlling interests		8	11	3
Net profit / (loss) attributable to shareholders		2,004	1,255	1,710

Statement of comprehensive income

	For the quarter ended		
USD million	31.3.22	31.12.21	31.3.21
Comprehensive income attributable to shareholders			
Net profit / (loss)	2,004	1,255	1,710
Other comprehensive income that may be reclassified to the income statement			
Foreign currency translation			
Foreign currency translation movements related to net assets of foreign operations, before tax	(465)	296	(1,407)
Effective portion of changes in fair value of hedging instruments designated as net investment hedges, before tax	212	(184)	705
Foreign currency translation differences on foreign operations reclassified to the income statement	0	0	1
Effective portion of changes in fair value of hedging instruments designated as net investment hedges reclassified to the income statement	0	3	0
Income tax relating to foreign currency translations, including the impact of net investment hedges	2	(24)	10
Subtotal foreign currency translation, net of tax	(251)	91	(691)
Financial assets measured at fair value through other comprehensive income			
Net unrealized gains / (losses), before tax	(439)	(49)	(131)
Net realized gains / (losses) reclassified to the income statement from equity	0	0	(6)
Income tax relating to net unrealized gains / (losses)	112	13	35
Subtotal financial assets measured at fair value through other comprehensive income, net of tax	(327)	(37)	(102)
Cash flow hedges of interest rate risk			
Effective portion of changes in fair value of derivative instruments designated as cash flow hedges, before tax	(2,465)[1]	(250)	(1,172)
Net (gains) / losses reclassified to the income statement from equity	(237)	(269)	(254)
Income tax relating to cash flow hedges	518	98	266
Subtotal cash flow hedges, net of tax	(2,184)	(421)	(1,160)
Cost of hedging			
Cost of hedging, before tax	77	(14)	(6)
Income tax relating to cost of hedging	0	6	0
Subtotal cost of hedging, net of tax	77	(8)	(6)
Total other comprehensive income that may be reclassified to the income statement, net of tax	(2,685)	(375)	(1,958)
Other comprehensive income that will not be reclassified to the income statement			
Defined benefit plans			
Gains / (losses) on defined benefit plans, before tax	128	153	(35)
Income tax relating to defined benefit plans	(17)	(26)	3
Subtotal defined benefit plans, net of tax	110	127	(32)
Own credit on financial liabilities designated at fair value[2]			
Gains / (losses) from own credit on financial liabilities designated at fair value, before tax	423	55	(29)
Income tax relating to own credit on financial liabilities designated at fair value	0	0	0
Subtotal own credit on financial liabilities designated at fair value, net of tax	423	55	(29)
Total other comprehensive income that will not be reclassified to the income statement, net of tax	533	182	(61)
Total other comprehensive income	(2,152)	(194)	(2,019)
Total comprehensive income attributable to shareholders	(148)	1,062	(309)
Comprehensive income attributable to non-controlling interests			
Net profit / (loss)	8	11	3
Total other comprehensive income that will not be reclassified to the income statement, net of tax	18	(4)	(12)
Total comprehensive income attributable to non-controlling interests	26	7	(9)
Total comprehensive income			
Net profit / (loss)	2,012	1,266	1,713
Other comprehensive income	(2,134)	(197)	(2,032)
of which: other comprehensive income that may be reclassified to the income statement	*(2,685)*	*(375)*	*(1,958)*
of which: other comprehensive income that will not be reclassified to the income statement	*551*	*178*	*(73)*
Total comprehensive income	(121)	1,069	(319)

1 Mainly reflects net unrealized losses on US dollar hedging derivatives resulting from significant increases in the relevant US dollar long-term interest rates. 2 Refer to Note 9 for more information.

Balance sheet

USD million	Note	31.3.22	31.12.21
Assets			
Cash and balances at central banks		206,773	192,817
Loans and advances to banks		17,781	15,360
Receivables from securities financing transactions		69,452	75,012
Cash collateral receivables on derivative instruments	10	39,254	30,514
Loans and advances to customers	8	393,960	398,693
Other financial assets measured at amortized cost	11	28,766	26,236
Total financial assets measured at amortized cost		755,987	738,632
Financial assets at fair value held for trading	9	114,995	131,033
of which: assets pledged as collateral that may be sold or repledged by counterparties		*40,217*	*43,397*
Derivative financial instruments	9,10	140,311	118,145
Brokerage receivables	9	20,762	21,839
Financial assets at fair value not held for trading	9	60,575	59,642
Total financial assets measured at fair value through profit or loss		336,643	330,659
Financial assets measured at fair value through other comprehensive income	9	9,093	8,844
Investments in associates		1,150	1,243
Property, equipment and software		11,365	11,712
Goodwill and intangible assets		6,383	6,378
Deferred tax assets		9,097	8,839
Other non-financial assets	11	10,158	9,836
Total assets		1,139,876	1,116,145
Liabilities			
Amounts due to banks		16,649	13,101
Payables from securities financing transactions		7,110	5,533
Cash collateral payables on derivative instruments	10	39,609	31,801
Customer deposits		542,984	544,834
Funding from UBS Group AG		57,520	57,295
Debt issued measured at amortized cost	13	75,013	82,432
Other financial liabilities measured at amortized cost	11	10,167	9,765
Total financial liabilities measured at amortized cost		749,052	744,762
Financial liabilities at fair value held for trading	9	34,687	31,688
Derivative financial instruments	9,10	138,444	121,309
Brokerage payables designated at fair value	9	48,015	44,045
Debt issued designated at fair value	9,12	69,421	71,460
Other financial liabilities designated at fair value	9,11	32,374	32,414
Total financial liabilities measured at fair value through profit or loss		322,941	300,916
Provisions	15	3,413	3,452
Other non-financial liabilities	11	6,152	8,572
Total liabilities		1,081,558	1,057,702
Equity			
Share capital		338	338
Share premium		24,660	24,653
Retained earnings		30,450	27,912
Other comprehensive income recognized directly in equity, net of tax		2,514	5,200
Equity attributable to shareholders		57,962	58,102
Equity attributable to non-controlling interests		356	340
Total equity		58,319	58,442
Total liabilities and equity		1,139,876	1,116,145

Statement of changes in equity

USD million	Share capital	Share premium	Retained earnings
Balance as of 1 January 2021	338	24,580	25,251
Tax (expense) / benefit		1	
Dividends			
Translation effects recognized directly in retained earnings			23
Share of changes in retained earnings of associates and joint ventures			2
New consolidations / (deconsolidations) and other increases / (decreases)		(1)	
Total comprehensive income for the period			1,649
of which: net profit / (loss)			*1,710*
of which: OCI, net of tax			*(61)*
Balance as of 31 March 2021	338	24,579	26,926
Balance as of 1 January 2022	338	24,653	27,912
Tax (expense) / benefit		3	
Dividends			
Translation effects recognized directly in retained earnings			1
Share of changes in retained earnings of associates and joint ventures			0
New consolidations / (deconsolidations) and other increases / (decreases)		5	
Total comprehensive income for the period			2,537
of which: net profit / (loss)			*2,004*
of which: OCI, net of tax			*533*
Balance as of 31 March 2022	338	24,660	30,450

1 Excludes other comprehensive income related to defined benefit plans and own credit that is recorded directly in Retained earnings.

Other comprehensive income recognized directly in equity, net of tax [1]	of which: foreign currency translation	of which: financial assets measured at fair value through OCI	of which: cash flow hedges	of which: cost of hedging	Total equity attributable to shareholders	Non-controlling interests	Total equity
7,585	5,126	151	2,321	(13)	57,754	319	58,073
					1		1
					0	(3)	(3)
(23)		0	(23)	0	0		0
					2		2
					(1)	0	(1)
(1,958)	(691)	(102)	(1,160)	(6)	(309)	(9)	(319)
					1,710	3	1,713
(1,958)	(691)	(102)	(1,160)	(6)	(2,019)	(12)	(2,032)
5,603	4,436	49	1,138	(19)	57,446	307	57,753
5,200	4,617	(7)	628	(39)	58,102	340	58,442
					3		3
					0	(3)	(3)
(1)		0	(1)	0	0		0
					0		0
					5	(7)	(3)
(2,685)	(251)	(327)	(2,184)	77	(148)	26	(121)
					2,004	8	2,012
(2,685)	(251)	(327)	(2,184)	77	(2,152)	18	(2,134)
2,514	4,366	(334)	(1,556)	38	57,962	356	58,319

Statement of cash flows

	Year-to-date	
USD million	31.3.22	31.3.21
Cash flow from / (used in) operating activities		
Net profit / (loss)	2,012	1,713
Non-cash items included in net profit and other adjustments:		
Depreciation, amortization and impairment of non-financial assets	449	457
Credit loss expense / (release)	0	(28)
Share of net (profit) / loss of associates and joint ventures and impairment related to associates	4	(53)
Deferred tax expense / (benefit)	212	61
Net loss / (gain) from investing activities	19	(146)
Net loss / (gain) from financing activities	(4,599)	(1,570)
Other net adjustments	1,920	6,619
Net change in operating assets and liabilities:		
Loans and advances to banks and amounts due to banks	3,869	1,995
Securities financing transactions	7,011	(8,614)
Cash collateral on derivative instruments	(959)	(3,068)
Loans and advances to customers	791	(12,847)
Customer deposits	3,002	(2,661)
Financial assets and liabilities at fair value held for trading and derivative financial instruments	8,197	1,705
Brokerage receivables and payables	5,081	7,329
Financial assets at fair value not held for trading and other financial assets and liabilities	(52)	8,948
Provisions and other non-financial assets and liabilities	(1,415)	(961)
Income taxes paid, net of refunds	(644)	(201)
Net cash flow from / (used in) operating activities	24,899	(1,322)
Cash flow from / (used in) investing activities		
Purchase of subsidiaries, associates and intangible assets	0	(1)
Purchase of property, equipment and software	(371)	(368)
Purchase of financial assets measured at fair value through other comprehensive income	(1,645)	(1,376)
Disposal and redemption of financial assets measured at fair value through other comprehensive income	1,092	1,412
Net (purchase) / redemption of debt securities measured at amortized cost	(2,547)	4
Net cash flow from / (used in) investing activities	(3,472)	(329)

Statement of cash flows (continued)

	Year-to-date	
USD million	31.3.22	31.3.21
Cash flow from / (used in) financing activities		
Net short-term debt issued / (repaid)	(5,188)	1,054
Issuance of debt designated at fair value and long-term debt measured at amortized cost[1]	24,824	36,336
Repayment of debt designated at fair value and long-term debt measured at amortized cost[1]	(21,201)	(22,965)
Net cash flows from other financing activities	(219)	(150)
Net cash flow from / (used in) financing activities	(1,784)	14,275
Total cash flow		
Cash and cash equivalents at the beginning of the period	207,755	173,430
Net cash flow from / (used in) operating, investing and financing activities	19,644	12,624
Effects of exchange rate differences on cash and cash equivalents	(2,729)	(7,983)
Cash and cash equivalents at the end of the period[2]	224,669	178,071
of which: cash and balances at central banks[3]	*206,666*	*158,769*
of which: loans and advances to banks	*16,485*	*17,050*
of which: money market paper	*1,518*	*2,252*
Additional information		
Net cash flow from / (used in) operating activities includes:		
Interest received in cash	2,889	2,758
Interest paid in cash	1,428	1,679
Dividends on equity investments, investment funds and associates received in cash	456	624

1 Includes funding from UBS Group AG measured at amortized cost (recognized in Funding from UBS Group AG on the balance sheet) and measured at fair value (recognized in Other financial liabilities designated at fair value on the balance sheet). 2 USD 4,359 million and USD 4,064 million of cash and cash equivalents (mainly reflected in Loans and advances to banks) were restricted as of 31 March 2022 and 31 March 2021, respectively. Refer to "Note 23 Restricted and transferred financial assets" in the "Consolidated financial statements" section of the Annual Report 2021 for more information. 3 Includes only balances with an original maturity of three months or less.

Notes to the UBS AG interim consolidated financial statements (unaudited)

Note 1 Basis of accounting

Basis of preparation

The consolidated financial statements (the financial statements) of UBS AG and its subsidiaries (together, UBS AG) are prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (the IASB), and are presented in US dollars (USD). These interim financial statements are prepared in accordance with IAS 34, *Interim Financial Reporting*.

In preparing these interim financial statements, the same accounting policies and methods of computation have been applied as in the UBS AG consolidated annual financial statements for the period ended 31 December 2021. These interim financial statements are unaudited and should be read in conjunction with UBS AG's audited consolidated financial statements in the Annual Report 2021. In the opinion of management, all necessary adjustments have been made for a fair presentation of UBS AG's financial position, results of operations and cash flows.

Preparation of these interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income, expenses and disclosures of contingent assets and liabilities. These estimates and assumptions are based on the best available information. Actual results in the future could differ from such estimates and differences may be material to the financial statements. Revisions to estimates, based on regular reviews, are recognized in the period in which they occur. For more information about areas of estimation uncertainty that are considered to require critical judgment, refer to "Note 1a Material accounting policies" in the "Consolidated financial statements" section of the Annual Report 2021.

Note 2 Segment reporting

UBS AG's businesses are organized globally into four business divisions: Global Wealth Management, Personal & Corporate Banking, Asset Management and the Investment Bank. All four business divisions are supported by Group Functions and qualify as reportable segments for the purpose of segment reporting. Together with Group Functions they reflect the management structure of UBS AG.

› **Refer to "Note 2 Segment reporting" in the "Consolidated financial statements" section of the Annual Report 2021 for more information about UBS AG's reporting segments**

USD million	Global Wealth Management	Personal & Corporate Banking	Asset Management	Investment Bank	Group Functions	UBS AG
For the quarter ended 31 March 2022						
Net interest income	1,141	535	(4)	133	(60)	1,746
Non-interest income	3,763	552	582	2,777	74	7,748
Income	4,904	1,087	578	2,910	14	9,494
Credit loss (expense) / release	7	(23)	0	(4)	0	(18)
Total operating income	4,912	1,064	578	2,907	15	9,475
Total operating expenses	3,629	644	402	1,999	242	6,916
Operating profit / (loss) before tax	**1,283**	**420**	**176**	**908**	**(227)**	**2,559**
Tax expense / (benefit)						547
Net profit / (loss)						**2,012**
As of 31 March 2022						
Total assets[1]	**407,861**	**231,993**	**22,579**	**381,574**	**95,869**	**1,139,876**

USD million	Global Wealth Management	Personal & Corporate Banking	Asset Management	Investment Bank	Group Functions	UBS AG
For the quarter ended 31 March 2021						
Net interest income	997	513	(4)	114	(31)	1,589
Non-interest income	3,848	500	641	2,161	68	7,218
Income	4,845	1,013	637	2,274	37	8,807
Credit loss (expense) / release	3	23	0	2	0	28
Total operating income	4,848	1,037	637	2,276	37	8,836
Total operating expenses	3,457	647	410	1,882	288	6,684
Operating profit / (loss) before tax	**1,391**	**390**	**227**	**394**	**(251)**	**2,151**
Tax expense / (benefit)						439
Net profit / (loss)						**1,713**
As of 31 December 2021						
Total assets	**395,235**	**225,425**	**25,202**	**346,641**	**123,641**	**1,116,145**

1 In the first quarter of 2022, UBS AG refined the methodology applied to allocate balance sheet resources from Group Functions to the business divisions, with prospective effect. If the new methodology had been applied as of 31 December 2021, balance sheet assets allocated to business divisions would have been USD 17 billion higher, of which USD 14 billion related to the Investment Bank.

Note 3 Net interest income

	For the quarter ended		
USD million	31.3.22	31.12.21	31.3.21
Net interest income from financial instruments measured at amortized cost and fair value through other comprehensive income			
Interest income from loans and deposits[1]	1,661	1,647	1,586
Interest income from securities financing transactions[2]	118	120	135
Interest income from other financial instruments measured at amortized cost	72	71	73
Interest income from debt instruments measured at fair value through other comprehensive income	41	31	35
Interest income from derivative instruments designated as cash flow hedges	253	284	268
Total interest income from financial instruments measured at amortized cost and fair value through other comprehensive income	**2,145**	**2,152**	**2,098**
Interest expense on loans and deposits[3]	429	393	439
Interest expense on securities financing transactions[4]	224	252	258
Interest expense on debt issued	135	126	137
Interest expense on lease liabilities	22	23	26
Total interest expense from financial instruments measured at amortized cost	**809**	**794**	**859**
Total net interest income from financial instruments measured at amortized cost and fair value through other comprehensive income	**1,336**	**1,358**	**1,239**
Net interest income from financial instruments measured at fair value through profit or loss	**410**	**388**	**351**
Total net interest income	**1,746**	**1,746**	**1,589**

1 Consists of interest income from cash and balances at central banks, loans and advances to banks and customers, and cash collateral receivables on derivative instruments, as well as negative interest on amounts due to banks, customer deposits, and cash collateral payables on derivative instruments. 2 Includes interest income on receivables from securities financing transactions and negative interest, including fees, on payables from securities financing transactions. 3 Consists of interest expense on amounts due to banks, cash collateral payables on derivative instruments, customer deposits, and funding from UBS Group AG, as well as negative interest on cash and balances at central banks, loans and advances to banks, and cash collateral receivables on derivative instruments. 4 Includes interest expense on payables from securities financing transactions and negative interest, including fees, on receivables from securities financing transactions.

Note 4 Net fee and commission income

	For the quarter ended		
USD million	31.3.22	31.12.21	31.3.21
Underwriting fees	203	346	420
M&A and corporate finance fees	237	218	238
Brokerage fees	1,078	971	1,358
Investment fund fees	1,388	1,520	1,437
Portfolio management and related services	2,463	2,535	2,284
Other	501	462	461
Total fee and commission income[1]	**5,868**	**6,054**	**6,197**
of which: recurring	*3,860*	*4,015*	*3,621*
of which: transaction-based	*1,989*	*1,940*	*2,482*
of which: performance-based	*19*	*99*	*94*
Fee and commission expense	**485**	**513**	**478**
Net fee and commission income	**5,384**	**5,541**	**5,719**

1 Reflects third-party fee and commission income for the first quarter of 2022 of USD 3,637 million for Global Wealth Management (fourth quarter of 2021: USD 3,624 million; first quarter of 2021: USD 3,673 million), USD 447 million for Personal & Corporate Banking (fourth quarter of 2021: USD 427 million; first quarter of 2021: USD 389 million), USD 762 million for Asset Management (fourth quarter of 2021: USD 902 million; first quarter of 2021: USD 815 million), USD 1,018 million for the Investment Bank (fourth quarter of 2021: USD 1,095 million; first quarter of 2021: USD 1,305 million) and USD 4 million for Group Functions (fourth quarter of 2021: USD 6 million; first quarter of 2021: USD 15 million).

Note 5 Personnel expenses

	For the quarter ended		
USD million	31.3.22	31.12.21	31.3.21
Salaries and variable compensation	2,465	1,822	2,370
Financial advisor compensation[1]	1,220	1,269	1,170
Contractors	28	35	36
Social security	228	159	211
Post-employment benefit plans	182	124	194
Other personnel expenses	109	144	105
Total personnel expenses	**4,233**	**3,552**	**4,086**

1 Financial advisor compensation consists of formulaic compensation based directly on compensable revenues generated by financial advisors and supplemental compensation calculated on the basis of financial advisor productivity, firm tenure, new assets and other variables. It also includes expenses related to compensation commitments with financial advisors entered into at the time of recruitment that are subject to vesting requirements.

Note 6 General and administrative expenses

	For the quarter ended		
USD million	31.3.22	31.12.21	31.3.21
Outsourcing costs	106	130	89
IT expenses	122	127	125
Consulting, legal and audit fees	104	155	84
Real estate and logistics costs	124	140	127
Market data services	93	96	89
Marketing and communication	31	69	32
Travel and entertainment	19	29	8
Litigation, regulatory and similar matters[1]	57	826	9
Other	1,577	1,592	1,578
of which: shared services costs charged by UBS Group AG or its subsidiaries	*1,390*	*1,365*	*1,375*
of which: UK and German bank levies	*33*	*38*	*41*
Total general and administrative expenses	**2,233**	**3,164**	**2,141**

1 Reflects the net increase in provisions for litigation, regulatory and similar matters recognized in the income statement. Refer to Note 15b for more information.

Note 7 Income taxes

Income tax expenses of USD 547 million were recognized for the first quarter of 2022, representing an effective tax rate of 21.4%, compared with USD 439 million for the first quarter of 2021 and an effective tax rate of 20.4%.

Current tax expenses were USD 335 million, compared with USD 377 million, and related to taxable profits of UBS Switzerland AG and other entities.

Net deferred tax expenses were USD 212 million, compared with USD 61 million, and primarily related to the amortization of deferred tax assets that were previously recognized in relation to tax losses carried forward and deductible temporary differences of UBS Americas Inc.

Note 8 Expected credit loss measurement

a) Credit loss expense / release

Total net credit loss expenses in the first quarter of 2022 were USD 18 million, reflecting USD 11 million net credit loss expenses related to stage 1 and 2 positions and USD 7 million net credit loss expenses related to stage 3 positions.

Stage 1 and 2 net expenses included scenario-related net expenses of USD 18 million, model change-related net releases of USD 14 million, and net expenses of USD 7 million including additional effects from book quality and size changes.

Stage 3 net credit loss expenses were USD 7 million, including USD 10 million net expenses in Personal & Corporate Banking, across various corporate lending positions.

Credit loss (expense) / release

USD million	Global Wealth Management	Personal & Corporate Banking	Asset Management	Investment Bank	Group Functions	Total
For the quarter ended 31.3.22						
Stages 1 and 2	5	(13)	0	(3)	0	(11)
Stage 3	2	(10)	0	0	0	(7)
Total credit loss (expense) / release	**7**	**(23)**	**0**	**(4)**	**0**	**(18)**
For the quarter ended 31.12.21						
Stages 1 and 2	2	(4)	0	2	0	(1)
Stage 3	1	14	(1)	14	0	28
Total credit loss (expense) / release	**2**	**10**	**(1)**	**16**	**0**	**27**
For the quarter ended 31.3.21						
Stages 1 and 2	4	16	0	5	0	26
Stage 3	(2)	8	0	(4)	0	3
Total credit loss (expense) / release	**3**	**23**	**0**	**2**	**0**	**28**

Note 8 Expected credit loss measurement (continued)

b) Changes to ECL models, scenarios, scenario weights and post-model adjustments

Scenarios

The expected credit loss (ECL) scenarios, along with the related macroeconomic factors, were reviewed in light of the economic and political conditions prevailing in the first quarter of 2022 through a series of governance meetings, with input and feedback from UBS Risk and Finance experts across the business divisions and regions.

As a response to inflationary developments and Russia's invasion of Ukraine, UBS AG has replaced the mild global interest rate steepening scenario with a severe global interest rate steepening scenario, applied more adverse weightings and reflected updated scenario data as of the end of the first quarter of 2022 in the calculations.

The baseline scenario assumptions on a calendar-year basis are included in the table below and imply a weaker economic forecast for 2022 compared with 2021.

The shocks in the newly adopted severe global interest rate steepening scenario are more severe compared with the previously applied mild global interest rate steepening scenario; for example, inflation and interest rates are higher and GDP growth substantially lower.

The global crisis scenario remains materially unchanged.

Scenario weights and post-model adjustments

In response to recent developments, UBS AG changed the scenario weights for the first quarter of 2022: upside at 0% (31 December 2021: 5%), baseline at 55% (unchanged), severe global interest rate steepening scenario at 25% (31 December 2021: mild global interest rate steepening scenario 10%) and the global crisis scenario at 20% (31 December 2021: 30%).

The post-model adjustment amounted to USD 204 million as of 31 March 2022 (31 December 2021: USD 224 million) and includes effects from the uncertainty caused by the continued COVID-19 pandemic and heightened geopolitical tensions, which cannot be fully and reliably modeled due to a lack of sufficiently supportable data. The post-model adjustment was reduced during the first quarter of 2022 following the scenario substitution and weighting changes noted above, which resulted in higher modeled ECL and addressed some of the uncertainties that had not been reflected in the modeling approach in prior periods.

Comparison on shock factors

	Baseline		
Key parameters	2021	2022	2023
Real GDP growth (annual percentage change)			
United States	5.5	3.5	2.4
Eurozone	5.1	2.9	2.2
Switzerland	3.1	2.5	1.5
Unemployment rate (%, annual average)			
United States	5.4	3.5	3.3
Eurozone	7.7	7.0	6.9
Switzerland	3.0	2.3	2.1
Real estate (annual percentage change, Q4)			
United States	16.1	2.0	1.7
Eurozone	7.9	5.0	1.7
Switzerland	6.0	3.0	0.0

Economic scenarios and weights applied

	Assigned weights in %		
ECL scenario	31.3.22	31.12.21	31.3.21
Upside	0.0	5.0	0.0
Baseline	55.0	55.0	60.0
Mild global interest rate steepening	-	10.0	0.0
Severe global interest rate steepening	25.0	-	-
Global crisis	20.0	30.0	40.0

c) ECL-relevant balance sheet and off-balance sheet positions including ECL allowances and provisions

The following tables provide information about financial instruments and certain non-financial instruments that are subject to ECL requirements. For amortized-cost instruments, the carrying amount represents the maximum exposure to credit risk, taking into account the allowance for credit losses. Financial assets measured at fair value through other comprehensive income (FVOCI) are also subject to ECL; however, unlike amortized-cost instruments, the allowance for credit losses for FVOCI instruments does not reduce the carrying amount of these financial assets. Instead, the carrying amount of financial assets measured at FVOCI represents the maximum exposure to credit risk.

In addition to recognized financial assets, certain off-balance sheet financial instruments and other credit lines are also subject to ECL. The maximum exposure to credit risk for off-balance sheet financial instruments is calculated based on the maximum contractual amounts.

USD million	31.3.22							
	Carrying amount[1] / Total exposure				ECL allowances / provisions			
Financial instruments measured at amortized cost	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
Cash and balances at central banks	206,773	206,728	46	0	(6)	(0)	(6)	0
Loans and advances to banks	17,781	17,717	65	0	(9)	(8)	(1)	(0)
Receivables from securities financing transactions	69,452	69,452	(0)	0	(2)	(2)	(0)	0
Cash collateral receivables on derivative instruments	39,254	39,254	0	0	(0)	(0)	0	0
Loans and advances to customers	393,960	376,969	15,513	1,478	(801)	(121)	(155)	(525)
of which: Private clients with mortgages	*153,645*	*145,272*	*7,702*	*671*	*(126)*	*(27)*	*(71)*	*(28)*
of which: Real estate financing	*43,920*	*40,006*	*3,907*	*7*	*(57)*	*(17)*	*(40)*	*(0)*
of which: Large corporate clients	*13,432*	*11,966*	*1,169*	*296*	*(143)*	*(21)*	*(14)*	*(108)*
of which: SME clients	*13,911*	*11,995*	*1,508*	*407*	*(260)*	*(22)*	*(20)*	*(218)*
of which: Lombard	*144,398*	*144,374*	*0*	*24*	*(34)*	*(7)*	*0*	*(27)*
of which: Credit cards	*1,709*	*1,341*	*341*	*28*	*(36)*	*(10)*	*(9)*	*(17)*
of which: Commodity trade finance	*4,441*	*4,425*	*7*	*9*	*(103)*	*(6)*	*(0)*	*(96)*
Other financial assets measured at amortized cost	28,766	28,297	302	168	(109)	(27)	(7)	(75)
of which: Loans to financial advisors	*2,388*	*2,164*	*86*	*138*	*(86)*	*(20)*	*(3)*	*(63)*
Total financial assets measured at amortized cost	**755,987**	**738,416**	**15,925**	**1,646**	**(928)**	**(158)**	**(170)**	**(600)**
Financial assets measured at fair value through other comprehensive income	**9,093**	**9,093**	**0**	**0**	**0**	**0**	**0**	**0**
Total on-balance sheet financial assets in scope of ECL requirements	**765,080**	**747,509**	**15,925**	**1,646**	**(928)**	**(158)**	**(170)**	**(600)**
Off-balance sheet (in scope of ECL)								
Guarantees	22,496	21,264	1,072	159	(66)	(17)	(10)	(39)
of which: Large corporate clients	*3,459*	*2,621*	*736*	*102*	*(32)*	*(3)*	*(4)*	*(26)*
of which: SME clients	*1,318*	*1,154*	*107*	*57*	*(11)*	*(1)*	*(1)*	*(9)*
of which: Financial intermediaries and hedge funds	*11,428*	*11,307*	*121*	*0*	*(16)*	*(12)*	*(5)*	*0*
of which: Lombard	*2,545*	*2,545*	*0*	*0*	*(1)*	*(0)*	*0*	*(1)*
of which: Commodity trade finance	*2,680*	*2,680*	*0*	*0*	*(1)*	*(1)*	*(0)*	*0*
Irrevocable loan commitments	38,039	35,827	2,123	89	(112)	(68)	(44)	0
of which: Large corporate clients	*23,698*	*21,723*	*1,916*	*58*	*(98)*	*(63)*	*(35)*	*0*
Forward starting reverse repurchase and securities borrowing agreements	6,432	6,432	0	0	(0)	(0)	0	0
Committed unconditionally revocable credit lines	42,303	39,523	2,715	65	(40)	(30)	(10)	0
of which: Real estate financing	*9,621*	*9,343*	*278*	*0*	*(7)*	*(5)*	*(2)*	*0*
of which: Large corporate clients	*4,618*	*3,862*	*733*	*23*	*(5)*	*(2)*	*(3)*	*0*
of which: SME clients	*4,793*	*4,254*	*503*	*37*	*(15)*	*(12)*	*(3)*	*0*
of which: Lombard	*8,216*	*8,216*	*0*	*0*	*0*	*(0)*	*0*	*0*
of which: Credit cards	*9,398*	*8,941*	*453*	*4*	*(6)*	*(5)*	*(2)*	*0*
of which: Commodity trade finance	*280*	*280*	*0*	*0*	*(0)*	*(0)*	*0*	*0*
Irrevocable committed prolongation of existing loans	5,355	5,342	12	2	(2)	(2)	(0)	0
Total off-balance sheet financial instruments and other credit lines	**114,625**	**108,389**	**5,922**	**314**	**(221)**	**(117)**	**(64)**	**(39)**
Total allowances and provisions					**(1,148)**	**(275)**	**(234)**	**(639)**

1 The carrying amount of financial assets measured at amortized cost represents the total gross exposure net of the respective ECL allowances.

Note 8 Expected credit loss measurement (continued)

USD million	31.12.21							
	Carrying amount[1] / Total exposure				ECL allowances / provisions			
Financial instruments measured at amortized cost	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
Cash and balances at central banks	192,817	192,817	0	0	0	0	0	0
Loans and advances to banks	15,360	15,333	26	1	(8)	(7)	(1)	0
Receivables from securities financing transactions	75,012	75,012	0	0	(2)	(2)	0	0
Cash collateral receivables on derivative instruments	30,514	30,514	0	0	0	0	0	0
Loans and advances to customers	398,693	381,496	15,620	1,577	(850)	(126)	(152)	(572)
of which: Private clients with mortgages	*152,479*	*143,505*	*8,262*	*711*	*(132)*	*(28)*	*(71)*	*(33)*
of which: Real estate financing	*43,945*	*40,463*	*3,472*	*9*	*(60)*	*(19)*	*(40)*	*0*
of which: Large corporate clients	*13,990*	*12,643*	*1,037*	*310*	*(170)*	*(22)*	*(16)*	*(133)*
of which: SME clients	*14,004*	*12,076*	*1,492*	*436*	*(259)*	*(19)*	*(15)*	*(225)*
of which: Lombard	*149,283*	*149,255*	*0*	*27*	*(33)*	*(6)*	*0*	*(28)*
of which: Credit cards	*1,716*	*1,345*	*342*	*29*	*(36)*	*(10)*	*(9)*	*(17)*
of which: Commodity trade finance	*3,813*	*3,799*	*7*	*7*	*(114)*	*(6)*	*0*	*(108)*
Other financial assets measured at amortized cost	26,236	25,746	302	189	(109)	(27)	(7)	(76)
of which: Loans to financial advisors	*2,453*	*2,184*	*106*	*163*	*(86)*	*(19)*	*(3)*	*(63)*
Total financial assets measured at amortized cost	**738,632**	**720,917**	**15,948**	**1,767**	**(969)**	**(161)**	**(160)**	**(647)**
Financial assets measured at fair value through other comprehensive income	**8,844**	**8,844**	**0**	**0**	**0**	**0**	**0**	**0**
Total on-balance sheet financial assets in scope of ECL requirements	**747,477**	**729,762**	**15,948**	**1,767**	**(969)**	**(161)**	**(160)**	**(647)**
Off-balance sheet (in scope of ECL)								
Guarantees	20,972	19,695	1,127	150	(41)	(18)	(8)	(15)
of which: Large corporate clients	*3,464*	*2,567*	*793*	*104*	*(6)*	*(3)*	*(3)*	*0*
of which: SME clients	*1,353*	*1,143*	*164*	*46*	*(8)*	*(1)*	*(1)*	*(7)*
of which: Financial intermediaries and hedge funds	*9,575*	*9,491*	*84*	*0*	*(17)*	*(13)*	*(4)*	*0*
of which: Lombard	*2,454*	*2,454*	*0*	*0*	*(1)*	*0*	*0*	*(1)*
of which: Commodity trade finance	*3,137*	*3,137*	*0*	*0*	*(1)*	*(1)*	*0*	*0*
Irrevocable loan commitments	39,478	37,097	2,335	46	(114)	(72)	(42)	0
of which: Large corporate clients	*23,922*	*21,811*	*2,102*	*9*	*(100)*	*(66)*	*(34)*	*0*
Forward starting reverse repurchase and securities borrowing agreements	1,444	1,444	0	0	0	0	0	0
Committed unconditionally revocable credit lines	42,373	39,802	2,508	63	(38)	(28)	(10)	0
of which: Real estate financing	*7,328*	*7,046*	*281*	*0*	*(5)*	*(4)*	*(1)*	*0*
of which: Large corporate clients	*5,358*	*4,599*	*736*	*23*	*(7)*	*(4)*	*(3)*	*0*
of which: SME clients	*5,160*	*4,736*	*389*	*35*	*(15)*	*(11)*	*(3)*	*0*
of which: Lombard	*8,670*	*8,670*	*0*	*0*	*0*	*0*	*0*	*0*
of which: Credit cards	*9,466*	*9,000*	*462*	*4*	*(6)*	*(5)*	*(2)*	*0*
of which: Commodity trade finance	*117*	*117*	*0*	*0*	*0*	*0*	*0*	*0*
Irrevocable committed prolongation of existing loans	5,611	5,527	36	48	(3)	(3)	0	0
Total off-balance sheet financial instruments and other credit lines	**109,878**	**103,565**	**6,006**	**307**	**(196)**	**(121)**	**(60)**	**(15)**
Total allowances and provisions					**(1,165)**	**(282)**	**(220)**	**(662)**

1 The carrying amount of financial assets measured at amortized cost represents the total gross exposure net of the respective ECL allowances.

Note 8 Expected credit loss measurement (continued)

The table below provides information about the ECL gross exposure and the ECL coverage ratio for UBS AG's core loan portfolios (i.e., *Loans and advances to customers* and *Loans to financial advisors*) and relevant off-balance sheet exposures. *Cash and balances at central banks*, *Loans and advances to banks*, *Receivables from securities financing transactions*, *Cash collateral receivables on derivative instruments* and *Financial assets measured at fair value through other comprehensive income* are not included in the table below, due to their lower sensitivity to ECL.

ECL coverage ratios are calculated by dividing ECL allowances and provisions by the gross carrying amount of the related exposures.

Coverage ratios for core loan portfolio

	31.3.22								
	Gross carrying amount (USD million)				ECL coverage (bps)				
On-balance sheet	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 1&2	Stage 3
Private clients with mortgages	153,771	145,299	7,773	699	8	2	91	6	403
Real estate financing	43,977	40,023	3,947	7	13	4	102	13	455
Total real estate lending	197,748	185,321	11,720	707	9	2	95	8	404
Large corporate clients	13,574	11,987	1,184	404	105	17	122	27	2,666
SME clients	14,170	12,017	1,528	626	183	18	130	31	3,489
Total corporate lending	27,745	24,004	2,712	1,029	145	18	127	29	3,166
Lombard	144,432	144,381	0	51	2	0	0	0	5,326
Credit cards	1,745	1,351	350	44	204	72	256	110	3,803
Commodity trade finance	4,544	4,432	7	105	226	14	2	14	9,157
Other loans and advances to customers	18,548	17,602	879	66	23	7	9	7	4,517
Loans to financial advisors	2,473	2,184	88	201	347	92	322	101	3,132
Total other lending	171,742	169,949	1,325	468	18	3	95	4	4,986
Total[1]	397,235	379,274	15,757	2,204	22	4	100	8	2,667

	Gross exposure (USD million)				ECL coverage (bps)				
Off-balance sheet	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 1&2	Stage 3
Private clients with mortgages	7,972	7,733	236	3	3	3	7	3	241
Real estate financing	10,787	10,499	287	0	9	6	118	9	0
Total real estate lending	18,759	18,232	523	3	7	5	68	7	241
Large corporate clients	31,774	28,206	3,384	183	43	24	124	35	1,410
SME clients	7,512	6,693	700	119	48	23	159	36	791
Total corporate lending	39,286	34,899	4,084	303	44	24	130	35	1,166
Lombard	13,761	13,761	0	0	1	0	0	0	0
Credit cards	9,398	8,941	453	4	7	5	34	7	0
Commodity trade finance	3,010	3,010	0	0	4	4	0	4	0
Financial intermediaries and hedge funds	11,646	11,048	598	0	15	11	83	15	0
Other off-balance sheet commitments	12,334	12,065	265	4	9	5	40	6	0
Total other lending	50,148	48,825	1,315	8	7	5	58	7	0
Total[2]	108,193	101,956	5,922	314	20	11	108	17	1,255

1 Includes Loans and advances to customers of USD 394,761 million and Loans to financial advisors of USD 2,473 million, which are presented on the balance sheet line Other assets measured at amortized cost.
2 Excludes Forward starting reverse repurchase and securities borrowing agreements.

Note 8 Expected credit loss measurement (continued)

Coverage ratios for core loan portfolio — 31.12.21

	Gross carrying amount (USD million)				ECL coverage (bps)				
On-balance sheet	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 1&2	Stage 3
Private clients with mortgages	152,610	143,533	8,333	744	9	2	85	6	446
Real estate financing	44,004	40,483	3,512	10	14	5	114	14	231
Total real estate lending	196,615	184,016	11,845	754	10	3	94	8	443
Large corporate clients	14,161	12,665	1,053	443	120	18	148	28	2,997
SME clients	14,263	12,095	1,507	661	182	16	103	25	3,402
Total corporate lending	28,424	24,760	2,560	1,104	151	17	121	26	3,240
Lombard	149,316	149,261	0	55	2	0	0	0	5,026
Credit cards	1,752	1,355	351	46	204	72	255	109	3,735
Commodity trade finance	3,927	3,805	7	115	290	15	3	15	9,388
Other loans and advances to customers	19,510	18,425	1,010	75	23	9	15	9	3,730
Loans to financial advisors	2,539	2,203	109	226	338	88	303	99	2,791
Total other lending	177,043	175,049	1,477	517	18	3	93	4	4,718
Total[1]	**402,081**	**383,825**	**15,882**	**2,374**	**23**	**4**	**98**	**8**	**2,673**

	Gross exposure (USD million)				ECL coverage (bps)				
Off-balance sheet	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 1&2	Stage 3
Private clients with mortgages	9,123	8,798	276	49	3	3	9	3	15
Real estate financing	8,766	8,481	285	0	9	7	88	9	0
Total real estate lending	17,889	17,278	562	49	6	5	49	6	15
Large corporate clients	32,748	28,981	3,630	136	34	25	110	35	1
SME clients	8,077	7,276	688	114	38	19	151	30	585
Total corporate lending	40,826	36,258	4,318	250	35	24	117	34	266
Lombard	14,438	14,438	0	0	1	0	0	0	0
Credit cards	9,466	9,000	462	4	7	5	34	7	0
Commodity trade finance	3,262	3,262	0	0	4	4	0	4	0
Financial intermediaries and hedge funds	13,747	13,379	369	0	13	10	120	13	0
Other off-balance sheet commitments	8,806	8,507	296	4	15	6	30	7	0
Total other lending	49,720	48,585	1,127	8	8	5	61	7	0
Total[2]	**108,434**	**102,121**	**6,006**	**307**	**18**	**12**	**100**	**17**	**486**

1 Includes Loans and advances to customers of USD 399,543 million and Loans to financial advisors of USD 2,539 million, which are presented on the balance sheet line Other assets measured at amortized cost.
2 Excludes Forward starting reverse repurchase and securities borrowing agreements.

Note 9 Fair value measurement

This Note provides fair value measurement information for both financial and non-financial instruments and should be read in conjunction with "Note 21 Fair value measurement" in the "Consolidated financial statements" section of the Annual Report 2021, which provides more information about valuation principles, valuation governance, fair value hierarchy classification, valuation adjustments, valuation techniques and inputs, sensitivity of fair value measurements, and methods applied to calculate fair values for financial instruments not measured at fair value.

All financial and non-financial assets and liabilities measured or disclosed at fair value are categorized into one of three fair value hierarchy levels. When the inputs used to measure fair value may fall within different levels of the fair value hierarchy, the level in the hierarchy within which each instrument is classified in its entirety is based on the lowest-level input that is significant to the position's fair value measurement:

– Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities;
– Level 2 – valuation techniques for which all significant inputs are, or are based on, observable market data; or
– Level 3 – valuation techniques for which significant inputs are not based on observable market data.

Note 9 Fair value measurement (continued)

a) Fair value hierarchy

The fair value hierarchy classification of financial and non-financial assets and liabilities measured at fair value is summarized in the table below.

Determination of fair values from quoted market prices or valuation techniques[1]

	31.3.22				31.12.21			
USD million	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value on a recurring basis								
Financial assets at fair value held for trading	97,077	15,296	2,623	114,995	113,722	15,012	2,299	131,033
of which:								
Equity instruments	*82,255*	*512*	*278*	*83,045*	*97,983*	*1,090*	*149*	*99,222*
Government bills / bonds	*7,579*	*1,491*	*10*	*9,080*	*7,135*	*1,351*	*10*	*8,496*
Investment fund units	*6,495*	*2,030*	*16*	*8,541*	*7,843*	*1,364*	*21*	*9,229*
Corporate and municipal bonds	*741*	*9,201*	*611*	*10,553*	*708*	*7,791*	*556*	*9,055*
Loans	*0*	*1,726*	*1,577*	*3,303*	*0*	*3,099*	*1,443*	*4,542*
Asset-backed securities	*6*	*336*	*131*	*473*	*53*	*317*	*120*	*489*
Derivative financial instruments	1,512	137,116	1,683	140,311	522	116,482	1,140	118,145
of which:								
Foreign exchange contracts	*750*	*66,804*	*6*	*67,559*	*255*	*53,046*	*7*	*53,307*
Interest rate contracts	*0*	*36,372*	*772*	*37,144*	*0*	*32,747*	*494*	*33,241*
Equity / index contracts	*0*	*29,477*	*450*	*29,927*	*0*	*27,861*	*384*	*28,245*
Credit derivative contracts	*0*	*1,392*	*338*	*1,730*	*0*	*1,179*	*236*	*1,414*
Commodity contracts	*0*	*2,886*	*58*	*2,944*	*0*	*1,590*	*16*	*1,606*
Brokerage receivables	0	20,762	0	20,762	0	21,839	0	21,839
Financial assets at fair value not held for trading	25,704	30,838	4,033	60,575	27,278	28,185	4,180	59,642
of which:								
Financial assets for unit-linked investment contracts	*18,475*	*0*	*1*	*18,476*	*21,110*	*187*	*6*	*21,303*
Corporate and municipal bonds	*137*	*12,665*	*288*	*13,090*	*123*	*13,937*	*306*	*14,366*
Government bills / bonds	*6,713*	*4,561*	*0*	*11,274*	*5,624*	*3,236*	*0*	*8,860*
Loans	*0*	*3,815*	*869*	*4,684*	*0*	*4,982*	*892*	*5,874*
Securities financing transactions	*0*	*9,677*	*100*	*9,776*	*0*	*5,704*	*100*	*5,804*
Auction rate securities	*0*	*0*	*1,635*	*1,635*	*0*	*0*	*1,585*	*1,585*
Investment fund units	*291*	*120*	*112*	*523*	*338*	*137*	*117*	*591*
Equity instruments	*89*	*0*	*699*	*788*	*83*	*2*	*681*	*765*
Other	*0*	*0*	*329*	*329*	*0*	*0*	*495*	*495*
Financial assets measured at fair value through other comprehensive income on a recurring basis								
Financial assets measured at fair value through other comprehensive income	2,341	6,751	0	9,093	2,704	6,140	0	8,844
of which:								
Asset-backed securities	*0*	*4,639*	*0*	*4,639*	*0*	*4,849*	*0*	*4,849*
Government bills / bonds	*2,293*	*19*	*0*	*2,312*	*2,658*	*27*	*0*	*2,686*
Corporate and municipal bonds	*48*	*2,093*	*0*	*2,141*	*45*	*1,265*	*0*	*1,310*
Non-financial assets measured at fair value on a recurring basis								
Precious metals and other physical commodities	4,626	0	0	4,626	5,258	0	0	5,258
Non-financial assets measured at fair value on a non-recurring basis								
Other non-financial assets[2]	0	0	24	24	0	0	26	26
Total assets measured at fair value	131,260	210,763	8,363	350,386	149,484	187,658	7,645	344,787

Note 9 Fair value measurement (continued)

Determination of fair values from quoted market prices or valuation techniques (continued)[1]

	31.3.22				31.12.21			
USD million	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value on a recurring basis								
Financial liabilities at fair value held for trading	26,770	7,841	76	34,687	25,413	6,170	105	31,688
of which:								
Equity instruments	*19,390*	*328*	*61*	*19,778*	*18,328*	*513*	*83*	*18,924*
Corporate and municipal bonds	*32*	*5,728*	*15*	*5,775*	*30*	*4,219*	*17*	*4,266*
Government bills / bonds	*6,857*	*1,047*	*0*	*7,905*	*5,883*	*826*	*0*	*6,709*
Investment fund units	*491*	*695*	*1*	*1,187*	*1,172*	*555*	*6*	*1,733*
Derivative financial instruments	1,505	135,069	1,869	138,444	509	118,558	2,242	121,309
of which:								
Foreign exchange contracts	*737*	*65,303*	*33*	*66,073*	*258*	*53,800*	*21*	*54,078*
Interest rate contracts	*0*	*33,518*	*221*	*33,739*	*0*	*28,398*	*278*	*28,675*
Equity / index contracts	*0*	*32,182*	*1,142*	*33,324*	*0*	*33,438*	*1,511*	*34,949*
Credit derivative contracts	*0*	*1,421*	*370*	*1,791*	*0*	*1,412*	*341*	*1,753*
Commodity contracts	*0*	*2,530*	*74*	*2,604*	*0*	*1,503*	*63*	*1,566*
Financial liabilities designated at fair value on a recurring basis								
Brokerage payables designated at fair value	0	48,015	0	48,015	0	44,045	0	44,045
Debt issued designated at fair value	0	58,643	10,778	69,421	0	59,606	11,854	71,460
Other financial liabilities designated at fair value	0	29,500	2,874	32,374	0	29,258	3,156	32,414
of which:								
Financial liabilities related to unit-linked investment contracts	*0*	*18,661*	*0*	*18,661*	*0*	*21,466*	*0*	*21,466*
Securities financing transactions	*0*	*9,386*	*2*	*9,388*	*0*	*6,375*	*2*	*6,377*
Over-the-counter debt instruments	*0*	*1,299*	*970*	*2,269*	*0*	*1,334*	*794*	*2,128*
Total liabilities measured at fair value	28,275	279,067	15,598	322,941	25,922	257,637	17,357	300,916

1 Bifurcated embedded derivatives are presented on the same balance sheet lines as their host contracts and are not included in this table. The fair value of these derivatives was not material for the periods presented. 2 Other non-financial assets primarily consist of properties and other non-current assets held for sale, which are measured at the lower of their net carrying amount or fair value less costs to sell.

b) Valuation adjustments

The table below summarizes the valuation adjustment reserves recognized on the balance sheet. Details about each category are provided further below.

Valuation adjustment reserves on the balance sheet

	As of	
Life-to-date gain / (loss), USD million	31.3.22	31.12.21
Deferred day-1 profit or loss reserves	425	418
Own credit adjustments on financial liabilities designated at fair value	114	(315)
CVAs, FVAs, DVAs and other valuation adjustments	(969)	(1,004)

Deferred day-1 profit or loss reserves

The table below summarizes the changes in deferred day-1 profit or loss reserves during the relevant period.

Deferred day-1 profit or loss is generally released into *Other net income from financial instruments measured at fair value through profit or loss* when pricing of equivalent products or the underlying parameters become observable or when the transaction is closed out.

Deferred day-1 profit or loss reserves

	For the quarter ended		
USD million	31.3.22	31.12.21	31.3.21
Reserve balance at the beginning of the period	418	429	269
Profit / (loss) deferred on new transactions	75	78	181
(Profit) / loss recognized in the income statement	(69)	(88)	(63)
Foreign currency translation	0	0	(1)
Reserve balance at the end of the period	425	418	387

Note 9 Fair value measurement (continued)

Own credit

The valuation of financial liabilities designated at fair value requires consideration of the own credit component of fair value. Own credit risk is reflected in the valuation of UBS AG's fair value option liabilities where this component is considered relevant for valuation purposes by UBS AG's counterparties and other market participants. However, own credit risk is not reflected in the valuation of UBS AG's liabilities that are fully collateralized or for other obligations for which it is established market practice to not include an own credit component.

A description of UBS AG's methodology to estimate own credit and the related accounting principles is included in "Note 21 Fair value measurement" in the "Consolidated financial statements" section of the Annual Report 2021.

In the first quarter of 2022, other comprehensive income related to own credit on financial liabilities designated at fair value was positive USD 423 million, primarily due to a widening of UBS's credit spreads.

Own credit adjustments on financial liabilities designated at fair value

	Included in Other comprehensive income		
	For the quarter ended		
USD million	31.3.22	31.12.21	31.3.21
Recognized during the period:			
Realized gain / (loss)	(7)	0	(6)
Unrealized gain / (loss)	430	55	(23)
Total gain / (loss), before tax	423	55	(29)
	As of		
USD million	31.3.22	31.12.21	31.3.21
Recognized on the balance sheet as of the end of the period:			
Unrealized life-to-date gain / (loss)	114	(315)	(400)

Credit, funding, debit and other valuation adjustments

A description of UBS AG's methodology for estimating credit valuation adjustments (CVAs), funding valuation adjustments (FVAs), debit valuation adjustments (DVAs) and other valuation adjustments is included in "Note 21 Fair value measurement" in the "Consolidated financial statements" section of the Annual Report 2021.

Valuation adjustments on financial instruments

	As of	
Life-to-date gain / (loss), USD million	31.3.22	31.12.21
Credit valuation adjustments[1]	(45)	(44)
Funding valuation adjustments	(41)	(49)
Debit valuation adjustments	4	2
Other valuation adjustments	(887)	(913)
of which: liquidity	*(343)*	*(341)*
of which: model uncertainty	*(544)*	*(571)*

1 Amounts do not include reserves against defaulted counterparties.

c) Transfers between Level 1 and Level 2

Assets and liabilities that were held for the entire reporting period and transferred from Level 2 to level 1 or from Level 1 to Level 2 during the first quarter of 2022 were not material.

Note 9 Fair value measurement (continued)

d) Level 3 instruments: valuation techniques and inputs

The table below presents material Level 3 assets and liabilities, together with the valuation techniques used to measure fair value, the inputs used in a given valuation technique that are considered significant as of 31 March 2022 and unobservable, and a range of values for those unobservable inputs.

The range of values represents the highest- and lowest-level inputs used in the valuation techniques. Therefore the range does not reflect the level of uncertainty regarding a particular input or an assessment of the reasonableness of UBS AG's estimates and assumptions, but rather the different underlying characteristics of the relevant assets and liabilities held by UBS AG. The ranges will therefore vary from period to period and parameter to parameter based on characteristics of the instruments held at each balance sheet date. Furthermore, the ranges of unobservable inputs may differ across other financial institutions, reflecting the diversity of the products in each firm's inventory.

The significant unobservable inputs disclosed in the table below are consistent with those included in "Note 21 Fair value measurement" in the "Consolidated financial statements" section of the Annual Report 2021. A description of the potential effect that a change in each unobservable input in isolation may have on a fair value measurement, including information to facilitate an understanding of factors that give rise to the input ranges shown, is also provided in "Note 21 Fair value measurement" in the "Consolidated financial statements" section of the Annual Report 2021.

Valuation techniques and inputs used in the fair value measurement of Level 3 assets and liabilities

	Fair value						Range of inputs						
	Assets		Liabilities				31.3.22			31.12.21			
USD billion	31.3.22	31.12.21	31.3.22	31.12.21	Valuation technique(s)	Significant unobservable input(s)[1]	low	high	weighted average[2]	low	high	weighted average[2]	unit[1]
Financial assets and liabilities at fair value held for trading and Financial assets at fair value not held for trading													
Corporate and municipal bonds	*0.9*	*0.9*	*0.0*	*0.0*	Relative value to market comparable	Bond price equivalent	13	102	93	16	143	98	points
					Discounted expected cash flows	Discount margin	447	447		434	434		basis points
Traded loans, loans measured at fair value, loan commitments and guarantees	*2.8*	*2.8*	*0.0*	*0.0*	Relative value to market comparable	Loan price equivalent	0	100	99	0	101	99	points
					Discounted expected cash flows	Credit spread	200	800	294	175	800	436	basis points
					Market comparable and securitization model	Credit spread	70	1,490	236	28	1,544	241	basis points
Auction rate securities	*1.6*	*1.6*			Discounted expected cash flows	Credit spread	115	184	149	115	197	153	basis points
Investment fund units[3]	*0.1*	*0.1*	*0.0*	*0.0*	Relative value to market comparable	Net asset value							
Equity instruments[3]	*1.0*	*0.8*	*0.1*	*0.1*	Relative value to market comparable	Price							
Debt issued designated at fair value[4]			10.8	11.9									
Other financial liabilities designated at fair value			2.9	3.2	Discounted expected cash flows	Funding spread	25	175		24	175		basis points
Derivative financial instruments													
Interest rate contracts	*0.8*	*0.5*	*0.2*	*0.3*	Option model	Volatility of interest rates	74	136		65	81		basis points
Credit derivative contracts	*0.3*	*0.2*	*0.4*	*0.3*	Discounted expected cash flows	Credit spreads	3	541		1	583		basis points
						Bond price equivalent	3	145		2	136		points
Equity / index contracts	*0.4*	*0.4*	*1.1*	*1.5*	Option model	Equity dividend yields	0	12		0	11		%
						Volatility of equity stocks, equity and other indices	3	97		4	98		%
						Equity-to-FX correlation	(26)	84		(29)	76		%
						Equity-to-equity correlation	(25)	100		(25)	100		%

1 The ranges of significant unobservable inputs are represented in points, percentages and basis points. Points are a percentage of par (e.g., 100 points would be 100% of par). 2 Weighted averages are provided for most non-derivative financial instruments and were calculated by weighting inputs based on the fair values of the respective instruments. Weighted averages are not provided for inputs related to Other financial liabilities designated at fair value and Derivative financial instruments, as this would not be meaningful. 3 The range of inputs is not disclosed, as there is a dispersion of values given the diverse nature of the investments. 4 Debt issued designated at fair value primarily consists of UBS structured notes, which include variable maturity notes with various equity and foreign exchange underlying risks, rates-linked and credit-linked notes, all of which have embedded derivative parameters that are considered to be unobservable. The equivalent derivative instrument parameters are presented in the respective derivative financial instruments lines in this table.

Note 9 Fair value measurement (continued)

e) Level 3 instruments: sensitivity to changes in unobservable input assumptions

The table below summarizes those financial assets and liabilities classified as Level 3 for which a change in one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would change fair value significantly, and the estimated effect thereof. The table presents the favorable and unfavorable effects for each class of financial assets and liabilities for which the potential change in fair value is considered significant. The sensitivity of fair value measurements for debt issued designated at fair value and over-the-counter debt instruments designated at fair value is reported together with the equivalent derivative or securities financing instrument.

The sensitivity data shown below presents an estimation of valuation uncertainty based on reasonably possible alternative values for Level 3 inputs at the balance sheet date and does not represent the estimated effect of stress scenarios. Typically, these financial assets and liabilities are sensitive to a combination of inputs from Levels 1–3. Although well-defined interdependencies may exist between Level 1 / 2 parameters and Level 3 parameters (e.g., between interest rates, which are generally Level 1 or Level 2, and prepayments, which are generally Level 3), these have not been incorporated in the table. Furthermore, direct interrelationships between the Level 3 parameters are not a significant element of the valuation uncertainty.

Sensitivity of fair value measurements to changes in unobservable input assumptions[1]

	31.3.22		31.12.21	
USD million	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Traded loans, loans designated at fair value, loan commitments and guarantees	15	(20)	19	(13)
Securities financing transactions	47	(52)	41	(53)
Auction rate securities	79	(79)	66	(66)
Asset-backed securities	25	(18)	20	(20)
Equity instruments	170	(144)	173	(146)
Interest rate derivative contracts, net	69	(62)	29	(19)
Credit derivative contracts, net	8	(7)	5	(8)
Foreign exchange derivative contracts, net	16	(9)	19	(11)
Equity / index derivative contracts, net	410	(367)	368	(335)
Other	53	(81)	50	(73)
Total	892	(839)	790	(744)

1 Sensitivity of issued and over-the-counter debt instruments is reported with the equivalent derivative or securities financing instrument.

f) Level 3 instruments: movements during the period

Significant changes in Level 3 instruments

The table on the following pages presents additional information about material Level 3 assets and liabilities measured at fair value on a recurring basis. Level 3 assets and liabilities may be hedged with instruments classified as Level 1 or Level 2 in the fair value hierarchy and, as a result, realized and unrealized gains and losses included in the table may not include the effect of related hedging activity. Furthermore, the realized and unrealized gains and losses presented in the table are not limited solely to those arising from Level 3 inputs, as valuations are generally derived from both observable and unobservable parameters.

Assets and liabilities transferred into or out of Level 3 are presented as if those assets or liabilities had been transferred at the beginning of the year.

Note 9 Fair value measurement (continued)

Movements of Level 3 instruments

		Total gains / losses included in comprehensive income									
USD billion	**Balance as of 31 December 2020**	Net gains / losses included in income[1]	*of which: related to Level 3 instruments held at the end of the reporting period*	Purchases	Sales	Issuances	Settlements	Transfers into Level 3	Transfers out of Level 3	Foreign currency translation	**Balance as of 31 March 2021**
Financial assets at fair value held for trading	**2.3**	**0.0**	***0.0***	**0.2**	**(0.6)**	**0.3**	**0.0**	**0.2**	**(0.2)**	**0.0**	**2.2**
of which:											
Investment fund units	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Corporate and municipal bonds	*0.8*	*0.0*	*0.0*	*0.2*	*(0.1)*	*0.0*	*0.0*	*0.0*	*(0.1)*	*0.0*	*0.8*
Loans	*1.1*	*0.0*	*0.0*	*0.0*	*(0.3)*	*0.3*	*0.0*	*0.0*	*(0.2)*	*0.0*	*1.1*
Other	*0.4*	*0.0*	*0.0*	*0.0*	*(0.2)*	*0.0*	*0.0*	*0.2*	*0.0*	*0.0*	*0.3*
Derivative financial instruments – assets	**1.8**	**(0.1)**	***(0.1)***	**0.0**	**0.0**	**0.4**	**(0.4)**	**0.0**	**(0.1)**	**0.0**	**1.6**
of which:											
Interest rate contracts	*0.5*	*(0.1)*	*0.0*	*0.0*	*0.0*	*0.1*	*(0.1)*	*0.0*	*0.0*	*0.0*	*0.4*
Equity / index contracts	*0.9*	*(0.1)*	*0.0*	*0.0*	*0.0*	*0.3*	*(0.2)*	*0.0*	*0.0*	*0.0*	*0.8*
Credit derivative contracts	*0.3*	*0.0*	*0.0*	*0.0*	*0.0*	*0.1*	*(0.1)*	*0.0*	*0.0*	*0.0*	*0.4*
Other	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Financial assets at fair value not held for trading	**3.9**	**0.0**	***0.0***	**0.5**	**(0.3)**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**4.2**
of which:											
Loans	*0.9*	*(0.1)*	*0.0*	*0.4*	*(0.1)*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*1.1*
Auction rate securities	*1.5*	*0.1*	*0.1*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*1.6*
Equity instruments	*0.5*	*0.0*	*0.0*	*0.1*	*(0.1)*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.5*
Other	*1.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*1.0*
Derivative financial instruments – liabilities	**3.5**	**0.1**	***0.0***	**0.0**	**0.0**	**0.6**	**(0.8)**	**0.0**	**(0.2)**	**0.0**	**3.1**
of which:											
Interest rate contracts	*0.5*	*0.0*	*0.0*	*0.0*	*0.0*	*0.3*	*(0.1)*	*0.0*	*(0.1)*	*0.0*	*0.5*
Equity / index contracts	*2.3*	*0.2*	*0.1*	*0.0*	*0.0*	*0.3*	*(0.6)*	*0.0*	*(0.1)*	*0.0*	*2.1*
Credit derivative contracts	*0.5*	*(0.1)*	*(0.1)*	*0.0*	*0.0*	*0.1*	*(0.1)*	*0.0*	*0.0*	*0.0*	*0.4*
Other	*0.1*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.1*
Debt issued designated at fair value	**9.6**	**0.2**	***0.1***	**0.0**	**0.0**	**3.2**	**(1.8)**	**0.1**	**(0.3)**	**(0.2)**	**10.7**
Other financial liabilities designated at fair value	**2.1**	**(0.1)**	***(0.1)***	**0.0**	**0.0**	**0.7**	**(0.2)**	**0.0**	**0.0**	**0.0**	**2.4**

1 Net gains / losses included in comprehensive income are composed of Net interest income, Other net income from financial instruments measured at fair value through profit or loss and Other income. 2 Total Level 3 assets as of 31 March 2022 were USD 8.4 billion (31 December 2021: USD 7.6 billion). Total Level 3 liabilities as of 31 March 2022 were USD 15.6 billion (31 December 2021: USD 17.4 billion).

Note 9 Fair value measurement (continued)

Balance as of 31 December 2021[2]	Total gains / losses included in comprehensive income: Net gains / losses included in income[1]	*of which: related to Level 3 instruments held at the end of the reporting period*	Purchases	Sales	Issuances	Settlements	Transfers into Level 3	Transfers out of Level 3	Foreign currency translation	Balance as of 31 March 2022[2]
2.3	0.0	*0.0*	0.2	(0.8)	1.0	0.0	0.2	(0.3)	0.0	2.6
0.0	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
0.6	*0.0*	*0.0*	*0.1*	*(0.1)*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.6*
1.4	*0.0*	*0.0*	*0.0*	*(0.7)*	*1.0*	*0.0*	*0.0*	*(0.2)*	*0.0*	*1.6*
0.3	*0.0*	*0.0*	*0.1*	*0.0*	*0.0*	*0.0*	*0.2*	*(0.1)*	*0.0*	*0.4*
1.1	0.5	*0.5*	0.0	0.0	0.4	(0.3)	0.0	0.0	0.0	1.7
0.5	*0.4*	*0.4*	*0.0*	*0.0*	*0.0*	*(0.1)*	*0.0*	*0.0*	*0.0*	*0.8*
0.4	*0.1*	*0.0*	*0.0*	*0.0*	*0.2*	*(0.1)*	*0.0*	*0.0*	*0.0*	*0.4*
0.2	*0.1*	*0.1*	*0.0*	*0.0*	*0.1*	*(0.1)*	*0.0*	*0.0*	*0.0*	*0.3*
0.0	*0.1*	*0.0*	*0.0*	*0.0*	*0.1*	*0.0*	*0.0*	*0.0*	*0.0*	*0.1*
4.2	0.0	*0.0*	0.3	(0.5)	0.0	0.0	0.0	0.0	0.0	4.0
0.9	*0.0*	*0.0*	*0.2*	*(0.2)*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.9*
1.6	*0.1*	*0.1*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*1.6*
0.7	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.7*
1.0	*0.0*	*0.0*	*0.1*	*(0.2)*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.8*
2.2	(0.3)	*(0.4)*	0.0	0.0	0.8	(0.8)	0.0	0.0	0.0	1.9
0.3	*(0.2)*	*(0.2)*	*0.0*	*0.0*	*0.1*	*0.0*	*0.0*	*0.0*	*0.0*	*0.2*
1.5	*(0.1)*	*(0.1)*	*0.0*	*0.0*	*0.4*	*(0.6)*	*0.0*	*0.0*	*0.0*	*1.1*
0.3	*(0.1)*	*(0.1)*	*0.0*	*0.0*	*0.2*	*(0.1)*	*0.0*	*0.0*	*0.0*	*0.4*
0.1	*0.0*	*0.0*	*0.0*	*0.0*	*0.1*	*(0.1)*	*0.0*	*0.0*	*0.0*	*0.1*
11.9	(0.6)	*(0.6)*	0.0	0.0	2.5	(2.4)	0.1	(0.5)	(0.1)	10.8
3.2	(0.4)	*(0.4)*	0.0	0.0	0.4	(0.2)	0.0	(0.1)	0.0	2.9

Note 9 Fair value measurement (continued)

g) Financial instruments not measured at fair value

The table below reflects the estimated fair values of financial instruments not measured at fair value.

Financial instruments not measured at fair value

	31.3.22		31.12.21	
USD billion	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash and balances at central banks	206.8	206.8	192.8	192.8
Loans and advances to banks	17.8	17.8	15.4	15.3
Receivables from securities financing transactions	69.5	69.5	75.0	75.0
Cash collateral receivables on derivative instruments	39.3	39.3	30.5	30.5
Loans and advances to customers	394.0	387.9	398.7	397.9
Other financial assets measured at amortized cost	28.8	28.3	26.2	26.5
Liabilities				
Amounts due to banks	16.6	16.6	13.1	13.1
Payables from securities financing transactions	7.1	7.1	5.5	5.5
Cash collateral payables on derivative instruments	39.6	39.6	31.8	31.8
Customer deposits	543.0	542.9	544.8	544.8
Funding from UBS Group AG	57.5	58.4	57.3	58.8
Debt issued measured at amortized cost	75.0	75.2	82.4	82.8
Other financial liabilities measured at amortized cost[1]	6.9	6.9	6.3	6.3

1 Excludes lease liabilities.

The fair values included in the table above have been calculated for disclosure purposes only. The valuation techniques and assumptions relate only to UBS AG's financial instruments not otherwise measured at fair value. Other institutions may use different methods and assumptions for their fair value estimation, and therefore such fair value disclosures cannot necessarily be compared from one financial institution to another.

Note 10 Derivative instruments

a) Derivative instruments

As of 31.3.22, USD billion	Derivative financial assets	Notional values related to derivative financial assets[1]	Derivative financial liabilities	Notional values related to derivative financial liabilities[1]	Other notional values[2]
Derivative financial instruments					
Interest rate contracts	37.1	1,080	33.7	1,058	9,569
Credit derivative contracts	1.7	50	1.8	48	0
Foreign exchange contracts	67.6	3,315	66.1	3,183	20
Equity / index contracts	29.9	477	33.3	566	80
Commodity contracts	2.9	82	2.6	65	17
Loan commitments measured at FVTPL	0.0	1	0.0	5	
Unsettled purchases of non-derivative financial instruments[3]	0.3	26	0.5	31	
Unsettled sales of non-derivative financial instruments[3]	0.7	45	0.4	18	
Total derivative financial instruments, based on IFRS netting[4]	140.3	5,075	138.4	4,973	9,686
Further netting potential not recognized on the balance sheet[5]	(126.6)		(121.4)		
of which: netting of recognized financial liabilities / assets	*(101.7)*		*(101.7)*		
of which: netting with collateral received / pledged	*(25.0)*		*(19.7)*		
Total derivative financial instruments, after consideration of further netting potential	13.7		17.0		
As of 31.12.21, USD billion					
Derivative financial instruments					
Interest rate contracts	33.2	991	28.7	943	8,675
Credit derivative contracts	1.4	45	1.8	46	0
Foreign exchange contracts	53.3	3,031	54.1	2,939	1
Equity / index contracts	28.2	457	34.9	604	80
Commodity contracts	1.6	58	1.6	56	15
Loan commitments measured at FVTPL	0.0	1	0.0	8	
Unsettled purchases of non-derivative financial instruments[3]	0.1	13	0.2	11	
Unsettled sales of non-derivative financial instruments[3]	0.2	18	0.1	9	
Total derivative financial instruments, based on IFRS netting[4]	118.1	4,614	121.3	4,617	8,771
Further netting potential not recognized on the balance sheet[5]	(107.4)		(107.0)		
of which: netting of recognized financial liabilities / assets	*(88.9)*		*(88.9)*		
of which: netting with collateral received / pledged	*(18.5)*		*(18.1)*		
Total derivative financial instruments, after consideration of further netting potential	10.7		14.3		

1 In cases where derivative financial instruments are presented on a net basis on the balance sheet, the respective notional values of the netted derivative financial instruments are still presented on a gross basis. Notional amounts of client-cleared ETD and OTC transactions through central clearing counterparties are not disclosed, as they have a significantly different risk profile. 2 Other notional values relate to derivatives that are cleared through either a central counterparty or an exchange. The fair value of these derivatives is presented on the balance sheet net of the corresponding cash margin under Cash collateral receivables on derivative instruments and Cash collateral payables on derivative instruments and was not material for all periods presented. 3 Changes in the fair value of purchased and sold non-derivative financial instruments between trade date and settlement date are recognized as derivative financial instruments. 4 Financial assets and liabilities are presented net on the balance sheet if UBS AG has the unconditional and legally enforceable right to offset the recognized amounts, both in the normal course of business and in the event of default, bankruptcy or insolvency of UBS AG or its counterparties, and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. 5 Reflects the netting potential in accordance with enforceable master netting and similar arrangements where not all criteria for a net presentation on the balance sheet have been met. Refer to "Note 22 Offsetting financial assets and financial liabilities" in the "Consolidated financial statements" section of the Annual Report 2021 for more information.

Note 10 Derivative instruments (continued)

b) Cash collateral on derivative instruments

USD billion	Receivables 31.3.22	Payables 31.3.22	Receivables 31.12.21	Payables 31.12.21
Cash collateral on derivative instruments, based on IFRS netting[1]	39.3	39.6	30.5	31.8
Further netting potential not recognized on the balance sheet[2]	(19.0)	(21.4)	(18.4)	(16.4)
of which: netting of recognized financial liabilities / assets	*(15.8)*	*(18.2)*	*(15.2)*	*(13.1)*
of which: netting with collateral received / pledged	*(3.2)*	*(3.2)*	*(3.3)*	*(3.3)*
Cash collateral on derivative instruments, after consideration of further netting potential	20.3	18.2	12.1	15.4

1 Financial assets and liabilities are presented net on the balance sheet if UBS AG has the unconditional and legally enforceable right to offset the recognized amounts, both in the normal course of business and in the event of default, bankruptcy or insolvency of UBS AG or its counterparties, and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. 2 Reflects the netting potential in accordance with enforceable master netting and similar arrangements where not all criteria for a net presentation on the balance sheet have been met. Refer to "Note 22 Offsetting financial assets and financial liabilities" in the "Consolidated financial statements" section of the Annual Report 2021 for more information.

Note 11 Other assets and liabilities

a) Other financial assets measured at amortized cost

USD million	31.3.22	31.12.21
Debt securities	21,192	18,858
of which: government bills / bonds	*10,085*	*9,833*
Loans to financial advisors	2,388	2,453
Fee- and commission-related receivables	1,937	1,966
Finance lease receivables	1,325	1,356
Settlement and clearing accounts	492	455
Accrued interest income	549	521
Other	885	627
Total other financial assets measured at amortized cost	28,766	26,236

b) Other non-financial assets

USD million	31.3.22	31.12.21
Precious metals and other physical commodities	4,626	5,258
Deposits and collateral provided in connection with litigation, regulatory and similar matters[1]	2,280	1,526
Prepaid expenses	773	717
VAT and other tax receivables	419	591
Properties and other non-current assets held for sale	313	32
Assets of disposal groups held for sale	1,018	1,093
Other	728	618
Total other non-financial assets	10,158	9,836

1 Refer to Note 15 for more information.

c) Other financial liabilities measured at amortized cost

USD million	31.3.22	31.12.21
Other accrued expenses	1,561	1,642
Accrued interest expenses	847	1,134
Settlement and clearing accounts	1,663	1,282
Lease liabilities	3,310	3,438
Other	2,786	2,269
Total other financial liabilities measured at amortized cost	10,167	9,765

Note 11 Other assets and liabilities (continued)

d) Other financial liabilities designated at fair value

USD million	31.3.22	31.12.21
Financial liabilities related to unit-linked investment contracts	18,661	21,466
Securities financing transactions	9,388	6,377
Over-the-counter debt instruments	2,269	2,128
Funding from UBS Group AG	2,049	2,340
Other	8	103
Total other financial liabilities designated at fair value	32,374	32,414
of which: life-to-date own credit (gain) / loss	*(27)*	*172*

e) Other non-financial liabilities

USD million	31.3.22	31.12.21
Compensation-related liabilities	2,925	4,795
of which: financial advisor compensation plans	*1,193*	*1,512*
of which: other compensation plans	*756*	*2,140*
of which: net defined benefit liability	*558*	*617*
of which: other compensation-related liabilities [1]	*418*	*526*
Deferred tax liabilities	165	297
Current tax liabilities	926	1,365
VAT and other tax payables	541	524
Deferred income	246	225
Liabilities of disposal groups held for sale	1,289	1,298
Other	61	68
Total other non-financial liabilities	6,152	8,572

1 Includes liabilities for payroll taxes and untaken vacation.

Note 12 Debt issued designated at fair value

USD million	31.3.22	31.12.21
Issued debt instruments		
Equity-linked[1]	44,252	47,059
Rates-linked	14,933	16,369
Credit-linked	1,951	1,723
Fixed-rate	3,727	2,868
Commodity-linked	3,995	2,911
Other	563	529
Total debt issued designated at fair value	69,421	71,460
of which: life-to-date own credit (gain) / loss	*(87)*	*144*

1 Includes investment fund unit-linked instruments issued.

Note 13 Debt issued measured at amortized cost

USD million	31.3.22	31.12.21
Certificates of deposit and commercial paper	33,727	40,640
Other short-term debt	3,812	2,458
Short-term debt[1]	37,539	43,098
Senior unsecured debt	21,632	23,328
Covered bonds	1,351	1,389
Subordinated debt	5,056	5,163
of which: low-trigger loss-absorbing tier 2 capital instruments	*2,507*	*2,596*
of which: non-Basel III-compliant tier 2 capital instruments	*543*	*547*
Debt issued through the Swiss central mortgage institutions	9,435	9,454
Long-term debt[2]	37,474	39,334
Total debt issued measured at amortized cost[3]	75,013	82,432

1 Debt with an original contractual maturity of less than one year. 2 Debt with an original contractual maturity greater than or equal to one year. The classification of debt issued into short-term and long-term does not consider any early redemption features. 3 Net of bifurcated embedded derivatives, the fair value of which was not material for the periods presented.

Note 14 Interest rate benchmark reform

During the first quarter of 2022, UBS AG continued to manage the transition to alternative reference rates (ARRs) under the oversight of the dedicated Group-wide forum, with an increased US regional focus. The transition of non-USD interbank offered rates (IBORs) is largely complete, with efforts now focused on managing the transition of remaining USD LIBOR exposures.

On 15 March 2022, the US enacted federal legislation, the "Adjustable Interest Rate (LIBOR) Act," which is substantially based on, and supersedes, the New York State London Interbank Offered Rate (LIBOR) legislation. The Adjustable Interest Rate (LIBOR) Act provides a legislative solution for legacy products governed by any US state law should such products fail to transition prior to the USD LIBOR cessation date of 30 June 2023.

Non-derivative instruments

During the first quarter of 2022, most of the USD 21 billion mortgages linked to CHF LIBOR that were outstanding as of 31 December 2021 were automatically transitioned to Swiss Average Rate Overnight (SARON), with only an insignificant amount remaining, which will transition later in 2022, on their next roll date.

Substantially all of the US securities-based lending outstanding as of 31 December 2021 was transitioned to Secured Overnight Financing Rate (SOFR) during the first quarter of 2022, with transition of the remaining USD 2 billion currently in progress.

In January 2022, UBS AG completed the transition of USD LIBOR-linked non-derivative balances related to brokerage accounts to SOFR. No other material transitions of USD LIBOR-linked contracts occurred in the first quarter of 2022. UBS AG plans to transition USD 10 billion of US mortgages linked to USD LIBOR to SOFR in 2022 and 2023.

Derivative instruments

UBS AG successfully transitioned the remaining non-USD IBOR derivatives not transacted through clearing houses or exchanges, which ensured an orderly transition when converting high volumes of transactions at the time of rate cessation. No material USD LIBOR-linked derivatives transitioned in the first quarter of 2022.

Note 15 Provisions and contingent liabilities

a) Provisions

The table below presents an overview of total provisions.

USD million	31.3.22	31.12.21
Provisions other than provisions for expected credit losses	3,192	3,256
Provisions for expected credit losses[1]	221	196
Total provisions	**3,413**	**3,452**

1 Refer to Note 8c for more information.

The following table presents additional information for provisions other than provisions for expected credit losses.

USD million	Litigation, regulatory and similar matters[1]	Restructuring	Other[3]	Total
Balance as of 31 December 2021	2,798	137	321	3,256
Increase in provisions recognized in the income statement	58	44	5	107
Release of provisions recognized in the income statement	(1)	(4)	(5)	(10)
Provisions used in conformity with designated purpose	(54)	(50)	(7)	(112)
Foreign currency translation / unwind of discount	(42)	(1)	(4)	(48)
Balance as of 31 March 2022	2,758	125[2]	310	3,192

1 Consists of provisions for losses resulting from legal, liability and compliance risks. 2 Primarily consists of personnel-related restructuring provisions of USD 80 million as of 31 March 2022 (31 December 2021: USD 90 million) and provisions for onerous contracts of USD 45 million as of 31 March 2022 (31 December 2021: USD 47 million). 3 Mainly includes provisions related to real estate, employee benefits and operational risks.

Restructuring provisions primarily relate to personnel-related provisions and onerous contracts. Personnel-related restructuring provisions are used within a short period of time but potential changes in amount may be triggered when natural staff attrition reduces the number of people affected by a restructuring event and therefore the estimated costs. Onerous contracts for property are recognized when UBS AG is committed to pay for non-lease components, such as utilities, service charges, taxes and maintenance, when a property is vacated or not fully recovered from sub-tenants.

Information about provisions and contingent liabilities in respect of litigation, regulatory and similar matters, as a class, is included in Note 15b. There are no material contingent liabilities associated with the other classes of provisions.

b) Litigation, regulatory and similar matters

UBS operates in a legal and regulatory environment that exposes it to significant litigation and similar risks arising from disputes and regulatory proceedings. As a result, UBS (which for purposes of this Note may refer to UBS AG and/or one or more of its subsidiaries, as applicable) is involved in various disputes and legal proceedings, including litigation, arbitration, and regulatory and criminal investigations.

Such matters are subject to many uncertainties, and the outcome and the timing of resolution are often difficult to predict, particularly in the earlier stages of a case. There are also situations where UBS may enter into a settlement agreement. This may occur in order to avoid the expense, management distraction or reputational implications of continuing to contest liability, even for those matters for which UBS believes it should be exonerated. The uncertainties inherent in all such matters affect the amount and timing of any potential outflows for both matters with respect to which provisions have been established and other contingent liabilities. UBS makes provisions for such matters brought against it when, in the opinion of management after seeking legal advice, it is more likely than not that UBS has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required, and the amount can be reliably estimated. Where these factors are otherwise satisfied, a provision may be established for claims that have not yet been asserted against UBS, but are nevertheless expected to be, based on UBS's experience with similar asserted claims. If any of those conditions is not met, such matters result in contingent liabilities. If the amount of an obligation cannot be reliably estimated, a liability exists that is not recognized even if an outflow of resources is probable. Accordingly, no provision is established even if the potential outflow of resources with respect to such matters could be significant. Developments relating to a matter that occur after the relevant reporting period, but prior to the issuance of financial statements, which affect management's assessment of the provision for such matter (because, for example, the developments provide evidence of conditions that existed at the end of the reporting period), are adjusting events after the reporting period under IAS 10 and must be recognized in the financial statements for the reporting period.

Note 15 Provisions and contingent liabilities (continued)

Specific litigation, regulatory and other matters are described below, including all such matters that management considers to be material and others that management believes to be of significance due to potential financial, reputational and other effects. The amount of damages claimed, the size of a transaction or other information is provided where available and appropriate in order to assist users in considering the magnitude of potential exposures.

In the case of certain matters below, we state that we have established a provision, and for the other matters, we make no such statement. When we make this statement and we expect disclosure of the amount of a provision to prejudice seriously our position with other parties in the matter because it would reveal what UBS believes to be the probable and reliably estimable outflow, we do not disclose that amount. In some cases we are subject to confidentiality obligations that preclude such disclosure. With respect to the matters for which we do not state whether we have established a provision, either: (a) we have not established a provision, in which case the matter is treated as a contingent liability under the applicable accounting standard; or (b) we have established a provision but expect disclosure of that fact to prejudice seriously our position with other parties in the matter because it would reveal the fact that UBS believes an outflow of resources to be probable and reliably estimable.

With respect to certain litigation, regulatory and similar matters for which we have established provisions, we are able to estimate the expected timing of outflows. However, the aggregate amount of the expected outflows for those matters for which we are able to estimate expected timing is immaterial relative to our current and expected levels of liquidity over the relevant time periods.

The aggregate amount provisioned for litigation, regulatory and similar matters as a class is disclosed in the "Provisions" table in Note 15a above. It is not practicable to provide an aggregate estimate of liability for our litigation, regulatory and similar matters as a class of contingent liabilities. Doing so would require UBS to provide speculative legal assessments as to claims and proceedings that involve unique fact patterns or novel legal theories, that have not yet been initiated or are at early stages of adjudication, or as to which alleged damages have not been quantified by the claimants. Although UBS therefore cannot provide a numerical estimate of the future losses that could arise from litigation, regulatory and similar matters, UBS believes that the aggregate amount of possible future losses from this class that are more than remote substantially exceeds the level of current provisions.

Litigation, regulatory and similar matters may also result in non-monetary penalties and consequences. A guilty plea to, or conviction of, a crime could have material consequences for UBS. Resolution of regulatory proceedings may require UBS to obtain waivers of regulatory disqualifications to maintain certain operations, may entitle regulatory authorities to limit, suspend or terminate licenses and regulatory authorizations, and may permit financial market utilities to limit, suspend or terminate UBS's participation in such utilities. Failure to obtain such waivers, or any limitation, suspension or termination of licenses, authorizations or participations, could have material consequences for UBS.

The risk of loss associated with litigation, regulatory and similar matters is a component of operational risk for purposes of determining capital requirements. Information concerning our capital requirements and the calculation of operational risk for this purpose is included in the "Capital management" section of the UBS Group first quarter 2022 report.

Provisions for litigation, regulatory and similar matters by business division and in Group Functions[1]

USD million	Global Wealth Management	Personal & Corporate Banking	Asset Management	Investment Bank	Group Functions	Total
Balance as of 31 December 2021	1,338	181	8	310	962	2,798
Increase in provisions recognized in the income statement	54	0	0	4	0	58
Release of provisions recognized in the income statement	(1)	0	0	0	0	(1)
Provisions used in conformity with designated purpose	(49)	0	0	(5)	0	(54)
Reclassifications	0	0	0	4	(4)	0
Foreign currency translation / unwind of discount	(33)	(5)	0	(5)	0	(42)
Balance as of 31 March 2022	1,309	176	8	307	958	2,758

1 Provisions, if any, for the matters described in items 3 and 4 of this Note are recorded in Global Wealth Management, and provisions, if any, for the matters described in item 2 are recorded in Group Functions. Provisions, if any, for the matters described in items 1 and 6 of this Note are allocated between Global Wealth Management and Personal & Corporate Banking, and provisions, if any, for the matters described in item 5 are allocated between the Investment Bank and Group Functions.

1. Inquiries regarding cross-border wealth management businesses

Tax and regulatory authorities in a number of countries have made inquiries, served requests for information or examined employees located in their respective jurisdictions relating to the cross-border wealth management services provided by UBS and other financial institutions. It is possible that the implementation of automatic tax information exchange and other measures relating to cross-border provision of financial services could give rise to further inquiries in the future. UBS has received disclosure orders from the Swiss Federal Tax Administration (FTA) to transfer information based on requests for international administrative assistance in tax matters. The requests concern a number of UBS account numbers pertaining to current and former clients and are based on data from 2006 and 2008. UBS has taken steps to inform affected clients about the administrative assistance proceedings and their procedural rights, including the right to appeal. The requests are based on data received from the German authorities, who seized certain data related to UBS clients booked in Switzerland during their investigations and have apparently shared this data with other European countries. UBS expects additional countries to file similar requests.

Since 2013, UBS (France) S.A., UBS AG and certain former employees have been under investigation in France in relation to UBS's cross-border business with French clients. In connection with this investigation, the investigating judges ordered UBS AG to provide bail ("*caution*") of EUR 1.1 billion.

On 20 February 2019, the court of first instance returned a verdict finding UBS AG guilty of unlawful solicitation of clients on French territory and aggravated laundering of the proceeds of tax fraud, and UBS (France) S.A. guilty of aiding and abetting unlawful solicitation and of laundering the proceeds of tax fraud. The court imposed fines aggregating EUR 3.7 billion on UBS AG and UBS (France) S.A. and awarded EUR 800 million of civil damages to the French state. A trial in the French Court of Appeal took place in March 2021. On 13 December 2021, the Court of Appeal found UBS AG guilty of unlawful solicitation and aggravated laundering of the proceeds of tax fraud. The court ordered a fine of EUR 3.75 million, the confiscation of EUR 1 billion, and awarded civil damages to the French state of EUR 800 million. The court also found UBS (France) SA guilty of the aiding and abetting of unlawful solicitation and ordered it to pay a fine of EUR 1.875 million. UBS AG has filed an appeal with the French Supreme Court to preserve its rights. The notice of appeal enables UBS AG to thoroughly assess the verdict of the Court of Appeal and to determine next steps in the best interest of its stakeholders. The fine and confiscation imposed by the Court of Appeal are suspended during the appeal. The civil damages award has been paid to the French state (EUR 99 million of which was deducted from the bail), subject to the result of UBS's appeal.

Our balance sheet at 31 March 2022 reflected provisions with respect to this matter in an amount of EUR 1.1 billion (USD 1.2 billion at 31 March 2022). The wide range of possible outcomes in this case contributes to a high degree of estimation uncertainty and the provision reflects our best estimate of possible financial implications, although actual penalties and civil damages could exceed (or may be less than) the provision amount.

Our balance sheet at 31 March 2022 reflected provisions with respect to matters described in this item 1 in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which we have established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that we have recognized.

2. Claims related to sales of residential mortgage-backed securities and mortgages

From 2002 through 2007, prior to the crisis in the US residential loan market, UBS was a substantial issuer and underwriter of US residential mortgage-backed securities (RMBS) and was a purchaser and seller of US residential mortgages.

In November 2018, the DOJ filed a civil complaint in the District Court for the Eastern District of New York. The complaint seeks unspecified civil monetary penalties under the Financial Institutions Reform, Recovery and Enforcement Act of 1989 related to UBS's issuance, underwriting and sale of 40 RMBS transactions in 2006 and 2007. UBS moved to dismiss the civil complaint on 6 February 2019. On 10 December 2019, the district court denied UBS's motion to dismiss.

Our balance sheet at 31 March 2022 reflected a provision with respect to matters described in this item 2 in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which we have established provisions, the future outflow of resources in respect of this matter cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that we have recognized.

Note 15 Provisions and contingent liabilities (continued)

3. Madoff

In relation to the Bernard L. Madoff Investment Securities LLC (BMIS) investment fraud, UBS AG, UBS (Luxembourg) S.A. (now UBS Europe SE, Luxembourg branch) and certain other UBS subsidiaries have been subject to inquiries by a number of regulators, including the Swiss Financial Market Supervisory Authority (FINMA) and the Luxembourg Commission de Surveillance du Secteur Financier. Those inquiries concerned two third-party funds established under Luxembourg law, substantially all assets of which were with BMIS, as well as certain funds established in offshore jurisdictions with either direct or indirect exposure to BMIS. These funds faced severe losses, and the Luxembourg funds are in liquidation. The documentation establishing both funds identifies UBS entities in various roles, including custodian, administrator, manager, distributor and promoter, and indicates that UBS employees serve as board members.

In 2009 and 2010, the liquidators of the two Luxembourg funds filed claims against UBS entities, non-UBS entities and certain individuals, including current and former UBS employees, seeking amounts totaling approximately EUR 2.1 billion, which includes amounts that the funds may be held liable to pay the trustee for the liquidation of BMIS (BMIS Trustee).

A large number of alleged beneficiaries have filed claims against UBS entities (and non-UBS entities) for purported losses relating to the Madoff fraud. The majority of these cases have been filed in Luxembourg, where decisions that the claims in eight test cases were inadmissible have been affirmed by the Luxembourg Court of Appeal, and the Luxembourg Supreme Court has dismissed a further appeal in one of the test cases.

In the US, the BMIS Trustee filed claims against UBS entities, among others, in relation to the two Luxembourg funds and one of the offshore funds. The total amount claimed against all defendants in these actions was not less than USD 2 billion. In 2014, the US Supreme Court rejected the BMIS Trustee's motion for leave to appeal decisions dismissing all claims except those for the recovery of approximately USD 125 million of payments alleged to be fraudulent conveyances and preference payments. In 2016, the bankruptcy court dismissed these claims against the UBS entities. In February 2019, the Court of Appeals reversed the dismissal of the BMIS Trustee's remaining claims, and the US Supreme Court subsequently denied a petition seeking review of the Court of Appeals' decision. The case has been remanded to the Bankruptcy Court for further proceedings.

4. Puerto Rico

Declines since 2013 in the market prices of Puerto Rico municipal bonds and of closed-end funds (funds) that are sole-managed and co-managed by UBS Trust Company of Puerto Rico and distributed by UBS Financial Services Incorporated of Puerto Rico (UBS PR) led to multiple regulatory inquiries, which in 2014 and 2015, led to settlements with the Office of the Commissioner of Financial Institutions for the Commonwealth of Puerto Rico, the US Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority.

Since then, UBS clients in Puerto Rico who own the funds or Puerto Rico municipal bonds and/or who used their UBS account assets as collateral for UBS non-purpose loans filed customer complaints and arbitration demands seeking aggregate damages of USD 3.4 billion, of which USD 3.1 billion have been resolved through settlements, arbitration or withdrawal of claims. Allegations include fraud, misrepresentation and unsuitability of the funds and of the loans.

A shareholder derivative action was filed in 2014 against various UBS entities and current and certain former directors of the funds, alleging hundreds of millions of US dollars in losses in the funds. In 2021, the parties reached an agreement to settle this matter for USD 15 million, subject to court approval.

In 2011, a purported derivative action was filed on behalf of the Employee Retirement System of the Commonwealth of Puerto Rico (System) against over 40 defendants, including UBS PR, which was named in connection with its underwriting and consulting services. Plaintiffs alleged that defendants violated their purported fiduciary duties and contractual obligations in connection with the issuance and underwriting of USD 3 billion of bonds by the System in 2008 and sought damages of over USD 800 million. In 2016, the court granted the System's request to join the action as a plaintiff. In 2017, the court denied defendants' motion to dismiss the complaint. In 2020, the court denied plaintiffs' motion for summary judgment.

Beginning in 2015, certain agencies and public corporations of the Commonwealth of Puerto Rico (Commonwealth) defaulted on certain interest payments on Puerto Rico bonds. In 2016, US federal legislation created an oversight board with power to oversee Puerto Rico's finances and to restructure its debt. The oversight board has imposed a stay on the exercise of certain creditors' rights. In 2017, the oversight board placed certain of the bonds into a bankruptcy-like proceeding under the supervision of a Federal District Judge.

In May 2019, the oversight board filed complaints in Puerto Rico federal district court bringing claims against financial, legal and accounting firms that had participated in Puerto Rico municipal bond offerings, including UBS, seeking a return of underwriting and swap fees paid in connection with those offerings. UBS estimates that it received approximately USD 125 million in fees in the relevant offerings.

In August 2019, and February and November 2020, four US insurance companies that insured issues of Puerto Rico municipal bonds sued UBS and several other underwriters of Puerto Rico municipal bonds in three separate cases. The actions collectively seek recovery of an aggregate of USD 955 million in damages from the defendants. The plaintiffs in these cases claim that defendants failed to reasonably investigate financial statements in the offering materials for the insured Puerto Rico bonds issued between 2002 and 2007, which plaintiffs argue they relied upon in agreeing to insure the bonds notwithstanding that they had no contractual relationship with the underwriters. Defendants' motions to dismiss were granted in two of the cases; those decisions are being appealed by the plaintiffs. In the third case, defendants' motion to dismiss was denied, but on appeal that ruling was reversed and the motion to dismiss was granted.

Our balance sheet at 31 March 2022 reflected provisions with respect to matters described in this item 4 in amounts that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which we have established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provisions that we have recognized.

5. Foreign exchange, LIBOR and benchmark rates, and other trading practices

Foreign exchange-related regulatory matters: Beginning in 2013, numerous authorities commenced investigations concerning possible manipulation of foreign exchange markets and precious metals prices. As a result of these investigations, UBS entered into resolutions with Swiss, US and United Kingdom regulators and the European Commission. UBS was granted conditional immunity by the Antitrust Division of the DOJ and by authorities in other jurisdictions in connection with potential competition law violations relating to foreign exchange and precious metals businesses.

Foreign exchange-related civil litigation: Putative class actions have been filed since 2013 in US federal courts and in other jurisdictions against UBS and other banks on behalf of putative classes of persons who engaged in foreign currency transactions with any of the defendant banks. UBS has resolved US federal court class actions relating to foreign currency transactions with the defendant banks and persons who transacted in foreign exchange futures contracts and options on such futures under a settlement agreement that provides for UBS to pay an aggregate of USD 141 million and provide cooperation to the settlement classes. Certain class members have excluded themselves from that settlement and have filed individual actions in US and English courts against UBS and other banks, alleging violations of US and European competition laws and unjust enrichment.

In 2015, a putative class action was filed in federal court against UBS and numerous other banks on behalf of persons and businesses in the US who directly purchased foreign currency from the defendants and alleged co-conspirators for their own end use. In March 2017, the court granted UBS's (and the other banks') motions to dismiss the complaint. The plaintiffs filed an amended complaint in August 2017. In March 2018, the court denied the defendants' motions to dismiss the amended complaint. In March 2022, the court denied plaintiffs' motion for class certification.

LIBOR and other benchmark-related regulatory matters: Numerous government agencies conducted investigations regarding potential improper attempts by UBS, among others, to manipulate LIBOR and other benchmark rates at certain times. UBS reached settlements or otherwise concluded investigations relating to benchmark interest rates with the investigating authorities. UBS was granted conditional leniency or conditional immunity from authorities in certain jurisdictions, including the Antitrust Division of the DOJ and the Swiss Competition Commission (WEKO), in connection with potential antitrust or competition law violations related to certain rates. However, UBS has not reached a final settlement with WEKO, as the Secretariat of WEKO has asserted that UBS does not qualify for full immunity.

LIBOR and other benchmark-related civil litigation: A number of putative class actions and other actions are pending in the federal courts in New York against UBS and numerous other banks on behalf of parties who transacted in certain interest rate benchmark-based derivatives. Also pending in the US and in other jurisdictions are a number of other actions asserting losses related to various products whose interest rates were linked to LIBOR and other benchmarks, including adjustable rate mortgages, preferred and debt securities, bonds pledged as collateral, loans, depository accounts, investments and other interest-bearing instruments. The complaints allege manipulation, through various means, of certain benchmark interest rates, including USD LIBOR, Euroyen TIBOR, Yen LIBOR, EURIBOR, CHF LIBOR, GBP LIBOR, SGD SIBOR and SOR and Australian BBSW, and seek unspecified compensatory and other damages under varying legal theories.

USD LIBOR class and individual actions in the US: In 2013 and 2015, the district court in the USD LIBOR actions dismissed, in whole or in part, certain plaintiffs' antitrust claims, federal racketeering claims, CEA claims, and state common law claims, and again dismissed the antitrust claims in 2016 following an appeal. In December 2021, the Second Circuit affirmed the district court's dismissal in part and reversed in part and remanded to the district court for further proceedings. The Second Circuit, among other things, held that there was personal jurisdiction over UBS and other foreign defendants based on allegations that at least one alleged co-conspirator undertook an overt act in the United States. Separately, in 2018, the Second Circuit reversed in part the district court's 2015 decision dismissing certain individual plaintiffs' claims and certain of these actions are now proceeding. In 2018, the district court denied plaintiffs' motions for class certification in the USD class actions for claims pending against UBS, and plaintiffs sought permission to appeal that ruling to the Second Circuit. In July 2018, the Second Circuit denied the petition to appeal of the class of USD lenders and in November 2018 denied the petition of the USD exchange class. In January 2019, a putative class action was filed in the District Court for the Southern District of New York against UBS and numerous other banks on behalf of US residents who, since 1 February 2014, directly transacted with a defendant bank in USD LIBOR instruments. The complaint asserts antitrust claims. The defendants moved to dismiss the complaint in August 2019. On 26 March 2020 the court granted defendants' motion to dismiss the complaint in its entirety. Plaintiffs have appealed the dismissal. On 7 March 2022, the Second Circuit dismissed the appeal because appellants, who had been substituted in to replace the original plaintiffs who had withdrawn, lacked standing to pursue the appeal. In August 2020, an individual action was filed in the Northern District of California against UBS and numerous other banks alleging that the defendants conspired to fix the interest rate used as the basis for loans to consumers by jointly setting the USD LIBOR rate and monopolized the market for LIBOR-based consumer loans and credit cards. Defendants moved to dismiss the complaint in September 2021.

Note 15 Provisions and contingent liabilities (continued)

Other benchmark class actions in the US:
Yen LIBOR / Euroyen TIBOR – In 2014, 2015 and 2017, the court in one of the Yen LIBOR / Euroyen TIBOR lawsuits dismissed certain of the plaintiffs' claims, including the plaintiffs' federal antitrust and racketeering claims. In August 2020, the court granted defendants' motion for judgment on the pleadings and dismissed the lone remaining claim in the action as impermissibly extraterritorial. Plaintiffs have appealed. In 2017, the court dismissed the other Yen LIBOR / Euroyen TIBOR action in its entirety on standing grounds. In April 2020, the appeals court reversed the dismissal and in August 2020 plaintiffs in that action filed an amended complaint focused on Yen LIBOR. The court granted in part and denied in part defendants' motion to dismiss the amended complaint in September 2021 and plaintiffs and the remaining defendants have moved for reconsideration.

CHF LIBOR – In 2017, the court dismissed the CHF LIBOR action on standing grounds and failure to state a claim. Plaintiffs filed an amended complaint, and the court granted a renewed motion to dismiss in September 2019. Plaintiffs appealed. In September 2021, the Second Circuit granted the parties' joint motion to vacate the dismissal and remand the case for further proceedings.

EURIBOR – In 2017, the court in the EURIBOR lawsuit dismissed the case as to UBS and certain other foreign defendants for lack of personal jurisdiction. Plaintiffs have appealed.

SIBOR / SOR – In October 2018, the court in the SIBOR / SOR action dismissed all but one of plaintiffs' claims against UBS. Plaintiffs filed an amended complaint, and the court granted a renewed motion to dismiss in July 2019. Plaintiffs appealed. In March 2021, the Second Circuit reversed the dismissal. Plaintiffs filed an amended complaint in October 2021, which defendants have moved to dismiss.

BBSW – In November 2018, the court dismissed the BBSW lawsuit as to UBS and certain other foreign defendants for lack of personal jurisdiction. Plaintiffs filed an amended complaint in April 2019, which UBS and other defendants moved to dismiss. In February 2020, the court granted in part and denied in part defendants' motions to dismiss the amended complaint. In August 2020, UBS and other BBSW defendants joined a motion for judgment on the pleadings, which the court denied in May 2021.

GBP LIBOR – The court dismissed the GBP LIBOR action in August 2019. Plaintiffs have appealed.

Government bonds: Putative class actions have been filed since 2015 in US federal courts against UBS and other banks on behalf of persons who participated in markets for US Treasury securities since 2007. A consolidated complaint was filed in 2017 in the US District Court for the Southern District of New York alleging that the banks colluded with respect to, and manipulated prices of, US Treasury securities sold at auction and in the secondary market and asserting claims under the antitrust laws and for unjust enrichment. Defendants' motions to dismiss the consolidated complaint was granted in March 2021. Plaintiffs filed an amended complaint, which defendants moved to dismiss in June 2021. In March 2022, the court granted defendants' motion to dismiss that complaint. Similar class actions have been filed concerning European government bonds and other government bonds.

In May 2021, the European Commission issued a decision finding that UBS and six other banks breached European Union antitrust rules in 2007–2011 relating to European government bonds. The European Commission fined UBS EUR 172 million. UBS is appealing the amount of the fine.

With respect to additional matters and jurisdictions not encompassed by the settlements and orders referred to above, our balance sheet at 31 March 2022 reflected a provision in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which we have established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that we have recognized.

6. Swiss retrocessions

The Federal Supreme Court of Switzerland ruled in 2012, in a test case against UBS, that distribution fees paid to a firm for distributing third-party and intra-group investment funds and structured products must be disclosed and surrendered to clients who have entered into a discretionary mandate agreement with the firm, absent a valid waiver. FINMA issued a supervisory note to all Swiss banks in response to the Supreme Court decision. UBS has met the FINMA requirements and has notified all potentially affected clients.

The Supreme Court decision has resulted, and continues to result, in a number of client requests for UBS to disclose and potentially surrender retrocessions. Client requests are assessed on a case-by-case basis. Considerations taken into account when assessing these cases include, among other things, the existence of a discretionary mandate and whether or not the client documentation contained a valid waiver with respect to distribution fees.

Our balance sheet at 31 March 2022 reflected a provision with respect to matters described in this item 6 in an amount that UBS believes to be appropriate under the applicable accounting standard. The ultimate exposure will depend on client requests and the resolution thereof, factors that are difficult to predict and assess. Hence, as in the case of other matters for which we have established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that we have recognized.

Note 16 Currency translation rates

The following table shows the rates of the main currencies used to translate the financial information of UBS AG's operations with a functional currency other than the US dollar into US dollars.

	Closing exchange rate			Average rate[1]		
	As of			For the quarter ended		
	31.3.22	31.12.21	31.3.21	31.3.22	31.12.21	31.3.21
1 CHF	1.08	1.10	1.06	1.08	1.09	1.09
1 EUR	1.11	1.14	1.17	1.12	1.14	1.20
1 GBP	1.31	1.35	1.38	1.33	1.35	1.38
100 JPY	0.82	0.87	0.90	0.85	0.88	0.93

1 Monthly income statement items of operations with a functional currency other than the US dollar are translated into US dollars using month-end rates. Disclosed average rates for a quarter represent an average of three month-end rates, weighted according to the income and expense volumes of all operations of UBS AG with the same functional currency for each month. Weighted average rates for individual business divisions may deviate from the weighted average rates for UBS AG.

Note 17 Events after the reporting period

In March 2022, UBS signed an agreement to sell its investment in the Japanese real estate joint venture Mitsubishi Corp.-UBS Realty Inc. to KKR & Co. Inc. UBS's asset management, wealth management and investment banking businesses operating in Japan are not affected by the sale. The transaction closed on 28 April 2022 and UBS will record a gain in Asset Management and an increase in CET1 capital related to the sale of approximately USD 0.9 billion in the second quarter of 2022.

REGISTERED OFFICE OF THE ISSUER

UBS AG, London Branch
5 Broadgate
London
EC2M 2QS
United Kingdom

ISSUER'S AUDITORS

Ernst & Young Ltd
Aeschengraben 9
P.O. Box 2149 CH-4002 Basel
Switzerland

LEGAL ADVISERS
(as to Singapore law)

Allen & Gledhill LLP
One Marina Boulevard #28-00
Singapore 018989

WARRANT AGENT

The Central Depository (Pte) Limited
11 North Buona Vista Drive
#06-07 The Metropolis Tower 2
Singapore 138589