

Supplemental Listing Document

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

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

**8,000,000 European Style Cash Settled Long Certificates relating to
the ordinary shares of Sands China Ltd.
with a Daily Leverage of 5x**

issued by

SG Issuer

(Incorporated in Luxembourg with limited liability)

unconditionally and irrevocably guaranteed by

Société Générale

Issue Price: S\$0.50 per Certificate

This document is published for the purpose of obtaining a listing of all the above certificates (the “**Certificates**”) to be issued by SG Issuer (the “**Issuer**”) unconditionally and irrevocably guaranteed by Société Générale (the “**Guarantor**”), and is supplemental to and should be read in conjunction with a base listing document dated 21 June 2019 including such further base listing documents as may be issued from time to time (the “**Base Listing Document**”) for the purpose of giving information with regard to the Issuer, the Guarantor and the Certificates. Information relating to the Company (as defined below) is contained in this document.

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

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

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

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

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

The Certificates constitute general unsecured obligations of the Issuer and of no other person, and the guarantee dated 21 June 2019 (the "**Guarantee**") and entered into by the Guarantor constitutes general unsecured obligations of the Guarantor and of no other person, and if you purchase the Certificates, you are relying upon the creditworthiness of the Issuer and the Guarantor and have no rights under the Certificates against any other person.

Application has been made to the SGX-ST for permission to deal in and for quotation of the Certificates and the SGX-ST has agreed in principle to grant permission to deal in and for quotation of the Certificates. It is expected that dealings in the Certificates will commence on or about 3 July 2019.

As of the date hereof, the Guarantor's long term credit rating by S&P Global Ratings is A, and by Moody's Investors Service, Inc. is A1.

The Issuer is regulated by the Luxembourg Commission de Surveillance du Secteur Financier on a consolidated basis and the Guarantor is regulated by, *inter alia*, the Autorité des Marchés Financiers, the Autorité de Contrôle Prudentiel et de Résolution and the European Central Bank.

2 July 2019

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

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

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

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

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

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

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

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

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

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RISK FACTORS

The following are risk factors relating to the Certificates:

- (a) investment in Certificates involves substantial risks including market risk, liquidity risk, and the risk that the Issuer and/or the Guarantor will be unable to satisfy its/their obligations under the Certificates. Investors should ensure that they understand the nature of all these risks before making a decision to invest in the Certificates. You should consider carefully whether Certificates are suitable for you in light of your experience, objectives, financial position and other relevant circumstances. Certificates are not suitable for inexperienced investors;
- (b) the Certificates constitute general unsecured obligations of the Issuer and of no other person, and the Guarantee constitutes general unsecured obligations of the Guarantor and of no other person. In particular, it should be noted that the Issuer issues a large number of financial instruments, including Certificates, on a global basis and, at any given time, the financial instruments outstanding may be substantial. If you purchase the Certificates, you are relying upon the creditworthiness of the Issuer and the Guarantor and have no rights under the Certificates against any other person;
- (c) since the Certificates relate to the price of the Underlying Stock, certain events relating to the Underlying Stock may cause adverse movements in the value and the price of the Underlying Stock, as a result of which, the Certificate Holders (as defined in the Conditions of the Certificates) may, in extreme circumstances, sustain a significant loss of their investment if the price of the Underlying Stock has fallen sharply on the Expiry Date;
- (d) due to their nature, the Certificates can be volatile instruments and may be subject to considerable fluctuations in value. The price of the Certificates may fall in value as rapidly as it may rise due to, including but not limited to, variations in the frequency and magnitude of the changes in the price of the Underlying Stock, the time remaining to expiry, the currency exchange rates and the creditworthiness of the Issuer and the Guarantor;
- (e) if, whilst any of the Certificates remain unexercised, trading in the Underlying Stock is suspended or halted on the relevant stock exchange, trading in the Certificates will be suspended for a similar period;
- (f) as indicated in the Conditions of the Certificates and herein, a Certificate Holder must tender a specified number of Certificates at any one time in order to exercise. Thus, Certificate Holders with fewer than the specified minimum number of Certificates in a particular series will either have to sell their Certificates or purchase additional Certificates, incurring transactions costs in each case, in order to realise their investment;
- (g) investors should note that in the event of there being a Market Disruption Event (as defined in the Conditions) determination or payment of the Cash Settlement Amount (as defined in the Conditions) may be delayed, all as more fully described in the Conditions;
- (h) certain events relating to the Underlying Stock require or, as the case may be, permit the Issuer to make certain adjustments or amendments to the Conditions. Investors may refer to the Conditions 4 and 6 on pages 27 to 31 and the examples and illustrations of adjustments set out in the "Information relating to the European Style Cash Settled Long Certificates on Single Equities" section of this document for more information;
- (i) the Certificates are only exercisable on the Expiry Date and may not be exercised by Certificate Holders prior to such Expiry Date. Accordingly, if on the Expiry Date the Cash Settlement Amount is zero, a Certificate Holder will lose the value of his investment;

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

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

- (m) investors should note that there are leveraged risks because the Certificates integrate a leverage mechanism and the Certificates will amplify the movements in the increase, and in the decrease, of the value of the Underlying Stock and if the investment results in a loss, any such loss will be increased by the leverage factor of the Certificates. As such, investors could lose more than they would if they had invested directly in the Underlying Stock;
- (n) when held for longer than a day, the performance of the Certificates could be more or less than the leverage factor that is embedded within the Certificates. The performance of the Certificates each day is locked in, and any subsequent returns are based on what was achieved the previous day. This process, referred to as compounding, may lead to a performance difference from 5 times the performance of the Underlying Stock over a period longer than one day. This difference may be amplified in a volatile market with a sideways trend, where market movements are not clear in direction, whereby investors may sustain substantial losses;
- (o) investors should note that the Air Bag Mechanism (as defined below) reduces the impact on the Leverage Strategy if the Underlying Stock falls further, but will also maintain a reduced exposure to the Underlying Stock in the event the Underlying Stock starts to rise after the Air Bag Mechanism is triggered, thereby reducing its ability to recoup losses;
- (p) there is no assurance that the Air Bag Mechanism will prevent investors from losing the entire value of their investment, in the event of (i) an overnight fall in the Underlying Stock, where there is a 20% or greater gap between the previous day closing price and the opening price of the Underlying Stock the following day, as the Air Bag Mechanism will only be triggered when market opens the following day or (ii) a sharp intraday fall in the price of the Underlying Stock of 20% or greater (comparative to the previous closing price of the Underlying Stock or the previous observed price in case of an air bag previously on the same day) during the Observation Period. Investors may refer to pages 46 to 47 of this document for more information;

- (q) certain events may, pursuant to the terms and conditions of the Certificates, trigger (i) the implementation of methods of adjustment or (ii) the early termination of the Certificates. The Issuer will give the investors reasonable notice of any early termination. If the Issuer terminates the Certificates early, then the Issuer will, if and to the extent permitted by applicable law, pay an amount to each Certificate Holder in respect of each Certificate held by such holder equal to the fair market value of the Certificate less the cost to the Issuer of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion. The performance of this commitment shall depend on (i) general market conditions and (ii) the liquidity conditions of the underlying instrument(s) and, as the case may be, of any other hedging transactions. Investors should note that the amount repaid by the Issuer may be less than the amount initially invested. Investors may refer to the Condition 13 on pages 33 to 35 of this document for more information;
- (r) there is no assurance that an active trading market for the Certificates will sustain throughout the life of the Certificates, or if it does sustain, it may be due to market making on the part of the Designated Market Maker. The Issuer acting through its Designated Market Maker may be the only market participant buying and selling the Certificates. Therefore, the secondary market for the Certificates may be limited and you may not be able to realise the value of the Certificates. Do note that the bid-ask spread increases with illiquidity;
- (s) in the ordinary course of their business, including without limitation, in connection with the Issuer or its appointed designated market maker's market making activities, the Issuer, the Guarantor and any of their respective subsidiaries and affiliates may effect transactions for their own account or for the account of their customers and hold long or short positions in the Underlying Stock. In addition, in connection with the offering of any Certificates, the Issuer, the Guarantor and any of their respective subsidiaries and affiliates may enter into one or more hedging transactions with respect to the Underlying Stock. In connection with such hedging or market-making activities or with respect to proprietary or other trading activities by the Issuer, the Guarantor and any of their respective subsidiaries and affiliates, the Issuer, the Guarantor and any of their respective subsidiaries and affiliates may enter into transactions in the Underlying Stock which may affect the market price, liquidity or value of the Certificates and which may affect the interests of Certificate Holders;
- (t) various potential and actual conflicts of interest may arise from the overall activities of the Issuer, the Guarantor and/or any of their subsidiaries and affiliates.

The Issuer, the Guarantor and any of their subsidiaries and affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and investment and other activities for their own account or the account of others. In addition, the Issuer, the Guarantor and any of their subsidiaries and affiliates, in connection with their other business activities, may possess or acquire material information about the Underlying Stock. Such activities and information may involve or otherwise affect issuers of the Underlying Stock in a manner that may cause consequences adverse to the Certificate Holders or otherwise create conflicts of interests in connection with the issue of Certificates by the Issuer. Such actions and conflicts may include, without limitation, the exercise of voting power, the purchase and sale of securities, financial advisory relationships and exercise of creditor rights. The Issuer, the Guarantor and any of their subsidiaries and affiliates have no obligation to disclose such information about the Underlying Stock or such activities. The Issuer, the Guarantor and any of their subsidiaries and affiliates and their officers and directors may engage in any such activities without regard to the issue of

Certificates by the Issuer or the effect that such activities may directly or indirectly have on any Certificate;

- (u) legal considerations which may restrict the possibility of certain investments:

Some investors' investment activities are subject to specific laws and regulations or laws and regulations currently being considered by various authorities. All potential investors must consult their own legal advisers to check whether and to what extent (i) they can legally purchase the Certificates (ii) the Certificates can be used as collateral security for various forms of borrowing (iii) if other restrictions apply to the purchase of Certificates or their use as collateral security. Financial institutions must consult their legal advisers or regulators to determine the appropriate treatment of the Certificates under any applicable risk-based capital or similar rules;

- (v) the credit rating of the Guarantor is an assessment of its ability to pay obligations, including those on the Certificates. Consequently, actual or anticipated declines in the credit rating of the Guarantor may affect the market value of the Certificates;

- (w) the Certificates are linked to the Underlying Stock and subject to the risk that the price of the Underlying Stock may decline. The following is a list of some of the significant risks associated with the Underlying Stock:

- Historical performance of the Underlying Stock does not give an indication of future performance of the Underlying Stock. It is impossible to predict whether the price of the Underlying Stock will fall or rise over the term of the Certificates; and
- The price of the Underlying Stock may be affected by the economic, financial and political events in one or more jurisdictions, including the stock exchange(s) or quotation system(s) on which the Underlying Stock may be traded;

- (x) the value of the Certificates depends on the Leverage Strategy performance built in the Certificate. The Calculation Agent will make the Leverage Strategy last closing level and a calculation tool available to the investors on a website;

- (y) two or more risk factors may simultaneously have an effect on the value of a Certificate such that the effect of any individual risk factor may not be predicted. No assurance can be given as to the effect any combination of risk factors may have on the value of a Certificate;

- (z) as the Certificates are represented by a global warrant certificate which will be deposited with The Central Depository (Pte) Limited ("**CDP**"):

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

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

FATCA generally imposes a 30 per cent. withholding tax on certain U.S.-source payments to certain non-US persons that do not provide certification of their compliance with IRS rules to disclose the identity of their US owners and account holders (if any) or establish a basis for exemption for such disclosure. The Issuer is subject to FATCA and, as a result, is required to obtain certification from investors that they have complied with FATCA disclosure requirements or have established a basis for exemption from FATCA. If an investor does not provide us with such certification, the Issuer and the Guarantor could be required to withhold U.S. tax on U.S.-source income (if any) paid pursuant to the Certificates. In certain cases, the Issuer could be required to close an account of an investor who does not comply with the FATCA certification procedures.

FATCA IS PARTICULARLY COMPLEX. EACH INVESTOR SHOULD CONSULT ITS OWN TAX ADVISER TO OBTAIN A MORE DETAILED EXPLANATION OF FATCA AND TO DETERMINE HOW THIS LEGISLATION MIGHT AFFECT EACH INVESTOR IN ITS PARTICULAR CIRCUMSTANCES;

- (bb) U.S. withholding tax

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

- (cc) risk factors relating to the BRRD

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

Directive 2014/59/EU of the European Parliament and of the Council of the European Union dated 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (the “**BRRD**”) entered into force on 2 July 2014. As a directive, the BRRD is not directly applicable in France and had to be transposed into national legislation. The French ordonnance no. 2015-1024 of 20 August 2015 transposed the BRRD into French law and amended the French Code monétaire et financier for this purpose. The French ordonnance has been ratified by law no. 2016-1691 dated 9 December 2016 (Loi n°2016-1691 du 9 décembre 2016 relative à la transparence, à la lutte contre la corruption et à la modernisation de la vie économique) which also incorporates provisions which clarify the implementation of the BRRD. In Luxembourg, the BRRD was implemented by the Luxembourg act dated 18 December 2015 (the “**BRR Act 2015**”). Under the BRR Act 2015, the competent authority is the CSSF and the resolution authority is the CSSF acting as Resolution Council (*le Conseil de résolution*).

The stated aim of the BRRD and Regulation (EU) no. 806/2014 of the European Parliament and of the Council of the European Union of 15 July 2014 (the “**SRM Regulation**”) is to provide for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms. The regime provided for by the BRRD is, among other

things, stated to be needed to provide the authority designated by each EU Member State (the “**Resolution Authority**”) with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution’s critical financial and economic functions while minimizing the impact of an institution’s failure on the economy and financial system (including taxpayers’ exposure to losses).

Under the SRM Regulation, a centralized power of resolution is established and entrusted to the Single Resolution Board (the “**SRB**”) and to the national resolution authorities.

The powers provided to the Resolution Authority in the BRRD and the SRM Regulation include write-down/conversion powers to ensure that capital instruments (including subordinated debt instruments) and eligible liabilities (including senior debt instruments if junior instruments prove insufficient to absorb all losses) absorb losses of the issuing institution that is subject to resolution in accordance with a set order of priority (the “**Bail-in Power**”).

The conditions for resolution under the French Code monétaire et financier implementing the BRRD are deemed to be met when: (i) the Resolution Authority or the relevant supervisory authority determines that the institution is failing or is likely to fail, (ii) there is no reasonable prospect that any measure other than a resolution measure would prevent the failure within a reasonable timeframe, and (iii) a resolution measure is necessary for the achievement of the resolution objectives (in particular, ensuring the continuity of critical functions, avoiding a significant adverse effect on the financial system, protecting public funds by minimizing reliance on extraordinary public financial support, and protecting client funds and assets) and winding up of the institution under normal insolvency proceedings would not meet those resolution objectives to the same extent.

The Resolution Authority could also, independently of a resolution measure or in combination with a resolution measure, fully or partially write-down or convert capital instruments (including subordinated debt instruments) into equity when it determines that the institution or its group will no longer be viable unless such write down or conversion power is exercised or when the institution requires extraordinary public financial support (except when extraordinary public financial support is provided in the form defined in Article L. 613-48 III, 3° of the French Code monétaire et financier).

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

In addition to the Bail-in Power, the BRRD provides the Resolution Authority with broader powers to implement other resolution measures with respect to institutions that meet the conditions for resolution, which may include (without limitation) the sale of the institution’s business, the creation of a bridge institution, the separation of assets, the replacement or substitution of the institution as obligor in respect of debt instruments, modifications to the

terms of debt instruments (including altering the maturity and/or the amount of interest payable and/or imposing a temporary suspension on payments), removing management, appointing an interim administrator, and discontinuing the listing and admission to trading of financial instruments.

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

Since January 1, 2016, French credit institutions (such as the Issuer and the Guarantor) have to meet, at all times, a minimum requirement for own funds and eligible liabilities ("**MREL**") pursuant to Article L. 613-44 of the French Code monétaire et financier. The MREL, which is expressed as a percentage of the total liabilities and own funds of the institution, aims at preventing institutions from structuring their liabilities in a manner that impedes the effectiveness of the Bail-in Power in order to facilitate resolution.

In addition, on November 9, 2015, the Financial Stability Board (the "**FSB**") published a standard on total loss absorbing capacity ("**TLAC**") which is set forth in a term sheet (the "**FSB TLAC Term Sheet**"). That standard –which has been adopted after the BRRD –shares similar objectives to MREL but covers a different scope. Moreover, the Council of the European Union published on February 14, 2019 a final compromise text for the modification of CRR and BRRD intending to give effect to the FSB TLAC Term Sheet and to modify the requirements for MREL eligibility.

The TLAC requirements are expected to be complied with since January 1, 2019 in accordance with the FSB principles. The TLAC requirements impose a level of "Minimum TLAC" that will be determined individually for each global systemically important bank ("**G-SIB**"), such as the Issuer and the Guarantor, in an amount at least equal to (i) 16%, plus applicable buffers, of risk weight assets through January 1, 2022 and 18%, plus applicable buffers, thereafter and (ii) 6% of the Basel III leverage ratio denominator through January 1, 2022 and 6.75% thereafter (each of which could be extended by additional firm-specific requirements). However, according to the final compromise text for the modification of CRR published by the Council of the European Union in February 2019, European Union G-SIBs will have to comply with TLAC requirements, on top of the MREL requirements, as from the entry into force of the amending regulation. As such, G-SIBs will have to comply at the same time with TLAC and MREL described above.

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

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

Moreover, if the Issuer's or the Guarantor's financial condition deteriorates, the existence of the Bail-in Power, the exercise of write-down/conversion powers or any other resolution tools by the Resolution Authority independently of a resolution measure or in combination with a resolution measure when it determines that the institution or its group will no longer be viable could cause the market price or value of the Certificates to decline more rapidly than would be the case in the absence of such powers.

Following the publication on 7 June 2019 in the Official Journal of the EU 14 May 2019 by the Council of the Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending the BRRD as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms and Directive 98/26/EC and of the Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019 amending the Single Resolution Mechanism Regulation (Regulation 806/2014) as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms, a comprehensive legislative package reducing risks in the banking sector and further reinforcing banks' ability to withstand potential shocks will strengthen the banking union and reduce risks in the financial system from 28 December 2020.

TERMS AND CONDITIONS OF THE CERTIFICATES

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

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

Certificates:	8,000,000 European Style Cash Settled Long Certificates relating to the ordinary shares of Sands China Ltd. (the “ Underlying Stock ”)
Company:	Sands China Ltd. (RIC: 1928.HK)
Underlying Price ³ and Source:	HK\$40.1 (Reuters)
Calculation Agent:	Société Générale
Strike Level:	Zero
Daily Leverage:	5x (within the Leverage Strategy as described below)
Notional Amount per Certificate:	SGD 0.50
Management Fee (p.a.) ⁴ :	0.40%
Gap Premium (p.a.) ⁵ :	4.60%, is a hedging cost against extreme market movements overnight.
Funding Cost ⁶ :	The annualised costs of funding, referencing a publically published interbank offered rate plus spread.
Rebalancing Cost ⁶ :	The transaction costs (if applicable), computed as a function of leverage and daily performance of the Underlying Stock.
Launch Date:	25 June 2019
Closing Date:	2 July 2019
Expected Listing Date:	3 July 2019
Last Trading Date:	The date falling 5 Business Days immediately preceding the Expiry

³ These figures are calculated as at, and based on information available to the Issuer on or about 2 July 2019. 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 2 July 2019.

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

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

⁶ These costs are embedded within the Leverage Strategy.

Date, currently being 23 June 2022

Expiry Date: 30 June 2022 (if the Expiry Date is not a Business Day, then the Expiry Date shall fall on the preceding Business Day and subject to adjustment of the Valuation Date upon the occurrence of Market Disruption Events as set out in the Conditions of the Certificates)

Board Lot: 100 Certificates

Valuation Date: 29 June 2022 or if such day is not an Exchange Business Day, the immediately preceding Exchange Business Day.

Exercise: The Certificates may only be exercised on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, in a Board Lot or integral multiples thereof. Certificate Holders shall not be required to deliver an exercise notice. Exercise of Certificates shall be determined by whether the Cash Settlement Amount (less any Exercise Expenses) is positive. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates shall be deemed to have been automatically exercised at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. The Cash Settlement Amount less the Exercise Expenses in respect of the Certificates shall be paid in the manner set out in Condition 4(c) of the Conditions. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, and Certificate Holders shall not be entitled to receive any payment from the Issuer in respect of the Certificates.

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

Closing Level multiplied by the Notional Amount per Certificate

Please refer to the "Information relating to the European Style Cash Settled Long Certificates on Single Equities" section on pages 38 to 52 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 1 to Valuation Date) of $(1 - \text{Management Fee} \times (\text{ACT}(t-1;t) \div 360)) \times (1 - \text{Gap Premium}(t-1) \times (\text{ACT}(t-1;t) \div 360))$, where:

" t " refers to "**Observation Date**" which means each Underlying Stock Business Day 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 Long Certificates on Single Equities” section on pages 38 to 52 of this document for examples and illustrations of the calculation of the Hedging Fee Factor.

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

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

Initial Reference Level: 1,000

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

The calculation of the closing level of the Leverage Strategy is set out in the “Specific Definitions relating to the Leverage Strategy” section on pages 18 to 22 below.

Initial Exchange Rate³: 0.1738

Final Exchange Rate: The rate for the conversion of HKD to SGD as at 5:00pm (Singapore Time) on the Valuation Date as shown on Reuters, provided that if the Reuters service ceases to display such information, as determined by the Issuer by reference to such source(s) as the Issuer may reasonably determine to be appropriate at such a time.

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

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

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

Please refer to the “Extraordinary Strategy Adjustment for Performance Reasons (“Air Bag Mechanism”)” section on pages 20 to 22 below and the “Description of Air Bag Mechanism” section on pages 44 to 45 of this document for further information of the Air Bag Mechanism.

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:	<p>A “Business Day” is a day on which the SGX-ST is open for dealings in Singapore during its normal trading hours and banks are open for business in Singapore.</p> <p>An “Exchange Business Day” is a day on which the SGX-ST and the HKEX are open for dealings in Singapore and Hong Kong respectively during its normal trading hours and banks are open for business in Singapore and Hong Kong.</p>
Warrant Agent:	The Central Depository (Pte) Limited (“ CDP ”)
Clearing System:	CDP
Fees and Charges:	<p>Normal transaction and brokerage fees shall apply to the trading of the Certificates on the SGX-ST. Investors should note that they may be required to pay stamp taxes or other documentary charges in accordance with the laws and practices of the country where the Certificates are transferred. Investors who are in any doubt as to their tax position should consult their own independent tax advisers. In addition, investors should be aware that tax regulations and their application by the relevant taxation authorities change from time to time. Accordingly, it is not possible to predict the precise tax treatment which will apply at any given time.</p>

Investors holding position overnight would also be required to bear the Management Fee and Gap Premium, which are calculated daily and applied to the value of the Certificates, as well as certain costs embedded within the Leverage Strategy including the Funding Cost and Rebalancing Cost. The Management Fee may be increased up to a maximum of 3% p.a. on giving one month’s notice to investors in accordance with the terms and conditions of the Certificates. Any increase in the Management Fee will be announced on the SGXNET.

Further Information:

Please refer to the website at dlc.socgen.com for more information on the theoretical closing price of the Certificates on the previous trading day, the closing price of the Underlying Stock on the previous trading day, the Air Bag Trigger Price for each trading day and the Management Fee and Gap Premium.

Specific Definitions relating to the Leverage Strategy

Description of the Leverage Strategy

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

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

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

Leverage Strategy Formula

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

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

On Observation Date(1):

$$LSL_1 = 1000$$

On each subsequent Observation Date(t):

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

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

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

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

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

RC_{t-1,t} means the Rebalancing Cost of the Leverage Strategy on Observation Date

(t), calculated as follows :

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

TC	means the Transaction Costs applicable (including Stamp Duty) that are equal to : 0.10%
Leverage	5
S_t	means, in respect of each Observation Date(t), the Closing Price of the Underlying Stock as of such Observation Date(t), subject to the adjustments and provisions of the Conditions.
Rate_t	means, in respect of each Observation Date(t), a rate calculated as of such day in accordance with the following formula: $\text{Rate}_t = \text{CashRate}_t + \% \text{SpreadLevel}_t$
Rfactor_t	means, in the event Observation Date (t) is an ex-dividend date of the Underlying Stock, an amount determined by the Calculation Agent, subject to the adjustments and provisions of the Conditions, according to the following formula : $Rfactor_t = 1 - \frac{Div_t}{S_{t-1}}$ where <i>Div_t</i> is the dividend to be paid out in respect of the Underlying Stock and the relevant ex-dividend date which shall be considered net of any applicable withholding taxes.
CashRate_t	means, in respect of each Observation Date(t), the Overnight HKD Hong Kong Interbank Offered Rate (HIBOR) Fixing, as published on Reuters RIC H1HKDOND= or any successor page.
%SpreadLevel_t	means, in respect of each Observation Date(t), a rate which shall be determined with respect to such Valuation Date(t) by the Calculation Agent as the difference between (1) the 12-month HKD Hong Kong Interbank Offered Rate (HIBOR) Fixing, as published on Reuters RIC H1HKD1YD= and (2) Overnight HKD Hong Kong Interbank Offered Rate (HIBOR) Fixing, as published on Reuters RIC H1HKDOND= or any successor page. Provided that if such difference is negative, %SpreadLevel _t should be 0%.
ACT(t-1,t)	ACT (t-1;t) means the number of calendar days between the Underlying Stock Business Day immediately preceding the Observation Date (which is "t-1") (included) and the Observation Date (which is "t") (excluded).
DayCountBasisRate	365

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

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

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

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

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

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

$ILSL_{IR(k)}$

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

(1) for $k = 1$:

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

(2) for $k > 1$:

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

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

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

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

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

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

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

$IS_{IR(k)}$

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

(1) for $k=0$

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

(2) for $k=1$ to n

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

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

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

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

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

For k=1 to n, means the kth Intraday Restrike Event on the relevant Intraday Restrike Date.

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

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

Intraday Restrike Event means in respect of an Observation Date(t):

(1) provided no Intraday Restrike Event has previously occurred on such Observation Date (t), the decrease at any Calculation Time of the Underlying Stock price by 15% or more compared with the relevant Underlying Stock Price $IS_{IR(0)}$ as of such Calculation Time.

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

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

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

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

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

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

Stock is no longer disrupted, suspended or limited and (2) the Relevant Stock Exchange for the Underlying Stock is open for continuous trading.

Intraday Restrike Event Time means in respect of an Intraday Restrike Event, the Calculation Time on which such event occurs.

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

TERMS AND CONDITIONS OF

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

1. Form, Status and Guarantee, Transfer and Title

- (a) *Form.* The Certificates (which expression shall, unless the context otherwise requires, include any further certificates issued pursuant to Condition 11) are issued subject to and with the benefit of:-
- (i) a master instrument by way of deed poll (the “**Master Instrument**”) dated 21 June 2019, made by SG Issuer (the “**Issuer**”) and Société Générale (the “**Guarantor**”); and
 - (ii) a warrant agent agreement (the “**Master Warrant Agent Agreement**” or “**Warrant Agent Agreement**”) dated any time before or on the Closing Date, made between the Issuer and the Warrant Agent for the Certificates.

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

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

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

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

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

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

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

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

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

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

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

amendment of the amounts payable on the Certificates, or the date on which the amounts become payable, including by suspending payment for a temporary period; and

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

“Amounts Due” means any amounts due by the Issuer under the Certificates.

“Bail-In Power” means any power existing from time to time under any laws, regulations, rules or requirements in effect in France, relating to the transposition of Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (as amended from time to time, the **“BRRD”**), including without limitation pursuant to French decree-law No. 2015-1024 dated 20 August 2015 (*Ordonnance portant diverses dispositions d'adaptation de la législation au droit de l'Union européenne en matière financière*) (as amended from time to time, the **“20 August 2015 Decree Law”**), Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010 (as amended from time to time, the **“Single Resolution Mechanism Regulation”**), or otherwise arising under French law, and in each case the instructions, rules and standards created thereunder, pursuant to which the obligations of a Regulated Entity (or an affiliate of such Regulated Entity) can be reduced (in part or in whole), cancelled, suspended, transferred, varied or otherwise modified in any way, or securities of a Regulated Entity (or an affiliate of such Regulated Entity) can be converted into shares, other securities, or other obligations of such Regulated Entity or any other person, whether in connection with the implementation of a bail-in tool following placement in resolution or otherwise.

“Regulated Entity” means any entity referred to in Section I of Article L.613-34 of the French *Code monétaire et financier* as modified by the 20 August 2015 Decree Law, which includes certain credit institutions, investment firms, and certain of their parent or holding companies established in France.

“Relevant Resolution Authority” means the *Autorité de contrôle prudentiel et de résolution* (the ACPR), the Single Resolution Board established pursuant to the Single Resolution Mechanism Regulation, and/or any other authority entitled to exercise or participate in the exercise of any Bail-in Power from time to time (including the Council of the European Union and the European Commission when acting pursuant to Article 18 of the Single Resolution Mechanism Regulation).

“Regulator” means the European Central Bank and any successor or replacement thereto, or other authority having primary responsibility for the prudential oversight and supervision of the Issuer.

No repayment or payment of the Amounts Due will become due and payable or be paid after the exercise of the Bail-in Power by the Relevant Resolution Authority or the Regulator with respect to the Issuer unless, at the time such repayment or payment, respectively, is scheduled to become due, such repayment or payment would be

permitted to be made by the Issuer under the laws and regulations in effect in France and the European Union applicable to the Issuer or other members of its group.

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

Neither a cancellation of the Certificates, a reduction, in part or in full, of the Amounts Due, the conversion thereof into another security or obligation of the Issuer or another person, as a result of the exercise of the Bail-in Power by the Relevant Resolution Authority or the Regulator with respect to the Issuer, nor the exercise of any Bail-in Power by the Relevant Resolution Authority or the Regulator with respect to the Certificates will be an event of default or otherwise constitute non-performance of a contractual obligation, or entitle the Certificate Holder to any remedies (including equitable remedies) which are hereby expressly waived.

If the Relevant Resolution Authority or the Regulator exercises the Bail-in Power with respect to less than the total Amounts Due, unless otherwise instructed by the Issuer or the Relevant Resolution Authority or the Regulator, any cancellation, write-off or conversion made in respect of the Certificates pursuant to the Bail-in Power will be made on a pro-rata basis.

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

2. Certificate Rights and Exercise Expenses

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

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

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

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

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

- (i) that fifth Exchange Business Day shall be deemed to be the Valuation Date

notwithstanding the Market Disruption Event; and

- (ii) the Issuer shall determine the Final Reference Level on the basis of its good faith estimate of the Final Reference Level that would have prevailed on that fifth Exchange Business Day but for the Market Disruption Event.

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

- (b) *Exercise Expenses.* Certificate Holders will be required to pay all charges which are incurred in respect of the exercise of the Certificates (the **"Exercise Expenses"**). An amount equivalent to the Exercise Expenses will be deducted by the Issuer from the Cash Settlement Amount in accordance with Condition 4. Notwithstanding the foregoing, the Certificate Holders shall account to the Issuer on demand for any Exercise Expenses to the extent that they were not or could not be deducted from the Cash Settlement Amount prior to the date of payment of the Cash Settlement Amount to the Certificate Holders in accordance with Condition 4.
- (c) *No Rights.* The purchase of Certificates does not confer on the Certificate Holders any right (whether in respect of voting, dividend or other distributions in respect of the Underlying Stock or otherwise) which the holder of an Underlying Stock may have.

3. **Expiry Date**

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

4. **Exercise of Certificates**

- (a) *Exercise.* Certificates may only be exercised on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, in accordance with Condition 4(b).
- (b) *Automatic Exercise.* Certificate Holders shall not be required to deliver an exercise notice. Exercise of Certificates shall be determined by whether the Cash Settlement Amount (less any Exercise Expenses) is positive. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates shall be deemed to have been automatically exercised at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. The Cash Settlement Amount less the Exercise Expenses in respect of the Certificates shall be paid in the manner set out in Condition 4(c) below. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a

Business Day, the immediately preceding Business Day, and Certificate Holders shall not be entitled to receive any payment from the Issuer in respect of the Certificates.

- (c) *Settlement.* In respect of Certificates which are automatically exercised in accordance with Condition 4(b), the Issuer will pay to the relevant Certificate Holder the Cash Settlement Amount (if any) in the Settlement Currency. The aggregate Cash Settlement Amount (less any Exercise Expenses) shall be despatched as soon as practicable and no later than five Business Days following the Expiry Date by way of crossed cheque or other payment in immediately available funds drawn in favour of the Certificate Holder only (or, in the case of joint Certificate Holders, the first-named Certificate Holder) appearing in the records maintained by CDP. Any payment made pursuant to this Condition 4(c) shall be delivered at the risk and expense of the Certificate Holder and posted to the Certificate Holder's address appearing in the records maintained by CDP (or, in the case of joint Certificate Holders, to the address of the first-named Certificate Holder appearing in the records maintained by CDP). If the Cash Settlement Amount is equal to or less than the determined Exercise Expenses, no amount is payable.
- (d) *CDP not liable.* CDP shall not be liable to any Certificate Holder with respect to any action taken or omitted to be taken by the Issuer or the Warrant Agent in connection with the exercise of the Certificates or otherwise pursuant to or in connection with these Conditions.
- (e) *Business Day.* In these Conditions, a "**Business Day**" shall be a day on which the SGX-ST is open for dealings in Singapore during its normal trading hours and banks are open for business in Singapore.

5. Warrant Agent

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

6. Adjustments

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

- (b) *Definitions. “Potential Adjustment Event”* means any of the following:
- (i) a subdivision, consolidation, reclassification or other restructuring of the Underlying Stock (excluding a Merger Event) or a free distribution or dividend of any such Underlying Stock to existing holders by way of bonus, capitalisation or similar issue;
 - (ii) a distribution or dividend to existing holders of the Underlying Stock of (1) such Underlying Stock, or (2) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Company equally or proportionately with such payments to holders of such Underlying Stock, or (3) share capital or other securities of another issuer acquired by the Company as a result of a “spin-off” or other similar transaction, or (4) any other type of securities, rights or warrants or other assets, in any case for payment (in cash or otherwise) at less than the prevailing market price as determined by the Issuer;
 - (iii) an extraordinary dividend;
 - (iv) a call by the Company in respect of the Underlying Stock that is not fully paid;
 - (v) a repurchase by the Company of the Underlying Stock whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise;
 - (vi) with respect to a Company an event that results in any shareholder rights pursuant to a shareholder rights agreement or other plan or arrangement of the type commonly referred to as a “poison pill” being distributed, or becoming separated from shares of common stock or other shares of the capital stock of such Company (provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights); or
 - (vii) any other event that may have, in the opinion of the Issuer, a dilutive or concentrative or other effect on the theoretical value of the Underlying Stock.
- (c) *Merger Event, Tender Offer, Nationalisation and Insolvency.* If a Merger Event, Tender Offer, Nationalisation or Insolvency occurs in relation to the Underlying Stock, the Issuer may take any action described below:
- (i) determine the appropriate adjustment, if any, to be made to any one or more of the Conditions to account for the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, and determine the effective date of that adjustment. The Issuer may, but need not, determine the appropriate adjustment by reference to the adjustment in respect of the Merger Event, Tender Offer, Nationalisation or Insolvency made by an options exchange to options on the Underlying Stock traded on that options exchange;
 - (ii) cancel the Certificates by giving notice to the Certificate Holders in accordance with Condition 9. If the Certificates are so cancelled, the Issuer will pay an amount to each Certificate Holder in respect of each Certificate held by such Certificate Holder which amount shall be the fair market value of a Certificate taking into account the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, less the cost to the Issuer

and/or any of its affiliates of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its reasonable discretion. Payment will be made in such manner as shall be notified to the Certificate Holders in accordance with Condition 9; or

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

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

- (d) *Definitions.* “**Insolvency**” means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting a Company (i) all the Underlying Stock of that Company is required to be transferred to a trustee, liquidator or other similar official or (ii) holders of the Underlying Stock of that Company become legally prohibited from transferring them. “**Merger Date**” means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Issuer. “**Merger Event**” means, in respect of the Underlying Stock, any (i) reclassification or change of such Underlying Stock that results in a transfer of or an irrevocable commitment to transfer all of such Underlying Stock outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of a Company with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Company is the continuing entity and which does not result in reclassification or change of all of such Underlying Stock outstanding), (iii) takeover offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Underlying Stock of the Company that results in a transfer of or an irrevocable commitment to transfer all such Underlying Stock (other than such Underlying Stock owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the Company or its subsidiaries with or into another entity in which the Company is the continuing entity and which does not result in a reclassification or change of all such Underlying Stock outstanding but results in the outstanding Underlying Stock (other than Underlying Stock owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent.

of the outstanding Underlying Stock immediately following such event, in each case if the Merger Date is on or before the Valuation Date. “**Nationalisation**” means that all the Underlying Stock or all or substantially all of the assets of a Company are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof. “**Tender Offer**” means a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10 per cent. and less than 100 per cent. of the outstanding voting shares of the Company, as determined by the Issuer, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Issuer deems relevant.

- (e) *Other Adjustments.* Except as provided in this Condition 6 and Conditions 10 and 12, adjustments will not be made in any other circumstances, subject to the right reserved by the Issuer (such right to be exercised in the Issuer's sole discretion and without any obligation whatsoever) to make such adjustments and amendments as it believes appropriate in circumstances where an event or events occur which it believes in its sole discretion (and notwithstanding any prior adjustment made pursuant to the above) should, in the context of the issue of the Certificates and the obligations of the Issuer, give rise to such adjustment or, as the case may be, amendment provided that such adjustment or, as the case may be, amendment is considered by the Issuer not to be materially prejudicial to the Certificate Holders generally (without considering the circumstances of any individual Certificate Holder or the tax or other consequences of such adjustment or amendment in any particular jurisdiction).
- (f) *Notice of Adjustments.* All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Certificate Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Condition 9.

7. Purchases

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

8. Meetings of Certificate Holders; Modification

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

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

Such a meeting may be convened by the Issuer or by Certificate Holders holding not less than ten per cent. of the Certificates for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or

more persons holding or representing not less than 25 per cent. of the Certificates for the time being remaining unexercised, or at any adjourned meeting, two or more persons being or representing Certificate Holders whatever the number of Certificates so held or represented.

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

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

- (b) *Modification.* The Issuer may, without the consent of the Certificate Holders, effect (i) any modification of the provisions of the Certificates or the Master Instrument which is not materially prejudicial to the interests of the Certificate Holders or (ii) any modification of the provisions of the Certificates or the Master Instrument which is of a formal, minor or technical nature, which is made to correct an obvious error or which is necessary in order to comply with mandatory provisions of Singapore law. Any such modification shall be binding on the Certificate Holders and shall be notified to them by the Warrant Agent before the date such modification becomes effective or as soon as practicable thereafter in accordance with Condition 9.

9. Notices

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

10. Liquidation

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

requirement of law. In the event of the voluntary liquidation of the Company, the Issuer shall make such adjustments or amendments as it reasonably believes are appropriate in the circumstances.

11. Further Issues

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

12. Delisting

- (a) **Delisting.** If at any time, the Underlying Stock ceases to be listed on the Relevant Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments and amendments to the rights attaching to the Certificates as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Certificate Holders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Certificate Holder or the tax or other consequences that may result in any particular jurisdiction).
- (b) **Issuer's Determination.** The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Certificate Holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Certificate Holders in accordance with Condition 9 as soon as practicable after they are determined.

13. Early Termination

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

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

For the purposes of this Condition:

"Regulatory Event" means, following the occurrence of a Change in Law (as defined below) with respect to the Issuer and/or Société Générale as Guarantor or in any other capacity (including without limitation as hedging counterparty of the Issuer, market maker of the Certificates or direct or indirect shareholder or sponsor of the Issuer) or any of its affiliates involved in the issuer of the Certificates (hereafter the **"Relevant Affiliates"** and each of the Issuer, Société Générale and the Relevant Affiliates, a **"Relevant Entity"**) that, after the Certificates have been issued, (i) any Relevant Entity would incur a materially increased (as compared with circumstances existing prior to such event) amount of tax, duty, liability, penalty, expense, fee, cost or regulatory capital charge however defined or collateral requirements for performing its obligations under the Certificates or hedging the Issuer's obligations under the Certificates, including, without limitation, due to clearing requirements of, or the absence of, clearing of the transactions entered into in connection with the issue of, or hedging the Issuer's

obligation under, the Certificates, (ii) it is or will become for any Relevant Entity impracticable, impossible (in each case, after using commercially reasonable efforts), unlawful, illegal or otherwise prohibited or contrary, in whole or in part, under any law, regulation, rule, judgement, order or directive of any governmental, administrative or judicial authority, or power, applicable to such Relevant Entity (a) to hold, acquire, issue, reissue, substitute, maintain, settle, or as the case may be, guarantee, the Certificates, (b) to acquire, hold, sponsor or dispose of any asset(s) (or any interest thereof) of any other transaction(s) such Relevant Entity may use in connection with the issue of the Certificates or to hedge the Issuer's obligations under the Certificates, (c) to perform obligations in connection with, the Certificates or any contractual arrangement entered into between the Issuer and Société Générale or any Relevant Affiliate (including without limitation to hedge the Issuer's obligations under the Certificates) or (d) to hold, acquire, maintain, increase, substitute or redeem all or a substantial part of its direct or indirect shareholding in the Issuer's capital or the capital of any Relevant Affiliate or to directly or indirectly sponsor the Issuer or any Relevant Affiliate, or (iii) there is or may be a material adverse effect on a Relevant Entity in connection with the issue of the Certificates.

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

- (b) *Early Termination for 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 (i) is considered by the Issuer not to be materially prejudicial to the interests of Certificate Holders generally (without considering the circumstances of any individual Certificate Holder or the tax or other consequences of such termination in any particular jurisdiction); or (ii) is otherwise considered by the Issuer to be appropriate and such termination is approved by the SGX-ST.
- (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 applicable law, pay an amount to each Certificate Holder in respect of each Certificate held by such holder equal to the fair market value of a Certificate notwithstanding such illegality or impracticability less the cost to the Issuer of unwinding any underlying related hedging arrangements, all as determined by the

Issuer in its sole and absolute discretion. Payment will be made in such manner as shall be notified to the Certificate Holders in accordance with Condition 9.

14. Governing Law

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

15. Prescription

Claims against the Issuer for payment of any amount in respect of the Certificates will become void unless made within six years of the Expiry Date and, thereafter, any sums payable in respect of such Certificates shall be forfeited and shall revert to the Issuer.

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

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

SUMMARY OF THE ISSUE

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

Issuer:	SG Issuer
Company:	Sands China Ltd.
The Certificates:	European Style Cash Settled Long Certificates relating to the Underlying Stock
Number:	8,000,000 Certificates
Form:	The Certificates will be issued subject to, and with the benefit of, a master instrument by way of deed poll dated 21 June 2019 (the “ Master Instrument ”) and executed by the Issuer and the Guarantor and a master warrant agent agreement dated 29 May 2017 (the “ Master Warrant Agent Agreement ”) and made between the Issuer, the Guarantor and the Warrant Agent.
Cash Settlement Amount:	In respect of each Certificate, is the amount (if positive) equal to: Notional Amount per Certificate x Closing Level
Denominations:	Certificates are represented by a global warrant in respect of all the Certificates.
Exercise:	The Certificates may only be exercised on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, in a Board Lot or integral multiples thereof. Certificate Holders will not be required to deliver an exercise notice. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates will be deemed to have been automatically exercised at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. The Cash Settlement Amount less the Exercise Expenses in respect of the Certificates shall be paid in the manner set out in Condition 4(c) of the Conditions. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, and Certificate Holders shall not be entitled to receive any payment from the Issuer in respect of the Certificates.
Exercise and Trading Currency:	SGD
Board Lot:	100 Certificates

Transfers of Certificates:	Certificates may only be transferred in Board Lots (or integral multiples thereof). All transfers in Certificates, in the open market or otherwise, must be effected through a securities account with CDP. Title will pass upon registration of the transfer in the records of CDP.
Listing:	Application has been made to the SGX-ST for permission to deal in and for quotation of the Certificates and the SGX-ST has agreed in principle to grant permission to deal in and for quotation of the Certificates. Issue of the Certificates is conditional on such listing being granted. It is expected that dealings in the Certificates on the SGX-ST will commence on or about 3 July 2019.
Governing Law:	The laws of Singapore
Warrant Agent:	The Central Depository (Pte) Limited 11 North Buona Vista Drive #06-07 The Metropolis Tower 2 Singapore 138589
Further Issues:	Further issues which will form a single series with the Certificates will be permitted, subject to the approval of the SGX-ST.

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

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

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

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

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

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

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

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

(1) is the Final Reference Level multiplied by the Final Exchange Rate;

(2) is the Initial Reference Level multiplied by the Initial Exchange Rate;

(3) is the Strike Level; and

(4) is the Hedging Fee Factor.

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

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

B) Trading the Certificates before Expiry

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

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

Illustration of the Calculation of Hedging Fee Factor

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

Illustration of the Calculation of Cash Settlement Amount

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

Value of Certificates	=	<table border="1"> <tr><td>t'=0</td></tr> <tr><td>Notional Amount</td></tr> </table>	t'=0	Notional Amount	x	<table border="1"> <tr><td>t=1</td></tr> <tr> <td>Leverage Strategy daily performance⁸</td> <td>x</td> <td>Daily Fees</td> </tr> </table>	t=1	Leverage Strategy daily performance ⁸	x	Daily Fees	x	<table border="1"> <tr><td>t=2</td></tr> <tr> <td>Leverage Strategy daily performance</td> <td>x</td> <td>Daily Fees</td> </tr> </table>	t=2	Leverage Strategy daily performance	x	Daily Fees	x ...	<table border="1"> <tr><td>t=i</td></tr> <tr> <td>Leverage Strategy Daily performance</td> <td>x</td> <td>Daily Fees</td> </tr> </table>	t=i	Leverage Strategy Daily performance	x	Daily Fees
			t'=0																			
Notional Amount																						
t=1																						
Leverage Strategy daily performance ⁸	x	Daily Fees																				
t=2																						
Leverage Strategy daily performance	x	Daily Fees																				
t=i																						
Leverage Strategy Daily performance	x	Daily Fees																				

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

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

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

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

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

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

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

Example of Calculation of Hedging Fee Factor and Cash Settlement Amount

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

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

Underlying Stock:	Ordinary shares of Sands China Ltd.
Expected Listing Date:	03/07/2018
Expiry Date:	18/07/2018
Initial Reference Level:	1,000
Initial Exchange Rate:	1
Final Reference Level:	1,200
Final Exchange Rate:	1
Issue Price:	0.50 SGD
Notional Amount per Certificate:	0.50 SGD
Management Fee (p.a.):	0.40%
Gap Premium (p.a.):	4.60%
Strike Level:	Zero

Hedging Fee Factor

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

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

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

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

$$\text{HFF}(1) = 100\% \times \left(1 - 0.40\% \times \frac{1}{360}\right) \times \left(1 - 4.60\% \times \frac{1}{360}\right)$$

$$\text{HFF}(1) = 100\% \times 99.9989\% \times 99.9872\% \approx 99.9861\%$$

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

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

$$\text{HFF (2)} = 99.9861\% \times \left(1 - 0.40\% \times \frac{3}{360}\right) \times \left(1 - 4.60\% \times \frac{3}{360}\right)$$

$$\text{HFF (2)} = 99.9861\% \times 99.9967\% \times 99.9617\% \approx 99.9445\%$$

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 99.7919% as illustrated below:

Date	HFF
3/7/2018	100.0000%
4/7/2018	99.9861%
5/7/2018	99.9722%
6/7/2018	99.9583%
9/7/2018	99.9167%
10/7/2018	99.9028%
11/7/2018	99.8889%
12/7/2018	99.8751%
13/7/2018	99.8612%
16/7/2018	99.8196%
17/7/2018	99.8057%
18/7/2018	99.7919%

Cash Settlement Amount

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

$$\begin{aligned} \text{Closing Level} &= [(\text{Final Reference Level} \times \text{Final Exchange Rate}) / (\text{Initial Reference Level} \times \text{Initial Exchange Rate}) - \text{Strike Level}] \times \text{Hedging Fee Factor} \\ &= [(1200 \times 1) / (1000 \times 1) - 0] \times 99.7919\% \\ &= 119.75\% \end{aligned}$$

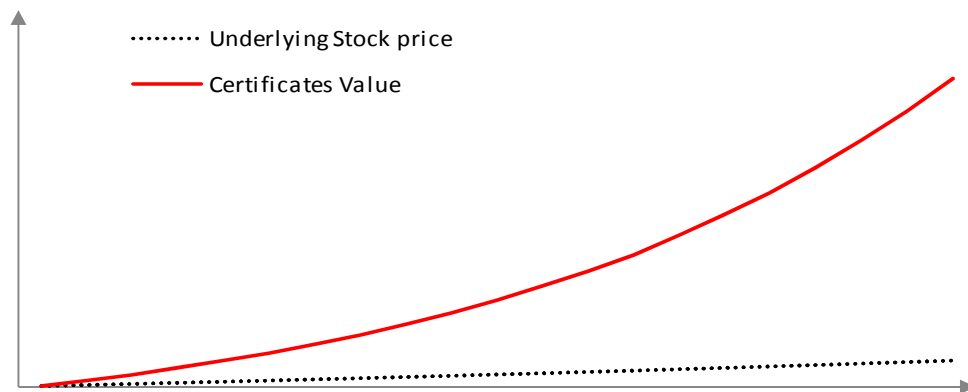
$$\begin{aligned} \text{Cash Settlement Amount} &= \text{Closing Level} \times \text{Notional Amount per Certificate} \\ &= 119.75\% \times 0.50 \text{ SGD} \\ &= \mathbf{0.599 \text{ SGD}} \end{aligned}$$

Illustration on how returns and losses can occur under different scenarios

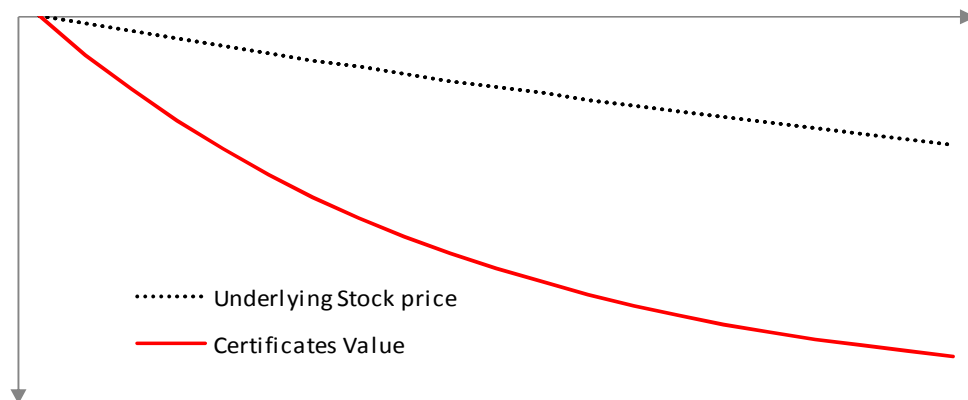
The examples are purely hypothetical and do not take fees and charges payable by investors into consideration. The examples highlight the effect of the Underlying Stock performance on the value of the Certificates and do not take into account the possible influence of fees, exchange rates, dividends,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

1. Illustrative examples

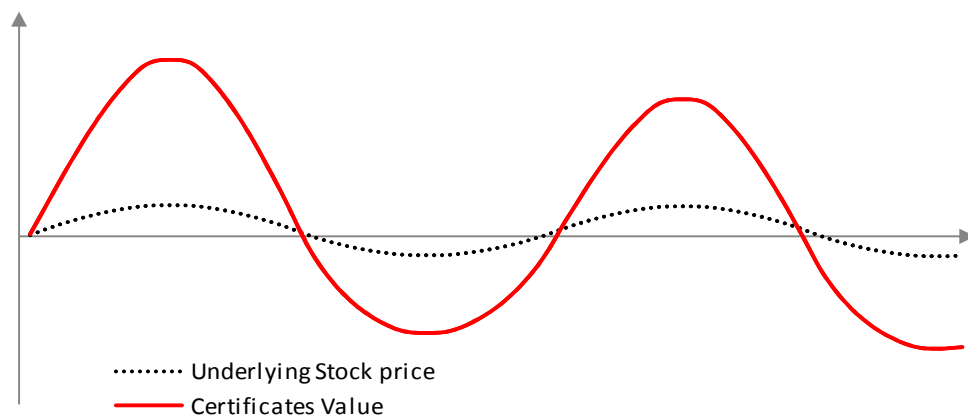
Scenario 1 – Upward Trend



Scenario 2 – Downward Trend



Scenario 3 – Volatile Market



2. Numerical Examples

Scenario 1 – Upward Trend

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

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

Scenario 2 – Downward Trend

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

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

Scenario 3 – Volatile Market

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

Value of the Certificates						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		10.0%	-10.0%	10.0%	-10.0%	10.0%
Price at end of day	0.50	0.55	0.50	0.54	0.49	0.54
Accumulated Return		10.00%	-1.00%	8.90%	-1.99%	7.81%

Description of Air Bag Mechanism

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

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

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

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

Air Bag Mechanism timeline

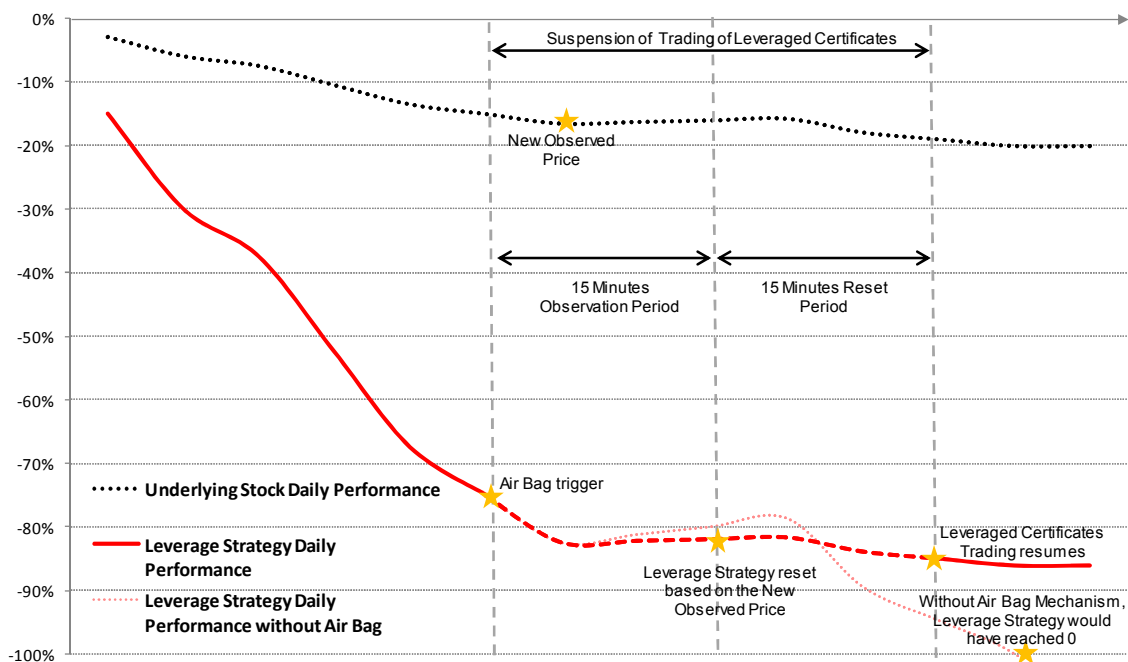
Air Bag Trigger	Observation Period	Resumption of Trading
More than 45 minutes before Market Close	First 15 minutes after Air Bag Trigger	Trading resumes the same day between 30 and 45 minutes after Air Bag Trigger
45 minutes before Market Close		Next trading day at Market Open
30 to 45 minutes before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

With **Market Close** defined as:

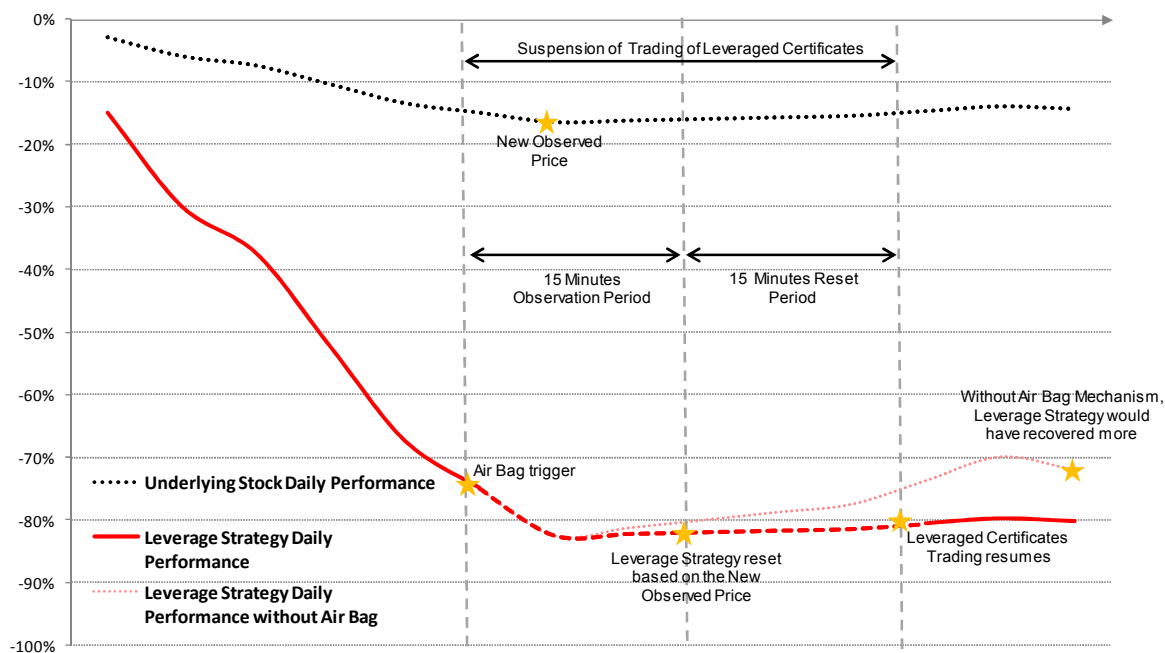
- Underlying Stock closing time with respect to the Observation Period
- The sooner between Underlying Stock closing time and SGX closing time with respect to the Resumption of Trading

Illustrative examples of the Air Bag Mechanism

Scenario 1 – Downward Trend after Air Bag trigger



Scenario 2 – Upward Trend after Air Bag trigger

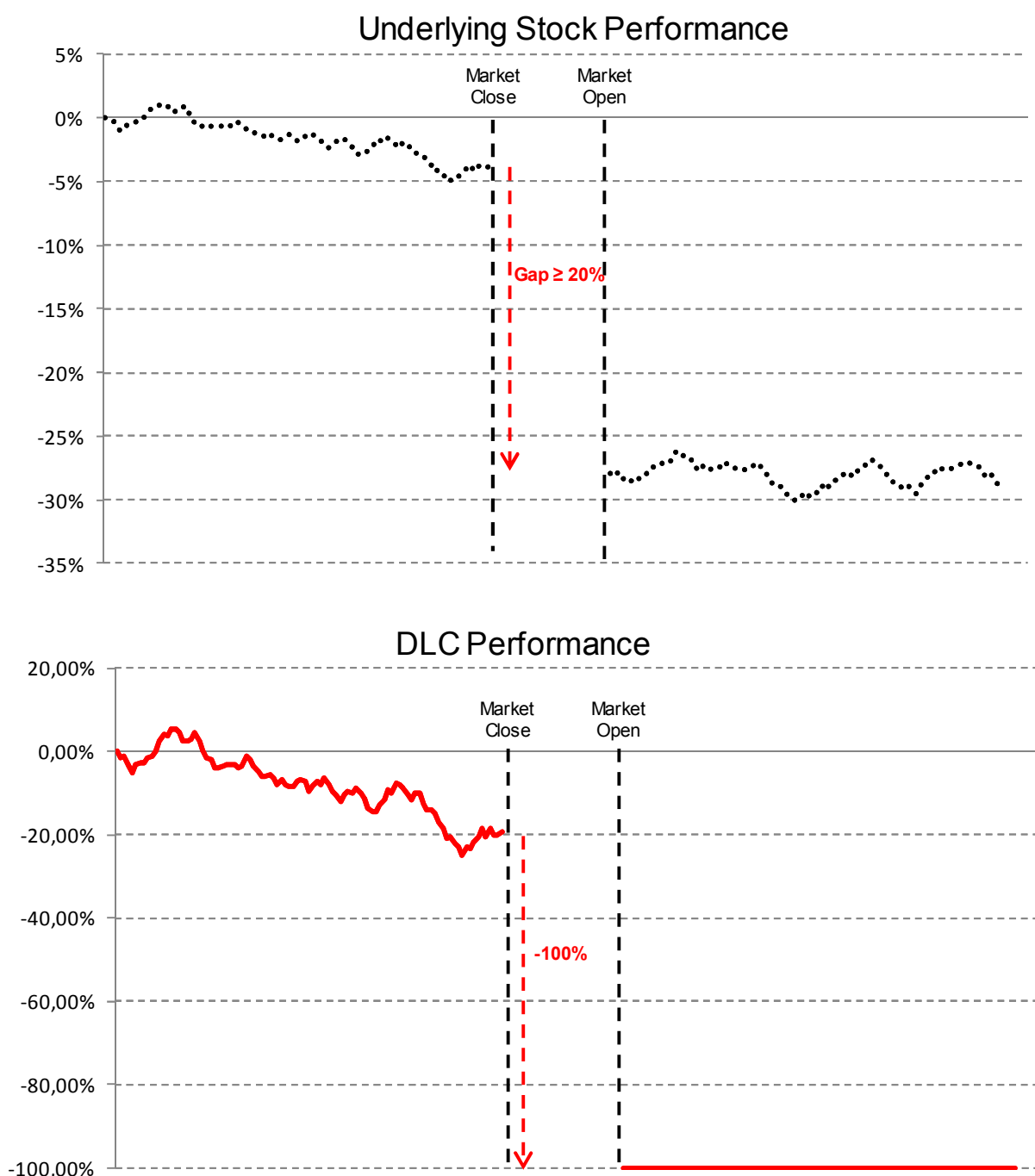


Scenarios where the investor may lose the entire value of the investment

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

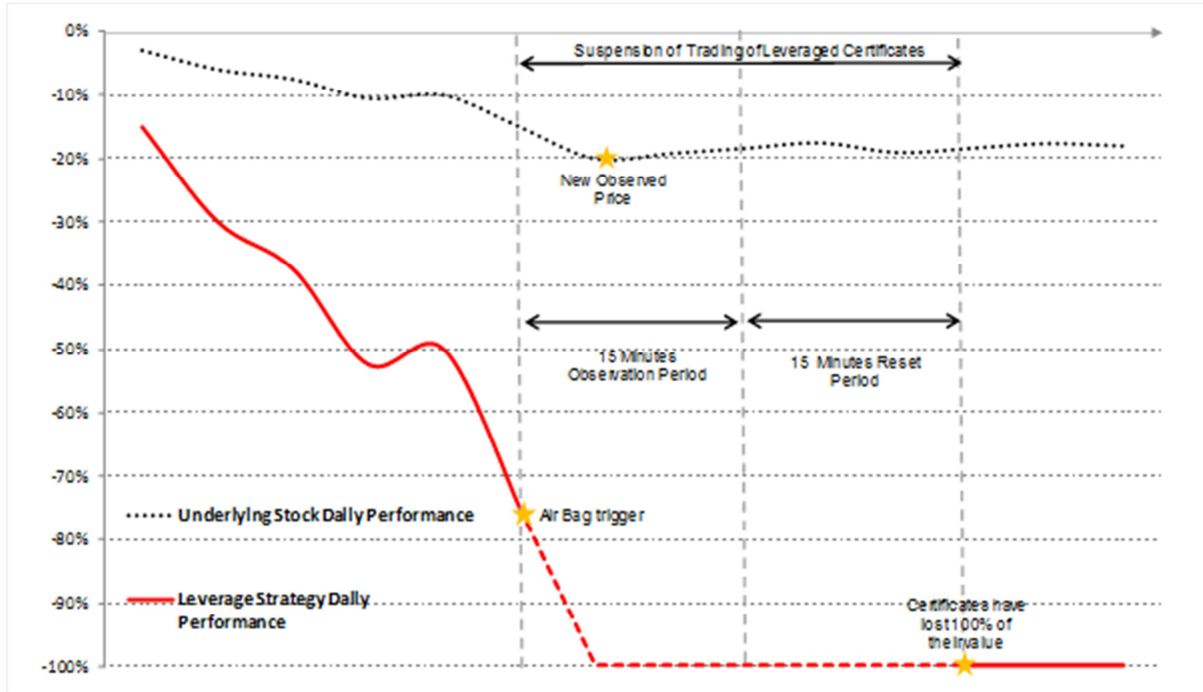
Scenario 1 – Overnight fall of the Underlying Stock

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



Scenario 2 – Sharp intraday fall of the Underlying Stock

Although the Air Bag Mechanism is designed to reduce the exposure to the Underlying Stock during extreme market conditions, the Certificate can lose 100% of its value in the event the price of the Underlying Stock falls by 20% or more compared to the previous closing price of the Underlying Stock or the previous observed price in case of an air bag previously on the same day within the 15 minute Observation Period. The Certificates would lose their entire value in such event.



Examples and illustrations of adjustments due to certain corporate actions

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

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

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

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

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

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

Where:

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

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

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

1. Stock split

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

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

$$S_t = \$51$$

$$Div_t = \$0$$

$$DivExc_t = \$0$$

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

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

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

As a consequence:

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

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

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
0.50	0.55	10%

In such case an Intraday Restrike Event would occur if the Underlying Stock price falls to \$42.5, which is 15% below \$50, the Underlying Stock Reference Price.

2. Share Consolidation

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

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

$$S_t = \$202$$

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

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

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

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

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

As a consequence:

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

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

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
0.50	0.525	5%

In such case an Intraday Restrike Event would occur if the Underlying Stock price falls to \$170, which is 15% below \$200, the Underlying Stock Reference Price.

3. Rights Issues

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

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

$$S_t = \$84$$

$$Div_t = \$0$$

$$DivExc_t = \$0$$

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

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

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

As a consequence:

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

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

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
0.50	0.625	25%

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

4. Bonus Issues

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

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

$$S_t = \$85$$

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

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

$$R = \$0$$

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

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

As a consequence:

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

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

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
0.50	0.55	10%

In such case an Intraday Restrike Event would occur if the Underlying Stock price falls to \$70.83, which is 15% below \$83.33, the Underlying Stock Reference Price.

5. Extraordinary Dividend

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

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

$$S_t = \$84$$

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

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

$$R = \$0$$

$$M = 0$$

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

As a consequence:

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

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

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
0.50	0.625	25%

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

INFORMATION RELATING TO THE COMPANY

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

Sands China Ltd. (the “**Company**”) (SEHK stock code: 1928) is the leading developer, owner and operator of multi-use integrated resorts and casinos in Macao. Macao is the largest gaming market in the world as measured by casino gaming revenue and is the only location in China offering legalised casino gaming. Venetian Macau Limited, the Company’s subsidiary, holds one of six concessions or subconcessions permitted by the Macao government to operate casinos or gaming areas in Macao.

The Company owns The Venetian® Macao, Sands® Macao, The Plaza™ Macao, Sands® Cotai Central, and The Parisian Macao. The Company also owns Cotai Expo, one of the largest convention and exhibition halls in Asia; Macao’s largest entertainment venue, the Cotai Arena; the 1,800-seat luxury Venetian Theatre; the 1,200-seat Parisian Theatre; the upcoming 1,700-seat Sands Cotai Theatre; and Cotai Water Jet, one of two major high-speed ferry companies operating between Hong Kong and Macao. The Company’s luxury and mid-market retail malls feature more than 850 shops with well-known retail brands. The Company’s combined properties feature close to 13,000 hotel rooms and approximately 150 different restaurants and food outlets.

The Company’s business strategy is to develop Cotai and to leverage the Company’s integrated resort business model to create Asia’s premier business, leisure, convention and gaming destination. With the addition of The Parisian Macao in September 2016, the Company’s Cotai footprint now comprises four interconnected integrated resorts, which leverage a wide range of branded hotel and resort offerings to attract different segments of the market.

The Company is a subsidiary of Las Vegas Sands Corp. (NYSE: LVS), the parent company of The Venetian® Resort-Hotel-Casino and The Palazzo® Resort-Hotel-Casino, Sands® Expo and Convention Center in Las Vegas, Marina Bay Sands in Singapore and Sands® Casino Resort Bethlehem, Pennsylvania’s first gaming resort destination in the United States.

The information set out in the Appendix to this document relates to the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2018 and has been extracted and reproduced from an announcement by the Company dated 29 March 2019 in relation to the same. Further information relating to the Company may be located on the web-site of the HKExCL at <http://www.hkex.com.hk>.

INFORMATION RELATING TO THE DESIGNATED MARKET MAKER

Société Générale has been appointed the designated market maker (“**DMM**”) for the Certificates. The DMM will provide competitive buy and sell quotes for the Certificates continuously during the trading hours of the SGX-ST on the following basis:

- (a) Maximum bid and offer spread : 10 ticks or S\$0.20 whichever is greater
- (b) Minimum quantity subject to bid and offer spread : 10,000 Certificates
- (c) Last Trading Day for Market Making : The date falling 5 Exchange Business Days immediately preceding the Expiry Date

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

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

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

SUPPLEMENTAL GENERAL INFORMATION

The information set out herein is supplemental to, and should be read in conjunction with, the information set out on page 99 of the Base Listing Document.

1. Save as disclosed in this document and the Base Listing Document, neither the Issuer nor the Guarantor is involved in any legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer or the Guarantor is aware) which may have or have had in the previous 12 months a significant effect on the financial position of the Issuer or the Guarantor in the context of the issuance of the Certificates.
2. Settlement of trades done on a normal “ready basis” on the SGX-ST generally take place on the third Business Day following the transaction. Dealing in the Certificates will take place in Board Lots in Singapore dollars. For further details on the transfer of Certificates and their exercise, please refer to the section headed “Summary of the Issue” above.
3. It is not the current intention of the Issuer to apply for a listing of the Certificates on any stock exchange other than the SGX-ST.
4. Save as disclosed in the Base Listing Document and herein, there has been no material adverse change in the financial position or prospects of the Issuer since 31 December 2018 or the Guarantor since 31 March 2019, in the context of the issuance of Certificates hereunder.
5. The following contracts, relating to the issue of the Certificates, have been or will be entered into by the Issuer and/or the Guarantor and may be material to the issue of the Certificates:
 - (a) the Guarantee;
 - (b) the Master Instrument; and
 - (c) the Master Warrant Agent Agreement.

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

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

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

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

9. Copies of the following documents may be inspected during usual business hours on any weekday (Saturdays, Sundays and holidays excepted) at the offices of Société Générale, Singapore Branch at 8 Marina Boulevard, #12-01 Marina Bay Financial Centre Tower 1, Singapore 018981, during the period of 14 days from the date of this document:
- (a) the Memorandum and Articles of Association of the Issuer and the Constitutional Documents of the Guarantor;
 - (b) the latest financial reports (including the notes thereto) of the Issuer;
 - (c) the latest financial reports (including the notes thereto) of the Guarantor;
 - (d) the consent letters from the Auditors to the Issuer and the Guarantor referred to in paragraph 6 above;
 - (e) the Base Listing Document;
 - (f) this document; and
 - (g) the Guarantee.

PLACING AND SALE

General

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

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

Singapore

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

Hong Kong

Each dealer has represented and agreed, and each further dealer appointed in respect of the Certificates and each other purchaser will be required to represent and agree, that it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Certificates, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap.571) of Hong Kong and any rules made under that Ordinance.

European Economic Area

Each dealer represents and agrees, and each further dealer appointed in respect of the Certificates will be required to represent and agree that, it has not offered, sold or otherwise made available and will not offer, sell, or otherwise make available any Certificates which are the subject of the offering as contemplated by the this document to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression "**retail investor**" means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

- (ii) a customer within the meaning of Directive 2016/97/EU (as amended, the Insurance Distribution Directive), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, including by Directive 2010/73/EU, the Prospectus Directive); and
- (b) the expression “**offer**” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe the Certificates.

United Kingdom

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

- (a) in respect to Certificates having a maturity of less than one year: (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and (ii) it has not offered or sold and will not offer or sell any Certificates other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Certificates would otherwise constitute a contravention of Section 19 of Financial Services and Markets Act, as amended (the “**FSMA**”) by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Certificates in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Certificates in, from or otherwise involving the United Kingdom.

United States

The Certificates and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) or any state securities law, and trading in the Certificates has not been approved by the United States Commodity Futures Trading Commission (the “**CFTC**”) under the United States Commodity Exchange Act of 1936, as amended (the “**Commodity Exchange Act**”) and the Issuer will not be registered as an investment company under the United States Investment Company Act of 1940, as amended, and the rules and regulations thereunder. None of the Securities and Exchange Commission, any state securities commission or regulatory authority or any other United States, French or other regulatory authority has approved or disapproved of the Certificates or the Guarantee or passed upon the accuracy or adequacy of this document. Accordingly, Certificates, or interests therein, may not at any time be offered, sold, resold, traded, pledged, exercised, redeemed, transferred or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, nor may any U.S. person at any time trade, own, hold or maintain a position in the Certificates or any interests therein. In addition, in the absence of relief from the CFTC, offers, sales, re-sales, trades, pledges, exercises, redemptions, transfers or deliveries of Certificates, or interests therein, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, may constitute a violation of United States law governing

commodities trading and commodity pools. Consequently, any offer, sale, resale, trade, pledge, exercise, redemption, transfer or delivery made, directly or indirectly, within the United States or to, or for the account or benefit of, a U.S. person will not be recognised.

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

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

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

APPENDIX

REPRODUCTION OF THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 OF SANDS CHINA LTD. AND ITS SUBSIDIARIES

The information set out below is a reproduction of the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2018 and has been extracted and reproduced from an announcement by the Company dated 29 March 2019 in relation to the same.

4.1 INDEPENDENT AUDITOR'S REPORT

The Deloitte logo, consisting of the word "Deloitte" in a bold, black, sans-serif font.The Chinese characters "德勤" (De Qin), which is the Chinese name for Deloitte, in a bold, black, sans-serif font.

TO THE SHAREHOLDERS OF SANDS CHINA LTD.

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Sands China Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 109 to 196, which comprise the consolidated balance sheet as at December 31, 2018, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and 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 December 31, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' 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 judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

4.1 INDEPENDENT AUDITOR'S REPORT

Key audit matter

Valuation of Casino Receivables

We identified the valuation of casino receivables as a key audit matter because, as disclosed in notes 3(c), 17(a), and 31(a)(ii) to the consolidated financial statements, the net casino receivables as of December 31, 2018 is US\$251 million and the valuation involves significant accounting estimates and judgment.

How our audit addressed the key audit matter

Our procedures to assess the reasonableness of the valuation of casino receivables included:

- Obtaining an understanding and testing the operating effectiveness of the controls over the granting of casino credit, collection processes and management's review controls over the assessment of the collectability of casino receivables and the appropriateness of the expected credit loss policy and estimated allowance; and
- Developing expectations of current year loss allowance based on repayment history and examining subsequent settlements to assess the reasonableness of the amount of expected credit loss for casino receivables.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, 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 DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

4.1 INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional 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.

4.1 INDEPENDENT AUDITOR'S REPORT

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

The engagement partner on the audit resulting in the independent auditor's report is James Quigley Harrison.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

March 15, 2019

4.2 FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENTS

	Note	Year ended December 31,	
		2018	2017
		US\$ in millions, except per share data	
Net revenues	4	8,665	7,586
Gaming tax		(3,430)	(2,925)
Employee benefit expenses	6	(1,238)	(1,193)
Depreciation and amortization		(655)	(676)
Inventories consumed		(99)	(98)
Other expenses and losses	7	(1,089)	(921)
Operating profit		2,154	1,773
Interest income		20	5
Interest expense, net of amounts capitalized	8	(225)	(153)
Loss on modification or early retirement of debt	24	(81)	—
Profit before income tax		1,868	1,625
Income tax benefit/(expense)	9	7	(22)
Profit for the year attributable to equity holders of the Company		1,875	1,603
Earnings per share for profit attributable to equity holders of the Company			
— Basic	10	US23.21 cents	US19.86 cents
— Diluted	10	US23.19 cents	US19.85 cents

Note: The prior year presentation has been adjusted for the adoption of IFRS 15, Revenue from Contracts with Customers, and conformed to the current year presentation.

The notes on pages 115 to 196 are an integral part of these consolidated financial statements.

4.2 FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31,	
	2018	2017
	US\$ in millions	
Profit for the year attributable to equity holders of the Company	1,875	1,603
Other comprehensive expense		
<i>Item that will not be reclassified subsequently to profit or loss:</i>		
Currency translation differences	(12)	(22)
Total comprehensive income for the year attributable to equity holders of the Company	1,863	1,581

The notes on pages 115 to 196 are an integral part of these consolidated financial statements.

4.2 FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

	Note	December 31, 2018 US\$ in millions	2017
ASSETS			
Non-current assets			
Investment properties, net	12	629	1,311
Property and equipment, net	13	8,134	7,687
Intangible assets, net	15	46	34
Other assets, net		32	34
Trade and other receivables and prepayments, net	17	37	23
Total non-current assets		8,878	9,089
Current assets			
Inventories	19	14	15
Trade and other receivables and prepayments, net	17	477	293
Restricted cash and cash equivalents	18	13	11
Cash and cash equivalents	20	2,676	1,239
Total current assets		3,180	1,558
Total assets		12,058	10,647

4.2 FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

	Note	December 31, 2018 US\$ in millions	2017
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	21	81	81
Reserves	22	4,328	4,457
Total equity		4,409	4,538
LIABILITIES			
Non-current liabilities			
Trade and other payables	23	104	92
Borrowings	24	5,552	4,358
Deferred income tax liabilities	16	50	62
Total non-current liabilities		5,706	4,512
Current liabilities			
Trade and other payables	23	1,928	1,537
Current income tax liabilities		5	6
Borrowings	24	10	54
Total current liabilities		1,943	1,597
Total liabilities		7,649	6,109
Total equity and liabilities		12,058	10,647
Net current assets/(liabilities)		1,237	(39)
Total assets less current liabilities		10,115	9,050

Approved by the Board of Directors on March 15, 2019 and signed on behalf of the Board by

Sheldon Gary Adelson

Chairman of the Board and Chief Executive Officer
Director

Wong Ying Wai

President and Chief Operating Officer
Director

The notes on pages 115 to 196 are an integral part of these consolidated financial statements.

4.2 FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Capital reserve (Note 22(ii))	Share premium	Statutory reserve (Note 22(ii))	Share-based compensation reserves	Currency translation reserve	Retained earnings	Total
	US\$ in millions							
Balance at January 1, 2017	81	87	1,411	6	89	6	3,327	5,007
Profit for the year	—	—	—	—	—	—	1,603	1,603
Other comprehensive expense for the year	—	—	—	—	—	(22)	—	(22)
Total comprehensive income	—	—	—	—	—	(22)	1,603	1,581
Exercise of share options	—	—	12	—	—	—	—	12
Conversion of equity awards to liability awards	—	—	—	—	(5)	—	—	(5)
Transfer to share premium upon exercise of share options	—	—	5	—	(5)	—	—	—
Forfeiture of share options	—	—	—	—	(3)	—	3	—
Share-based compensation of the Company	—	—	—	—	12	—	—	12
Dividends to equity holders of the Company (Note 11)	—	—	—	—	—	—	(2,069)	(2,069)
Balance at December 31, 2017	81	87	1,428	6	88	(16)	2,864	4,538
Effect of adoption of IFRS 9 (Note 2)	—	—	—	—	—	—	24	24
Balance at January 1, 2018 (Restated)	81	87	1,428	6	88	(16)	2,888	4,562
Profit for the year	—	—	—	—	—	—	1,875	1,875
Other comprehensive expense for the year	—	—	—	—	—	(12)	—	(12)
Total comprehensive income	—	—	—	—	—	(12)	1,875	1,863
Exercise of share options	—	—	23	—	—	—	—	23
Transfer to share premium upon exercise of share options	—	—	6	—	(6)	—	—	—
Forfeiture of share options	—	—	—	—	(4)	—	4	—
Share-based compensation of the Company	—	—	—	—	14	—	—	14
Dividends to equity holders of the Company (Note 11)	—	—	—	—	—	—	(2,053)	(2,053)
Balance at December 31, 2018	81	87	1,457	6	92	(28)	2,714	4,409

The notes on pages 115 to 196 are an integral part of these consolidated financial statements.

4.2 FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended December 31,	
		2018	2017
		US\$ in millions	
	Note		
Cash flows from operating activities			
Cash generated from operations	27	3,055	2,632
Income tax paid		(6)	(6)
Net cash generated from operating activities		3,049	2,626
Cash flows from investing activities			
Increase in restricted cash and cash equivalents		(2)	(1)
Purchases of property and equipment		(492)	(423)
Additions to investment properties		(16)	(45)
Purchases of intangible assets		(24)	(9)
Proceeds from disposal of property and equipment, investment properties and intangible assets		5	13
Interest received		16	4
Net cash used in investing activities		(513)	(461)
Cash flows from financing activities			
Proceeds from exercise of share options		23	12
Proceeds from Senior Notes	24	5,500	—
Proceeds from bank loans	24	746	650
Repayments of bank loans	24	(5,083)	(669)
Dividends paid	24	(2,052)	(2,067)
Repayments of finance lease liabilities	24	(15)	(5)
Payments for deferred financing costs	24	(90)	—
Interest paid	24	(128)	(128)
Net cash used in financing activities		(1,099)	(2,207)
Net increase/(decrease) in cash and cash equivalents		1,437	(42)
Cash and cash equivalents at beginning of year		1,239	1,284
Effect of exchange rate on cash and cash equivalents		—	(3)
Cash and cash equivalents at end of year	20	2,676	1,239
Non-cash investing and financing activities			
Property and equipment acquired under finance lease		1	15
Conversion of equity awards to liability awards		—	5

The notes on pages 115 to 196 are an integral part of these consolidated financial statements.

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Principal activities

The Group is principally engaged in the operation of casino games of chance or games of other forms and the development and operation of integrated resorts and other ancillary services in Macao. The Group's immediate holding company is Venetian Venture Development Intermediate II. Las Vegas Sands Corp., a company incorporated in Nevada, U.S.A., and indirectly holds 70.02% ownership interest in the Group as at December 31, 2018, is the Group's ultimate holding company.

The Company was incorporated in the Cayman Islands on July 15, 2009 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands. The Company's principal place of business is Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

The Group owns and operates The Venetian Macao-Resort-Hotel ("The Venetian Macao"), which anchors the Cotai Strip, the Group's master-planned development of integrated resort properties in Macao. Sands Cotai Central opened in phases, beginning in April 2012. The property currently features four hotel towers, consisting of hotel rooms and suites under the Conrad, Holiday Inn, Sheraton and St. Regis brands. The Company previously announced the renovation, expansion and rebranding of Sands Cotai Central into a new destination integrated resort, The Londoner Macao, by adding extensive thematic elements both externally and internally. The Londoner Macao will feature new attractions and features from London, including some of London's most recognizable landmarks and expanded retail and food and beverage venues. The Company will add approximately 370 luxury suites in the apart-hotel tower at The Londoner Macao. In September 2016, the Group opened The Parisian Macao, an integrated resort connected to The Venetian Macao and The Plaza Macao. The Group owns The Plaza Macao, which is located adjacent and connected to The Venetian Macao. The Plaza Macao is an integrated resort that includes the Four Seasons Hotel Macao, the Plaza Casino, Shoppes at Four Seasons and Paiza Mansions. The Company also previously announced the Four Seasons Tower Suites Macao, which will feature approximately 290 additional premium quality suites. The Group also owns and operates the Sands Macao, the first Las Vegas-style casino in Macao. The Group's other ancillary services include ferry operations and other related operations.

The Company's shares were listed on the Main Board of the Stock Exchange on November 30, 2009.

The consolidated financial statements are presented in millions of units of United States dollars ("US\$ in millions"), unless otherwise stated.

The consolidated financial statements were approved for issue by the Board of Directors on March 15, 2019.

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with the following accounting policies which conform with International Financial Reporting Standards ("IFRS"). The preparation of the consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

The consolidated financial statements have been prepared on the historical cost basis except for financial liabilities for cash-settled share-based payment transactions and derivative financial instruments that are measured at fair value.

(b) Changes in accounting policies and disclosures

During the year, there have been a number of new standards and new amendments to standards that have come into effect, which the Group has adopted at their respective dates. The adoption of these new standards and new amendments to standards had no material impact on the results of operations and financial position of the Group, except for the adoption of IFRS 15 Revenue from Contracts with Customers ("IFRS 15") and IFRS 9 Financial Instruments ("IFRS 9").

IFRS 15 Revenue from Contracts with Customers

The accounting standard establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The core principle of IFRS 15 is an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. It also requires more detailed disclosures to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. See Note 4 for these disclosures. The Group adopted the new standard on January 1, 2018, on a full retrospective basis.

The standard changes the accounting for complimentary services (including rooms, food and beverage, and other services) provided to casino guests as incentives related to gaming play. Complimentary revenues were previously excluded from revenues in the accompanying consolidated income statement prepared in accordance with IFRS. The adoption of the new standard resulted in a decrease in casino revenue due to complimentary services provided and recognition of revenue in the resulting business category of the goods or services provided when the services are rendered. The cost of providing such complimentary services were regrouped in the respective business categories. Certain commission arrangements with third parties were reclassified out of operating expenses and netted with revenue. The effect of adoption of this standard is set out below.

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Changes in accounting policies and disclosures (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

Effect on the consolidated income statement for the year ended December 31, 2017:

	For the year ended December 31, 2017 as previously stated	Effects of IFRS 15 US\$ in millions	Reclassification (Note)	For the year ended December 31, 2017 as restated
Net revenues	7,715	(129)	—	7,586
Gaming promoter/ agency commissions	(135)	127	8	—
Other expenses and losses	(915)	2	(8)	(921)

Note: Amount represented agency commissions. As the amount was immaterial, it was reclassified to "Other expenses and losses" for the purpose of presenting the consolidated income statement.

IFRS 9 Financial Instruments

The accounting standard replaces the provisions of International Accounting Standard ("IAS") 39 "Financial Instruments: Recognition and Measurement" that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 from January 1, 2018 resulted in changes in accounting policies and adjustments to the amounts recognized in the financial statements. In accordance with the transition provisions in IFRS 9 (7.2.15), comparative figures have not been restated.

Effect on the consolidated retained earnings as of January 1, 2018 is as follows:

	Note	US\$ in millions
Closing retained earnings as of December 31, 2017 — IAS 39		2,864
Decrease in carrying amount of bank loan measured at amortized cost	(i)	24
Opening retained earnings as of January 1, 2018 — IFRS 9		2,888

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Changes in accounting policies and disclosures (continued)

IFRS 9 Financial Instruments (continued)

(i) *Classification and measurement — borrowings*

Following the adoption of IFRS 9, the Group is no longer able to defer the recognition of gain from the modification of debt, which did not result in a derecognition of the financial liability. Under the Group's previous accounting policies, this gain would have been recognized over the remaining life of the borrowing by adjusting the effective interest rate, on the basis the terms and conditions of the credit facility remained largely unchanged. As a result, the carrying amount of the bank loan which is still recognized on the date of the adoption of IFRS 9 has been decreased by US\$24 million and the opening retained earnings as of January 1, 2018 has been increased.

(ii) *Impairment of financial asset*

The Group's financial assets consist of cash and cash equivalents, restricted cash and cash equivalents and trade and other receivables that are subsequently recognized at amortized cost. The Group applies the IFRS 9 simplified approach to measure expected credit losses ("ECL"), using a lifetime expected loss allowance for all trade and other receivables. Cash and cash equivalents and restricted cash and cash equivalents are also subject to the impairment requirements of IFRS 9 and, due to their nature, the expected loss allowance is immaterial.

To measure the expected credit losses, except for credit impaired balances and outstanding significant balances that have been assessed individually, the remaining trade receivables have been grouped based on shared credit risk characteristics and days past due. The loss allowance for trade receivables applying lifetime expected credit loss as compared to the incurred loss model of IAS 39 did not result in a material difference and hence did not result in an adjustment of opening retained earnings as of January 1, 2018.

The Group has not early adopted the new or revised standards, amendments and interpretations that have been issued, but not yet effective for the year ended December 31, 2018.

The Group considers that the new or revised standards, amendments and interpretations effective for the annual period beginning on January 1, 2019 will not have a significant impact to the Group's results of operations and financial position. Further information about IFRS 16 Leases ("IFRS 16") is described as follows:

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 superseded IAS 17 Leases ("IAS 17") and the related interpretations when it became effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees, except for short-term leases and leases of low value assets.

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Changes in accounting policies and disclosures (continued)

The right-of-use asset is initially measured at cost and subsequently measured at cost less accumulated depreciation and impairment losses. The lease liability is initially measured at the present value of the lease payments not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

Under IAS 17, the Group has already recognized an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold interest in lands where the Group is a lessee.

Lessor accounting remains largely unchanged under the new standard.

The Group intends to elect the practical expedient to apply IFRS 16 to contracts previously identified as leases applying IAS 17 and not apply this standard to contracts not previously identified as containing a lease applying IAS 17. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Further, the Group elected the modified retrospective approach for the application of IFRS 16 as lessee without restating comparative information. Management estimates adoption of the standard will result in the recognition of right-of-use assets and lease liabilities for operating leases of approximately US\$6 million as at January 1, 2019. The adoption of this standard will not have a material impact on net income.

For the other new or revised standards, amendments and interpretations effective for annual periods after the year of 2019, the Group is still under assessment and is not yet in a position to state whether it would have a significant impact on the results of operations and financial position of the Group.

(c) Subsidiaries

Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are deconsolidated from the date that control ceases.

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Subsidiaries (continued)

Consolidation (continued)

Intra-group transactions, balances and unrealized gains and losses on transactions between group companies are eliminated. Profit and losses resulting from inter-company transactions are also eliminated.

The particulars of the Group's principal subsidiaries as at December 31, 2018 are set out in Note 33.

(d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as a group of senior management that makes strategic decisions.

(e) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's companies are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is Macao patacas ("MOP"). The consolidated financial statements are presented in US\$, which is the presentation currency of LVS.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement.

(iii) Group companies

The results of operations and financial position of all the group companies (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates on the dates of the transactions); and
- All resulting exchange differences are recognized in other comprehensive income/(loss) (currency translation differences) and will not be reclassified subsequently to profit or loss.

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Foreign currency translation (continued)

(iii) Group companies (continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings, are recognized in other comprehensive income/(loss). When a foreign operation is sold, such exchange differences are recognized in the consolidated income statement as part of the gain or loss on sale.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognized in profit or loss.

(f) Investment properties

Investment properties, principally comprising buildings and building improvements, are held for long-term rental yields or capital appreciation or both, and are not occupied by the Group. Investment properties currently being constructed or developed are classified as investment properties and stated at cost, less accumulated impairment losses, if any. Investment properties are initially measured at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses, if any. Investment properties are depreciated on a straight-line basis, at rates sufficient to write off their costs over their estimated useful lives of 3 to 50 years. The residual values and useful lives of investment properties are reviewed, and adjusted as appropriate at each balance sheet date. The effects of any revision are included in the consolidated income statement when the changes arise. During the year ended December 31, 2017, the Group revised the estimated useful lives of certain investment properties. See Note 3(a) for details.

(g) Property and equipment

Leasehold interests in land classified as finance leases and all other property and equipment, except construction-in-progress, are stated at historical cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Leasehold interests in land classified as finance leases commence amortization from the time when the land interest becomes available for its intended use. Leasehold interests in land classified as finance leases are amortized and other property and equipment are depreciated on a straight-line basis, at rates sufficient to write off their costs over their estimated useful lives.

Property and equipment are depreciated as follows:

Leasehold interests in land classified as finance leases	50 years
Leasehold improvements	Shorter of lease term or 3 years
Land improvements, buildings and building improvements	10–50 years
Ferries	20 years
Furniture, fittings and equipment	3–20 years
Vehicles	5–6 years

During the year ended December 31, 2017, the Group revised the estimated useful lives of certain property and equipment. See Note 3(a) for details.

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Property and equipment (continued)

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

Construction-in-progress represents property and equipment under construction and is stated at cost, less accumulated impairment losses, if any. This includes the direct costs of purchase, construction and capitalized borrowing costs. Construction-in-progress is not depreciated until such time as the relevant assets are completed and ready for their intended use, at which time they are transferred to the relevant asset category.

The assets' residual values and useful lives are reviewed, and adjusted if applicable, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "Other expenses and losses" in the consolidated income statement.

(h) Leased assets

Assets acquired pursuant to finance leases that transfer to the Group substantially all the rewards and risks of ownership are accounted for as if purchased.

(i) Intangible assets

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives of 4 years.

(j) Impairment of non-financial assets

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

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial assets

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in note 2(b))

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

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

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

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

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL").

The Group's financial assets consist of cash and cash equivalents, restricted cash and cash equivalents and trade and other receivables.

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Interest income is recognized by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial assets (continued)

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 2(b))

The Group recognizes a loss allowance for ECL on trade and other receivables which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. Assessments are done based on the Group's historical credit loss experience, adjusted for factors specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

(i) *Definition of default*

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

(ii) *Credit-impaired financial assets*

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

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract, such as a default or past due event;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession the lender would not otherwise consider;
- It becomes probable the borrower will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial reorganization; or
- Observable data indicating there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - (i) adverse changes in the payment status of borrowers in the portfolio; or
 - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial assets (continued)

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 2(b)) (continued)

(iii) Write-off policy

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

(iv) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is the difference between all contractual cash flows due to the Group in accordance with the contract and the cash flows the Group expects to receive.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped based on shared credit risk characteristics and days past due.

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

The Group recognizes an impairment gain or loss in profit or loss for trade and other receivables by adjusting their carrying amount through a loss allowance account.

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial assets (continued)

Classification and subsequent measurement of financial assets (before application of IFRS 9 on January 1, 2018)

The Group's financial assets consist of receivables, which are classified as loans and receivables under IAS 39 and are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which management has no intention of trading. They are included in current assets, except for the amounts settled or expected to be settled more than twelve months after the end of the reporting period, which are classified as non-current.

Receivables are subsequently carried at amortized cost. Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Impairment of financial assets (before application of IFRS 9 on January 1, 2018)

The Group assesses at the end of each reporting period whether there is objective evidence a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria the Group uses to determine there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession the lender would not otherwise consider;
- It becomes probable the borrower will enter bankruptcy or other financial reorganization;
- Observable data indicating there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - (i) adverse changes in the payment status of borrowers in the portfolio; or
 - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial assets (continued)

Impairment of financial assets (before application of IFRS 9 on January 1, 2018) (continued)

The Group first assesses whether objective evidence of an impairment exists.

For the receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated income statement.

Derecognition of financial assets

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

(l) Cash and cash equivalents

Cash and cash equivalents include cash and short-term deposits with original maturities of three months or less. Restricted cash and cash equivalents are excluded from cash and cash equivalents in the consolidated statement of cash flows.

(m) Inventories

Inventories consist primarily of food, beverage, retail products, ferry parts and general operating supplies, and are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.

(n) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issuance of equity instruments are shown in equity as a deduction, net of tax, from the proceeds.

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Financial liabilities

The Group's financial liabilities, including borrowings and trade and other payables, are initially measured at fair value and subsequently measured at amortized cost, using the effective interest method.

Derecognition/substantial modification of financial liabilities

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

When the contractual terms of financial liability are modified such that the revised terms would result in a substantial modification from the original terms, after taking into account all relevant facts and circumstances including qualitative factors, such modification is accounted for as derecognition of the original financial liability and the recognition of new financial liability. The difference between the carrying amount of the financial liability derecognized and the fair value of consideration paid or payable, including any liabilities assumed and derivative components, is recognized in profit or loss.

Non-substantial modifications of financial liabilities (under IFRS 9 since January 1, 2018)

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortized over the remaining term. Any adjustment to the carrying amount of the financial liability is recognized in profit or loss at the date of modification.

Non-substantial modifications of financial liabilities (before application of IFRS 9 on January 1, 2018)

For non-substantial modifications of financial liabilities that do not result in derecognition, at the point of modification, the carrying amount of the relevant financial liabilities is revised for directly attributable transaction costs and any consideration paid to or received from the counterparty. The effective interest rate is then adjusted to amortize the difference between the revised carrying amount and the expected cash flows over the life of the modified instrument.

(p) Trade payables

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

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

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Borrowings and financing costs

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

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

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 balance sheet date.

A qualifying asset is an asset that takes a substantial period of time to get ready for its intended use (Note 2(g)). Financing costs incurred for the construction of any qualifying asset, less any investment income on the temporary investment of related borrowings, are capitalized during the period that is required to complete and prepare the asset for its intended use. Other financing costs, net of interest income, are expensed.

(r) Current and deferred income tax and gaming tax

Income tax

Income tax expense is comprised of current and deferred tax.

(i) Current income tax

Current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which the applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

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

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

Deferred income tax is provided for temporary differences arising from investments in subsidiaries, except when the timing of the reversal of the temporary difference can be controlled by the Group and it is probable the temporary difference will not reverse in the foreseeable future.

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Current and deferred income tax and gaming tax (continued)

(iii) Offsetting

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

Gaming tax

According to the gaming subconcession granted by the Macao Government and the relevant legislation, the Group is required to pay 35% gaming tax on gross gaming revenues, which represents net wins from casino operations. The Group is also required to pay an additional 4% of gross gaming revenues as public development and social related contributions. On a monthly basis, the Group also makes certain variable and fixed payments to the Macao Government based on the number of slot machines and table games in its possession. These expenses are reported as "Gaming tax" in the consolidated income statement.

(s) Employee benefits

(i) Pension obligations

The Group operates a provident fund scheme, which is funded through payments to an insurance company. The provident fund scheme is a defined contribution plan available to all permanent employees after a three-month probation period. The Group contributes 5% of each employee's basic salary to the fund and the employee is eligible to receive, upon resignation, 30% of these contributions after working for three consecutive years, gradually increasing to 100% after working for ten years. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expenses when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognized as an asset to the extent a cash refund or a reduction in the future payments is available.

(ii) Share-based compensation

Equity-settled share-based payment transactions

(1) Share options of the Company

The Company adopted an equity award plan (the "Equity Award Plan") for grants of options to purchase ordinary shares of the Company. The cash subscribed for the shares issued when the options are exercised is credited to share capital (nominal value) and share premium, net of any directly attributable transaction costs. At the time when the options are exercised, the amount previously recognized in share-based compensation reserve will be transferred to share premium. When the options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share-based compensation reserve will be transferred to retained earnings.

(2) Share options of LVS

The Group participates in the equity-settled share-based compensation plan of LVS and is a party to its non-qualified share option plan, Las Vegas Sands Corp. 2004 Equity Award Plan (the "2004 Plan"). The plan provides for the granting of share options pursuant to the applicable provisions of the Internal Revenue Code and regulations in the United States of America.

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Employee benefits (continued)

(ii) Share-based compensation (continued)

Equity-settled share-based payment transactions (continued)

(2) *Share options of LVS (continued)*

Share-based compensation expense arising from the granting of share options by LVS to the employees of the Group, to the extent of services rendered to the Group, is deemed to have been allocated to the Group as an expense with the corresponding increase in the share-based compensation reserves under equity.

The fair value of the employee services received in exchange for the grant of the options under the Equity Award Plan and the 2004 Plan is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total amount expensed is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options expected to vest based on the non-market vesting conditions and service conditions.

The Group recognizes the impact of revisions to the original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity. When the options of the Equity Award Plan are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium.

Cash-settled share-based payment transactions of the Company

For cash-settled share-based payments, a financial liability is recognized for the employee services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in profit or loss for the year.

(iii) Social security fund

Full-time employees of the Group are covered by a government-mandated defined contribution plan pursuant to which a fixed amount of retirement benefit would be determined and paid by the Macao Government. Contributions are generally made by both employees and employers by paying a fixed amount on a monthly basis to the Social Security Fund Contribution managed by the Macao Government. The Group funds the entire contribution and has no further commitments beyond its monthly contributions.

(iv) Annual leave and other paid leave

Employee entitlement to annual leave is recognized when it accrues to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees during the year. Employee entitlements to maternity leave and sick leave are not recognized until the time of leave.

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Employee benefits (continued)

(v) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of when the Group can no longer withdraw the offer of the termination benefits and when it recognizes any related restructuring costs. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after the balance sheet date are discounted to their present value.

(vi) Bonus plans

The Group recognizes a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

(t) Provisions

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

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

(u) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable an outflow of economic resources will be required or the amount of the obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the notes to the consolidated financial statements unless the probability of outflow of resources embodying economic benefits is remote. When a change in the probability of an outflow occurs so the outflow is probable, it will then be recognized as a provision.

(v) Revenue recognition

Revenue from contracts with customers primarily consists of casino wagers, room sales, food and beverage transactions, convention sales and entertainment and ferry ticket sales. These contracts can be written, oral or implied by customary business practices.

Gross casino revenue is the aggregate of gaming wins and losses. The commissions rebated to junket operators and premium players for rolling play, cash discounts and other cash incentives to patrons related to gaming play are recorded as a reduction to gross casino revenue. Gaming contracts include a performance obligation to honor the patron's wager and typically include a performance obligation to provide a product or service to the patron on a complimentary basis to incentivize gaming or in exchange for points earned under the Group's loyalty programs.

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Revenue recognition (continued)

For wagering contracts that include complimentary products and services provided by the Group to incentivize gaming, the Group allocates the relative stand-alone selling price of each product and service to the respective revenue type. Complimentary products or services provided under the Group's control and discretion, which are supplied by third parties, are recorded as an operating expense.

For wagering contracts that include products and services provided to a patron in exchange for points earned under the Group's loyalty programs, the Group allocates the estimated fair value of the points earned to the loyalty program liability. The loyalty program liability is a deferral of revenue until redemption occurs. Upon redemption of loyalty program points for Group-owned products and services, the stand-alone selling price of each product or service is allocated to the respective revenue type. For redemptions of points with third parties, the redemption amount is deducted from the loyalty program liability and paid directly to the third party. Any discounts received by the Group from the third party in connection with this transaction are recorded to other revenue.

After allocation to the other revenue types for products and services provided to patrons as part of a wagering contract, the residual amount is recorded to casino revenue as soon as the wager is settled. As all wagers have similar characteristics, the Group accounts for its gaming contracts collectively on a portfolio basis versus an individual basis.

Hotel revenue recognition criteria are met at the time of occupancy. Food and beverage revenue recognition criteria are met at the time of service. Convention revenues are recognized when the related service is rendered or the event is held. Deposits for future hotel occupancy, convention space or food and beverage services contracts are recorded as deferred revenue until the revenue recognition criteria are met. Cancellation fees for convention contracts are recognized upon cancellation by the customer and are included in other revenues. Ferry and entertainment revenue recognition criteria are met at the completion of the ferry trip or event, respectively. Revenue from contracts with a combination of these services is allocated pro rata based on each service's relative stand-alone selling price.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leases/right of use below.

(w) Pre-opening expenses

Pre-opening expenses represent personnel and other costs incurred prior to the opening of new properties and are expensed as incurred.

(x) Leases/right of use

(i) As the lessor/grantor for operating leases/right of use

When assets are leased/granted out under an agreement for the right of use, the asset is included in the consolidated balance sheet based on the nature of the asset. Lease rental/income from right of use (net of any incentives given to tenants or to retailers) is recognized over the terms of the lease/right of use on a straight-line basis. Turnover fees arising under operating leases/right of use are recognized as income in the period in which they are earned.

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Leases/right of use (continued)

(ii) As the lessee for operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

(iii) As the lessee for finance leases

The Group leases land and certain equipment. Leases of land and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are recognized at the leases' commencement at the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The land and equipment acquired under a finance lease are depreciated over the shorter of the useful life of the asset and the lease term.

(y) Dividend distributions

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

(a) Useful lives of investment properties and property and equipment

The Group depreciates investment properties and property and equipment on a straight-line basis over their estimated useful lives with no residual value assumed. The estimated useful lives are based on the nature of the assets, as well as current operating strategy and legal considerations, such as contractual life. Future events, such as property expansions, property developments, new competition or new regulations, could result in a change in the manner in which the Group uses certain assets and could have an impact on the estimated useful lives of such assets.

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(a) Useful lives of investment properties and property and equipment (continued)

During the year ended December 31, 2017, the Group changed the estimated useful lives of certain of its property and equipment and investment properties based on a combination of factors accumulating over time that provided the Group with updated information to make a better estimate on the economic lives of these assets. These factors included (1) the accumulation of historical asset replacement data at the Group's operating properties, which reflects the actual length of time the Group uses certain assets, (2) the stabilization of the operating, regulatory and competitive environment in Macao, which includes meeting the final land concession government-imposed deadlines for the Group's properties on Cotai, (3) transitioning to more predictable renovation cycles at the Group's operating properties and (4) consideration of the estimated useful lives assigned to buildings of the Group's peers in the gaming and hospitality industry. Based on these factors, as well as the anticipated use and condition of the assets evaluated, the Group determined changes to the useful lives of certain property and equipment and investment properties were appropriate. As a result, the Group revised the estimated useful lives of its leasehold interests in land, land improvements, buildings and building improvements from a range of 15 to 40 years to 10 to 50 years and certain other furniture, fittings and equipment from 3 to 6 years to 5 to 10 years to better reflect the estimated periods during which these assets are expected to remain in service.

These changes in estimated useful lives of the assets were accounted for as changes in accounting estimates effective July 1, 2017. The impact of these changes for the year ended December 31, 2017, was a decrease in depreciation expense and an increase in operating profit of US\$89 million, and an increase in net profit attributable to equity holders of the Company of US\$88 million, or earnings per share of US1.10 cents on a basic and diluted basis.

(b) Impairment of non-financial assets

The Group follows the guidance of International Accounting Standard ("IAS") 36 "Impairment of Assets" to determine when assets are impaired, which requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the recoverable amount of assets is less than their carrying balance, including factors such as the industry performance and changes in operational and financing cash flows. When required, the recoverable amount of the CGU would be determined based on value-in-use calculations. These calculations require the use of estimates, including operating results, income and expenses of the business, future economic conditions on growth rates, future returns and discount rate.

Changes in the key assumptions on which the recoverable amount of the assets is based could significantly affect the Group's financial position and results of operations.

(c) Provision of expected credit loss for trade receivables

The Group applies the IFRS 9 simplified approach to measure expected credit losses, using a lifetime expected loss allowance for all trade and other receivables. The Group determines the allowance based on specific customer information, historical write-off experience, current industry and economic data and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions. A provision of expected credit loss for trade receivables is recorded when the Group believes it is probable the recoverable amount of the receivables will be less than their carrying amounts. Account balances are written off against the allowance when the Group considers the receivables to be uncollectible. Management believes there are no concentrations of credit risk for which an allowance has not been established. Although management believes the allowance is adequate, it is possible the estimated amount of cash collections with respect to trade receivables could change.

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(d) Litigation provisions

The Group is subject to various claims and legal actions. The accruals for these claims and legal actions are estimated in accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”. Based on consultations with legal counsel, management estimated no significant loss would be incurred beyond the amounts provided. Actual results could differ from these estimates.

4. NET REVENUES

The Group generates revenues at its properties by providing the following types of products and services: casino, rooms, mall, food and beverage and convention, ferry, retail and other. Revenue disaggregated by type of revenue and property is as follows:

	Casino	Rooms	Mall ⁽ⁱⁱ⁾	Food and beverage	Convention, ferry, retail and Other	Net revenues
	US\$ in millions					
Year ended December 31, 2018						
The Venetian Macao	2,829	223	234	81	107	3,474
Sands Cotai Central	1,622	331	69	102	29	2,153
The Parisian Macao	1,265	124	57	65	22	1,533
The Plaza Macao	502	39	145	29	4	719
Sands Macao	598	17	3	27	5	650
Ferry and other operations	—	—	—	—	151	151
Inter-segment revenues ⁽ⁱ⁾	—	—	(1)	—	(14)	(15)
	6,816	734	507	304	304	8,665
Year ended December 31, 2017						
The Venetian Macao	2,362	179	220	74	89	2,924
Sands Cotai Central	1,433	291	63	102	27	1,916
The Parisian Macao	1,120	128	66	61	20	1,395
The Plaza Macao	391	34	131	28	3	587
Sands Macao	574	19	—	27	6	626
Ferry and other operations	—	—	—	—	153	153
Inter-segment revenues ⁽ⁱ⁾	—	—	(1)	—	(14)	(15)
	5,880	651	479	292	284	7,586

Note: The prior year presentation has been adjusted for the adoption of IFRS 15, Revenue from Contracts with Customers, and conformed to the current year presentation.

(i) Inter-segment revenues are charged at prevailing market rates.

(ii) Of this amount, US\$436 million and US\$71 million (2017: US\$406 million and US\$73 million) are related to income from right of use and management fee and other, respectively. Income from right of use is recognized in accordance with IAS 17 Leases.

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. NET REVENUES (CONTINUED)

Contract and Contract Related Liabilities

The Group provides numerous products and services to its customers. There is often a timing difference between the cash payment by the customers and recognition of revenue for each of the associated performance obligations. The Group has the following main types of liabilities associated with contracts with customers: (1) outstanding chip liability, (2) loyalty program liability, and (3) customer deposits and other deferred revenue for gaming and non-gaming products and services yet to be provided.

The outstanding chip liability represents the collective amounts owed to junket operators and patrons in exchange for gaming chips in their possession. Outstanding chips are expected to be recognized as revenue or redeemed for cash within one year of being purchased. The loyalty program liability represents a deferral of revenue until patron redemption of points earned. The loyalty program points are expected to be redeemed and recognized as revenue within one year of being earned. Customer deposits and other deferred revenue represent cash deposits made by customers for future services provided by the Group. With the exception of mall deposits, which typically extend beyond a year based on the terms of the lease, the majority of these customer deposits and other deferred revenue are expected to be recognized as revenue or refunded to the customer within one year of the date the deposit was recorded.

The following table summarizes the liability activity related to contracts with customers:

	Outstanding Chip Liability		Loyalty Program Liability		Customer Deposits and Other Deferred Revenue ⁽ⁱ⁾	
	2018	2017	2018	2017	2018	2017
	US\$ in millions					
Balance at January 1	418	483	30	45	424	343
Balance at December 31	514	418	33	30	497	424
Increase/(decrease)	96	(65)	3	(15)	73	81

- (i) Of this amount, US\$127 million, US\$121 million and US\$109 million as of December 31, 2018, December 31, 2017, and January 1, 2017, respectively, relates to mall deposits that are accounted for based on lease terms usually greater than one year.

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by a group of senior management which is the chief operating decision maker of the Group that makes strategic decisions. The Group considers the business from a property and service perspective.

The Group's principal operating and developmental activities occur in Macao, which is the sole geographic area in which the Group is domiciled. The Group reviews the results of operations for each of its key operating segments, which are also the reportable segments: The Venetian Macao, Sands Cotai Central, The Parisian Macao, The Plaza Macao, Sands Macao and ferry and other operations. The Group's primary projects under development include the renovation, expansion and rebranding of Sands Cotai Central to The Londoner Macao, the apart-hotel tower at The Londoner Macao and the Four Seasons Tower Suites Macao.

Revenue is comprised of revenue from the sale of goods and services in the ordinary course of the Group's activities. The Venetian Macao, Sands Cotai Central, The Parisian Macao, The Plaza Macao and Sands Macao derive their revenues primarily from casino, hotel, mall, food and beverage, convention, retail and other sources. Ferry and other operations mainly derive their revenues from the sale of ferry tickets for transportation between Hong Kong and Macao.

The Group's segment information is as follows:

	Year ended December 31,	
	2018	2017
	US\$ in millions	
Net revenues		
The Venetian Macao	3,474	2,924
Sands Cotai Central	2,153	1,916
The Parisian Macao	1,533	1,395
The Plaza Macao	719	587
Sands Macao	650	626
Ferry and other operations	151	153
Inter-segment revenues ⁽ⁱ⁾	(15)	(15)
	8,665	7,586

Note: The prior year presentation has been adjusted for the adoption of IFRS 15, Revenue from Contracts with Customers, and conformed to the current year presentation.

(i) Inter-segment revenues are charged at prevailing market rates.

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENT INFORMATION (CONTINUED)

The following is a reconciliation of adjusted property EBITDA to profit for the year attributable to equity holders of the Company:

	Note	Year ended December 31,	
		2018	2017
		US\$ in millions	
Adjusted property EBITDA (Unaudited)⁽ⁱ⁾			
The Venetian Macao		1,378	1,137
Sands Cotai Central		759	633
The Parisian Macao		484	412
The Plaza Macao		262	233
Sands Macao		178	174
Ferry and other operations		18	22
Total adjusted property EBITDA		3,079	2,611
Share-based compensation, net of amount capitalized ⁽ⁱⁱ⁾		(13)	(12)
Corporate expense	(a)	(125)	(120)
Pre-opening expense	(b)	(5)	(7)
Depreciation and amortization		(655)	(676)
Net foreign exchange gains/(losses)		4	(11)
Loss on disposal of property and equipment, investment properties and intangible assets		(131)	(12)
Operating profit		2,154	1,773
Interest income		20	5
Interest expense, net of amounts capitalized		(225)	(153)
Loss on modification or early retirement of debt		(81)	—
Profit before income tax		1,868	1,625
Income tax benefit/(expense)		7	(22)
Profit for the year attributable to equity holders of the Company		1,875	1,603

- (i) Adjusted property EBITDA, which is a non-IFRS financial measure, is profit attributable to equity holders of the Company before share-based compensation, corporate expense, pre-opening expense, depreciation and amortization, net foreign exchange gains/(losses), impairment loss, gain/(loss) on disposal of property and equipment, investment properties and intangible assets, interest, gain/(loss) on modification or early retirement of debt and income tax benefit/(expense). Management utilizes adjusted property EBITDA to compare the operating profitability of its operations with those of its competitors, as well as a basis for determining certain incentive compensation. Gaming companies have historically reported adjusted property EBITDA as a supplemental performance measure to IFRS financial measures. In order to view the operations of their casinos on a more stand-alone basis, gaming companies, including the Group, have historically excluded certain expenses that do not relate to the management of specific casino properties, such as pre-opening expense and corporate expense, from their adjusted property EBITDA calculations. Adjusted property EBITDA should not be interpreted as an alternative to profit or operating profit (as an indicator of operating performance) or to cash flows from operations (as a measure of liquidity), in each case, as determined in accordance with IFRS. The Group has significant uses of cash flow, including capital expenditures, dividend payments, interest payments and debt principal repayments, which are not reflected in adjusted property EBITDA. Not all companies calculate adjusted property EBITDA in the same manner. As a result, adjusted property EBITDA as presented by the Group may not be directly comparable to other similarly titled measures presented by other companies.
- (ii) Amount includes share-based compensation of US\$1 million and nil (2017: US\$1 million and nil) related to corporate expense and pre-opening expense, respectively.

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENT INFORMATION (CONTINUED)

(a) Corporate expense

		Year ended December 31,	
		2018	2017
	Note	US\$ in millions	
Royalty fees	29(a)(v)	106	98
Management fees	29(a)(ii)	6	6
Employee benefit expenses		7	6
Other support services		3	4
Other expenses		3	6
		125	120

(b) Pre-opening expense

		Year ended December 31,	
		2018	2017
	Note	US\$ in millions	
Utilities and operating supplies		2	2
Employee benefit expenses		1	—
Contract labor and services		1	—
Management fees	29(a)(ii)	—	1
Advertising and promotions		—	—
Other support services		1	3
Other expenses		—	1
		5	7

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENT INFORMATION (CONTINUED)

	Year ended December 31,	
	2018	2017
	US\$ in millions	
Depreciation and amortization		
The Venetian Macao	146	151
Sands Cotai Central	274	239
The Parisian Macao	163	204
The Plaza Macao	33	36
Sands Macao	24	31
Ferry and other operations	15	15
	655	676

	Year ended December 31,	
	2018	2017
	US\$ in millions	
Capital expenditures		
The Venetian Macao	179	152
Sands Cotai Central	130	84
The Parisian Macao	130	204
The Plaza Macao	63	22
Sands Macao	29	10
Ferry and other operations	1	5
	532	477

	December 31,	
	2018	2017
	US\$ in millions	
Total assets		
The Venetian Macao	3,447	2,669
Sands Cotai Central	4,378	3,972
The Parisian Macao	2,489	2,531
The Plaza Macao	913	959
Sands Macao	328	288
Ferry and other operations	503	228
	12,058	10,647

Almost all of the non-current assets of the Group are located in Macao.

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended December 31,	
	2018	2017
	US\$ in millions	
Wages, salaries, bonus and termination costs	1,096	1,048
Staff meals	55	57
Pension costs — defined contribution plan	38	37
Share-based compensation, net of amount capitalized ⁽ⁱ⁾	13	12
Other employee benefit expenses	36	39
	1,238	1,193

- (i) Share-based compensation of US\$1 million (2017: nil) was capitalized during the year ended December 31, 2018. For further information related to the Company's Equity Award Plan and LVS' 2004 Plan, see Note 30 to the consolidated financial statements.

(a) Pension costs — defined contribution plan

Contributions totaling US\$7 million (2017: US\$7 million) remained payable to the provident fund as at December 31, 2018. Forfeited contributions totaling US\$4 million (2017: US\$4 million) were utilized during the year leaving US\$1 million (2017: US\$1 million) available at year end to reduce future contributions.

(b) Directors' emoluments

The remuneration of the Company's Directors is as follows:

	Fees	Salaries	Discretionary bonuses ⁽¹⁾	Pension costs	Estimated money value of other benefits ⁽²⁾	Total
	US\$ in thousands					
Year ended December 31, 2018						
Executive Directors						
Sheldon Gary Adelson	—	—	—	—	—	—
Wong Ying Wai	—	2,337	1,494	117	667	4,615
Non-Executive Directors						
Robert Glen Goldstein	—	—	—	—	—	—
Charles Daniel Forman	150	—	—	—	—	150
Independent Non-Executive Directors						
Chiang Yun	150	—	—	—	—	150
Victor Patrick Hoog Antink	180	—	—	—	—	180
Steven Zygmunt Strasser	180	—	—	—	—	180
Kenneth Patrick Chung	150	—	—	—	—	150
Wang Sing ⁽³⁾	117	—	—	—	—	117
	927	2,337	1,494	117	667	5,542

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (CONTINUED)

(b) Directors' emoluments (continued)

	Fees	Salaries	Discretionary bonuses ⁽¹⁾	Pension costs	Estimated money value of other benefits ⁽²⁾	Total
	US\$ in thousands					
Year ended December 31, 2017						
Executive Directors						
Sheldon Gary Adelson	—	—	—	—	—	—
Wong Ying Wai	—	2,334	1,497	116	637	4,584
Non-Executive Directors						
Robert Glen Goldstein	—	—	—	—	—	—
Charles Daniel Forman	150	—	—	—	—	150
Independent Non-Executive Directors						
Chiang Yun	150	—	—	—	—	150
Victor Patrick Hoog Antink	180	—	—	—	—	180
Steven Zygmunt Strasser	180	—	—	—	—	180
Kenneth Patrick Chung	150	—	—	—	—	150
Wang Sing ⁽³⁾	70	—	—	—	—	70
	880	2,334	1,497	116	637	5,464

(1) The discretionary bonuses are determined by reference to the individual performance of the Directors and the Chief Executive and the Group's performance, and approved by the Remuneration Committee.

(2) Other benefits mainly include share-based compensation, accommodation, meals, home leave tickets and medical insurance.

(3) Wang Sing was appointed as an Independent Non-Executive Director with effect from July 14, 2017 and resigned as an Independent Non-Executive Director with effect from October 11, 2018.

The Executive Directors' emoluments were for their services in connection with the management of the affairs of the Group. The Non-Executive Directors' and Independent Non-Executive Directors' emoluments were for their services as directors of the Company.

In addition to the Directors' emoluments disclosed above, Sheldon Gary Adelson and Robert Glen Goldstein received compensation (inclusive of share-based compensation) from LVS in respect of their services to LVS and its subsidiaries (including our Group). An amount of US\$3 million (2017: US\$3 million) was charged by LVS to the Group in respect of such management and administrative services of Robert Glen Goldstein provided to the Group for the year ended December 31, 2018.

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (CONTINUED)

(b) Directors' emoluments (continued)

No emoluments were paid to any Directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2017: nil).

With the exception of the continuing connected transactions disclosed in the 2018 Annual Report of the Company, none of the Directors has any material interests in transactions, arrangements or contracts entered into by the Company or the LVS Group.

None of the Directors waived or has agreed to waive any emoluments during the year (2017: nil).

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include one (2017: one) Director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2017: four) individuals during the year are as follows:

	Year ended December 31,	
	2018	2017
	US\$ in thousands	
Basic salaries, allowances and benefits in kind	5,496	5,462
Bonus	2,551	2,980
Pension costs	191	191
	8,238	8,633

The emoluments of the above mentioned individuals fall within the following bands:

	Year ended December 31,	
	2018	2017
	Number of individuals	
HK\$13,000,001 (approximately US\$1,677,000)– HK\$13,500,000 (approximately US\$1,742,000)	1	1
HK\$15,500,001 (approximately US\$2,000,000)– HK\$16,000,000 (approximately US\$2,065,000)	1	—
HK\$16,000,001 (approximately US\$2,065,000)– HK\$16,500,000 (approximately US\$2,129,000)	1	—
HK\$16,500,001 (approximately US\$2,129,000)– HK\$17,000,000 (approximately US\$2,194,000)	—	1
HK\$18,000,001 (approximately US\$2,323,000)– HK\$18,500,000 (approximately US\$2,387,000)	—	1
HK\$18,500,001 (approximately US\$2,387,000)– HK\$19,000,000 (approximately US\$2,452,000)	—	1
HK\$19,000,001 (approximately US\$2,452,000)– HK\$19,500,000 (approximately US\$2,516,000)	1	—
	4	4

No emoluments were paid to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the year ended December 31, 2018 (2017: nil).

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. OTHER EXPENSES AND LOSSES

(a) An analysis of the operating expenses is as follows:

	Note	Year ended December 31,	
		2018	2017
		US\$ in millions	
Gaming tax		3,430	2,925
Employee benefit expenses		1,238	1,193
Depreciation and amortization		655	676
Inventories consumed		99	98
Other expenses and losses	(i)	1,089	921
Operating expenses		6,511	5,813

Note: The prior year presentation has been adjusted for the adoption of IFRS 15, Revenue from Contracts with Customers, and conformed to the current year presentation.

(i) Analysis of other expenses and losses is as follows:

	Note	Year ended December 31,	
		2018	2017
		US\$ in millions	
Utilities and operating supplies		207	200
Contract labor and services		151	141
Loss on disposal of property and equipment, investment properties and intangible assets ⁽ⁱ⁾		131	12
Advertising and promotions		124	116
Royalty fees		112	103
Repairs and maintenance		93	83
Management fees	29(a)(ii)	50	42
Operating lease expense		15	30
Provision for expected credit losses, net		9	—
Provision for doubtful accounts, net		—	4
Auditor's remuneration		2	2
Net foreign exchange (gains)/losses		(4)	11
Other support services		100	111
Other operating expenses		99	66
		1,089	921

(i) The loss for the year ended December 31, 2018 consisted primarily of US\$128 million of assets disposed of related to the Four Seasons Tower Suites Macao project.

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. OTHER EXPENSES AND LOSSES (CONTINUED)

(b) The operating expenses can also be analyzed as follows:

	Year ended December 31,	
	2018	2017
	US\$ in millions	
Casino	4,216	3,646
Rooms	185	176
Mall	53	53
Food and beverage	252	241
Convention, ferry, retail and other	212	209
Provision for expected credit losses, net	9	—
Provision for doubtful accounts, net	—	4
General and administrative expense	672	657
Corporate expense	125	121
Pre-opening expense	5	7
Depreciation and amortization	655	676
Net foreign exchange (gains)/losses	(4)	11
Loss on disposal of property and equipment, investment properties and intangible assets	131	12
Operating expenses	6,511	5,813

Note: The prior year presentation has been adjusted for the adoption of IFRS 15, Revenue from Contracts with Customers, and conformed to the current year presentation.

8. INTEREST EXPENSE, NET OF AMOUNTS CAPITALIZED

	Year ended December 31,	
	2018	2017
	US\$ in millions	
Senior Notes	103	—
Bank borrowings	85	117
Amortization of deferred financing costs	22	21
Finance lease liabilities	8	7
Standby fee and other financing costs	11	10
	229	155
Less: interest capitalized	(4)	(2)
Interest expense, net of amounts capitalized	225	153

A capitalization rate of 3.2% to 5.4% (2017: 2.7% to 3.3%) was used, representing the effective finance costs of the loans to finance the assets under construction.

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. INCOME TAX (BENEFIT)/EXPENSE

	Year ended December 31,	
	2018	2017
	US\$ in millions	
Current income tax		
Lump sum in lieu of Macao complementary tax on dividends	5	5
Other overseas taxes	—	1
Deferred income tax (benefit)/expense	(12)	16
Income tax (benefit)/expense	(7)	22

Deferred income tax benefit was US\$12 million for the year ended December 31, 2018, compared to deferred income tax expense of US\$16 million for the year ended December 31, 2017. The deferred income tax benefit in 2018 was primarily due to the reversal of deferred tax liabilities related to accelerated tax depreciation allowance. The 2017 deferred income tax expense was primarily driven by the increase in valuation allowance related to net operating tax losses which either expired or are expected to expire without being utilized.

(a) Macao complementary tax

Macao complementary tax is levied at progressive rates ranging from 3% to 9% on the taxable income above MOP32,000 (equivalent to US\$4,000) but below MOP300,000 (equivalent to US\$37,500), and thereafter at a fixed rate of 12%. For the year ended December 31, 2018, a special complementary tax incentive was provided to the effect that the tax free income threshold was increased from MOP32,000 to MOP600,000 (equivalent to US\$4,000 to US\$75,000) with the profit above MOP600,000 (equivalent to US\$75,000) being taxed at a fixed rate of 12% (2017: same).

Pursuant to the Dispatch No. 320/2013 issued by the Chief Executive of Macao on October 3, 2013, VML was granted an extension of the tax exemption regarding Macao complementary tax on its gaming activities for an additional five years, effective from the tax year 2014 to the tax year 2018. Pursuant to the Dispatch No. 194/2018 issued by the Chief Executive of Macao on August 20, 2018, VML was granted an extension of the tax exemption through June 26, 2022, the date VML's subconcession agreement expires. Regarding the other subsidiaries, during the year ended December 31, 2018, Macao complementary tax is calculated progressively at a maximum of 12% of the estimated assessable profit (2017: same).

(b) Lump sum in lieu of Macao complementary tax on dividends

VML entered into a Shareholder Dividend Tax Agreement with the Macao Government. The agreement provided for an annual payment in lieu of Macao complementary tax otherwise due by VML's shareholders on dividend distributions to them from gaming profits, effective through the end of 2013. In May 2014, VML entered into another Shareholder Dividend Tax Agreement with the Macao Government for an extension of the agreement through 2018 to correspond to the Macao complementary tax exemption on its gaming activities (see also Note 9(a)). In September 2018, VML requested an additional agreement with the Macao Government through June 26, 2022, to correspond to the expiration of the extension of the tax exemption regarding Macao complementary tax on its gaming activities; however, there is no certainty the agreement will be granted.

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. INCOME TAX (BENEFIT)/EXPENSE (CONTINUED)

(c) Hong Kong profits tax

The Company's subsidiaries that carry on business in Hong Kong are subject to the Hong Kong profits tax at the maximum rate of 16.5% for the year ended December 31, 2018, and at 16.5% for the year ended December 31, 2017.

(d) Reconciliation between income tax (benefit)/expense and accounting profit at applicable tax rates

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the domestic tax rates applicable to profits of the consolidated entities in the respective jurisdictions as follows:

	Year ended December 31,	
	2018	2017
	US\$ in millions	
Profit before income tax	1,868	1,625
Tax calculated at domestic rates applicable to profits in the respective jurisdictions	238	208
Tax effects of:		
Income not subject to tax ⁽ⁱ⁾	(905)	(837)
Expenses not deductible for tax purposes ^{(i), (ii)}	574	549
Amortization of pre-opening expenses previously not recognized	(3)	(9)
Origination and reversal of temporary difference, net	4	20
Tax losses for which no deferred income tax assets were recognized	80	87
Lump sum in lieu of Macao complementary tax of dividends	5	5
Other	—	(1)
Income tax (benefit)/expense	(7)	22

- (i) During the year ended December 31, 2018, VML was exempt from Macao complementary tax on its gaming activities (see also Note 9(a)). In addition, lease/right of use income recorded in VML, Venetian Cotai Limited ("VCL") and Venetian Orient Limited ("VOL") were subject to property tax (Note (ii)), and should, therefore, also be excluded from Macao complementary tax calculations. Accordingly, casino revenues and lease/right of use income and their corresponding expenses incurred were presented as "Income not subject to tax" and "Expenses not deductible for tax purposes", respectively, in the calculations above (2017: same).

Additionally, for the year ended December 31, 2018, the Company received dividend income from a subsidiary. The dividend income is not subject to Hong Kong profits tax (2017: same).

- (ii) Lease/right of use income recorded in VML, VCL and VOL are exempt from property tax for the first four and six years for the newly constructed buildings in Macao and on Cotai, respectively, pursuant to Article 9(1)(a) of Lei no. 19/78/M. If the buildings in Macao and on Cotai also qualify for Tourism Utility Status, the property tax exemption can be extended by another four and six years, respectively, pursuant to Article 15(a) of Lei no. 81/89/M. The exemption for the Sands Macao expired in August 2012 and that for The Venetian Macao, The Plaza Macao and The Parisian Macao will be expiring in August 2019, August 2020 and September 2028 respectively. Regarding Sands Cotai Central, the procedures for registration at the tax department are in progress and the exact date of expiration of the exemption cannot be determined at this stage.

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the year ended December 31, 2018, the Company had outstanding share options that would potentially dilute the ordinary shares (2017: same).

The calculation of basic and diluted earnings per share is based on the following:

	Year ended December 31,	
	2018	2017
Profit attributable to equity holders of the Company (US\$ in millions)	1,875	1,603
Weighted average number of shares for basic earnings per share (thousand shares)	8,078,946	8,072,709
Adjustment for share options (thousand shares)	7,328	4,544
Weighted average number of shares for diluted earnings per share (thousand shares)	8,086,274	8,077,253
Earnings per share, basic	US23.21 cents	US19.86 cents
Earnings per share, basic ⁽ⁱ⁾	HK181.75 cents	HK155.22 cents
Earnings per share, diluted	US23.19 cents	US19.85 cents
Earnings per share, diluted ⁽ⁱ⁾	HK181.59 cents	HK155.14 cents

- (i) The translation of US\$ amounts into HK\$ amounts has been made at the exchange rate on December 31, 2018 of US\$1.00 to HK\$7.8306 (2017: US\$1.00 to HK\$7.8157).

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. DIVIDENDS

	Year ended December 31,	
	2018	2017
	US\$ in millions	
2018 interim dividend of HK\$0.99 (equivalent to US\$0.127) per ordinary share declared on January 18, 2019 and paid	1,023	—
2018 final dividend of HK\$1.00 (equivalent to US\$0.127) per ordinary share declared on March 15, 2019	1,033	—
2017 interim dividend of HK\$0.99 (equivalent to US\$0.127) per ordinary share declared on January 19, 2018 and paid	—	1,023
2017 final dividend of HK\$1.00 (equivalent to US\$0.127) per ordinary share declared on May 25, 2018 and paid	—	1,030
	2,056	2,053

On January 18, 2019, the Board declared an interim dividend of HK\$0.99 (equivalent to US\$0.127) per share, payable to Shareholders of the Company whose names appeared on the register of members of the Company on February 4, 2019. The interim dividend, amounting in aggregate to HK\$8.0 billion (equivalent to US\$1.02 billion), was paid on February 22, 2019.

On March 15, 2019, the Board proposed the payment of a final dividend of HK\$1.00 (equivalent to US\$0.127) per share, which is subject to the approval of the Shareholders at the forthcoming annual general meeting. Based on the ordinary shares in issue as at February 28, 2019, the total amount of the final dividend to be distributed is estimated to be approximately HK\$8.08 billion (equivalent to US\$1.03 billion).

Both the interim and final dividends referred to above have not been recognized as a liability as at December 31, 2018. They will be reflected as appropriations of reserves during 2019.

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. INVESTMENT PROPERTIES, NET

	Completed	Under development US\$ in millions	Total
At January 1, 2017			
Cost	1,353	243	1,596
Accumulated depreciation	(274)	—	(274)
At January 1, 2017	1,079	243	1,322
Year ended December 31, 2017			
Opening net book amount	1,079	243	1,322
Additions	48	—	48
Adjustments arising from change in lease term of leasehold interests in land	2	—	2
Adjustments to project costs	(8)	—	(8)
Transfers	241	(241)	—
Depreciation	(44)	—	(44)
Exchange difference	(7)	(2)	(9)
Closing net book amount	1,311	—	1,311
At December 31, 2017			
Cost	1,626	—	1,626
Accumulated depreciation	(315)	—	(315)
At December 31, 2017	1,311	—	1,311
Year ended December 31, 2018			
Opening net book amount	1,311	—	1,311
Additions	62	—	62
Adjustments to project costs	5	—	5
Disposals	(92)	—	(92)
Transfers	(609)	—	(609)
Depreciation	(45)	—	(45)
Exchange difference	(3)	—	(3)
Closing net book amount	629	—	629
At December 31, 2018			
Cost	988	—	988
Accumulated depreciation	(359)	—	(359)
At December 31, 2018	629	—	629

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. INVESTMENT PROPERTIES, NET (CONTINUED)

Pursuant to IAS 40 “Investment Property”, an entity shall transfer a property to/or from investment property when and only when there is a change in use. Subsequent to the Board’s approval in October 2017 to introduce approximately 370 new suites in the apart-hotel tower at The Londoner Macao and approximately 290 new suites in the Four Seasons Tower Suites Macao, observable actions have taken place to support management’s intention to convert the apart-hotel tower at The Londoner Macao and the Four Seasons Tower Suites Macao to owner-occupied assets. As a result, during the year ended December 31, 2018, the assets pertaining to the apart-hotel tower at The Londoner Macao and the Four Seasons Tower Suites Macao with an aggregate carrying amount of US\$609 million were transferred from investment properties to property and equipment.

The Group engaged an independent professional valuer, Knight Frank Petty Limited, to perform the valuation of the Group’s investment properties, which are located in Macao, on an annual basis. Knight Frank Petty Limited is a professionally qualified independent external valuer, and had appropriate recent experience in the relevant location and category of the properties being valued. In determining the fair value of the investment properties, the valuer uses assumptions and estimates that reflect, amongst other factors, comparable market transactions in an active market, lease/right of use income from current leases/rights of use and assumptions about lease/right of use income from future leases/rights of use in light of current market conditions, capitalization rates, terminal yield and reversionary income potential. Valuations were based on income and an open market value approach for all completed properties (except for the apart-hotel tower at The Londoner Macao as at December 31, 2017) as follows:

	December 31, 2018	2017 ⁽ⁱ⁾
	US\$ in millions	
Fair value of the investment properties	8,243	9,248

(i) Amount includes US\$1,488 million related to the Four Seasons Tower Suites Macao.

For the apart-hotel tower at The Londoner Macao, the valuation was determined by taking into account the market value of the proposed development assuming completion as at the date of valuation and then deducting from that amount the estimated costs to complete the development. The fair value of this property as at December 31, 2017 was US\$801 million.

In estimating the fair value of the properties, the highest and best use of the properties is their current use. The fair value estimate of the Group’s investment properties is a Level 3 fair value measurement.

The following amounts have been recognized in the consolidated income statement:

	Year ended December 31, 2018	2017
	US\$ in millions	
Mall income	507	479
Direct operating expenses arising from investment properties that generate right of use income	51	55
Direct operating expenses that did not generate right of use income	5	2

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. PROPERTY AND EQUIPMENT, NET

The movements of property and equipment for the year are as follows:

	Leasehold interests in land	Land improvements	Buildings and building improvements	Leasehold improvements	Vehicles US\$ in millions	Ferries	Furniture, fittings & equipment	Construction- in-progress	Total
At January 1, 2017									
Cost	584	338	8,485	8	40	251	1,644	132	11,482
Accumulated depreciation	(97)	(123)	(1,924)	(7)	(28)	(104)	(1,088)	—	(3,371)
At January 1, 2017	487	215	6,561	1	12	147	556	132	8,111
Year ended December 31, 2017									
Opening net book amount	487	215	6,561	1	12	147	556	132	8,111
Additions	—	1	—	1	—	—	52	214	268
Adjustments arising from change in lease term of leasehold interests in land	13	—	—	—	—	—	—	—	13
Adjustments to project costs	(1)	39	(40)	—	—	—	(5)	4	(3)
Disposals	—	(7)	(4)	—	—	—	(4)	(10)	(25)
Transfers	—	16	147	—	—	—	82	(245)	—
Depreciation	(14)	(16)	(407)	(1)	(4)	(13)	(167)	—	(622)
Exchange difference	—	(1)	(48)	—	—	—	(4)	(2)	(55)
Closing net book amount	485	247	6,209	1	8	134	510	93	7,687
At December 31, 2017									
Cost	596	381	8,510	7	40	251	1,724	93	11,602
Accumulated depreciation	(111)	(134)	(2,301)	(6)	(32)	(117)	(1,214)	—	(3,915)
At December 31, 2017	485	247	6,209	1	8	134	510	93	7,687
Year ended December 31, 2018									
Opening net book amount	485	247	6,209	1	8	134	510	93	7,687
Additions	10	1	2	—	3	—	98	385	499
Adjustments to project costs	—	—	(5)	—	—	—	3	(6)	(8)
Disposals	—	(4)	(34)	—	—	—	(4)	(1)	(43)
Transfers	69	13	725	—	—	—	114	(312)	609
Depreciation	(12)	(14)	(421)	—	(4)	(12)	(135)	—	(598)
Exchange difference	—	—	(11)	—	—	—	(1)	—	(12)
Closing net book amount	552	243	6,465	1	7	122	585	159	8,134
At December 31, 2018									
Cost	675	389	9,161	7	43	251	1,904	159	12,589
Accumulated depreciation	(123)	(146)	(2,696)	(6)	(36)	(129)	(1,319)	—	(4,455)
At December 31, 2018	552	243	6,465	1	7	122	585	159	8,134

Interest expense of US\$4 million (Note 8) (2017: US\$2 million) and other direct costs of US\$23 million (2017: US\$13 million) have been capitalized for the year ended December 31, 2018.

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. PROPERTY AND EQUIPMENT, NET (CONTINUED)

The Group received land concessions from the Macao Government to build on the sites on which Sands Macao, The Venetian Macao, The Plaza Macao, Sands Cotai Central and The Parisian Macao are located. The Group does not own these land sites; however, the land concessions, which have an initial term of 25 years and are renewable at the Group's option, in accordance with Macao laws, grant the Group exclusive use of the land. As specified in the land concessions, the Group is required to pay premiums for each parcel as well as annual rent for the term of the land concessions, which may be revised every five years by the Macao Government. The initial land lease premiums for all parcels have been fully paid. The finance lease obligations for land are disclosed in Note 26(a). We anticipate a useful life of 50 years related to these land concessions.

As at December 31, 2017, other than the land concession for Parcel 3, the Group's rights arising from its land concessions were collateralized by a first-priority security for the Group's indebtedness under the 2016 VML Credit Facility (see Note 24). In addition, the Group's rights over the parcels of land were charged as security to a financial institution for issuing a bank guarantee to the Macao Government to guarantee the annual rent payments. As at December 31, 2018, there were no charges on the Group's property and equipment.

Equipment includes the following amounts where the Group is the lessee under finance leases:

	December 31, 2018	2017
	US\$ in millions	
Cost	14	16
Accumulated depreciation	(10)	(10)
Net book amount	4	6

The Group leases various equipment under non-cancelable finance lease agreements. The lease terms are between three and five years and ownership of the assets resides with the Group.

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. FINANCIAL INSTRUMENTS BY CATEGORY

	Note	December 31, 2018	2017
		US\$ in millions	
Financial assets			
Amortized cost:			
Trade and other receivables, net	17	427	249
Restricted cash and cash equivalents	18	13	11
Cash and cash equivalents	20	2,676	1,239
Deposits		3	3
FVTPL:			
Interest rate swaps	25	15	—
Total		3,134	1,502

	Note	December 31, 2018	2017
		US\$ in millions	
Financial liabilities			
Amortized cost:			
Trade and other payables	23	1,635	1,272
Borrowings	24	5,562	4,412
Total		7,197	5,684

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. INTANGIBLE ASSETS, NET

	Computer software
	US\$ in millions
At January 1, 2017	
Cost	79
Accumulated amortization	(44)
At January 1, 2017	35
Year ended December 31, 2017	
Opening net book amount	35
Additions	9
Amortization	(10)
Closing net book amount	34
At December 31, 2017	
Cost	88
Accumulated amortization	(54)
At December 31, 2017	34
Year ended December 31, 2018	
Opening net book amount	34
Additions	24
Amortization	(12)
Closing net book amount	46
At December 31, 2018	
Cost	112
Accumulated amortization	(66)
At December 31, 2018	46

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. DEFERRED INCOME TAX LIABILITIES

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

The movements of the deferred tax liabilities are as follows:

	Accelerated depreciation allowance	Tax losses	Total
		US\$ in millions	
At January 1, 2017	(68)	21	(47)
Credit/(charge) for the year	5	(21)	(16)
Currency translation differences	1	—	1
At December 31, 2017	(62)	—	(62)
Credit for the year	12	—	12
At December 31, 2018	(50)	—	(50)

Deferred tax assets are recognized for tax loss carryforwards to the extent realization of the related tax benefit through future taxable profits is probable. The unrecognized deferred income tax assets in respect of losses that can be carried forward against future taxable income and pre-opening expenses are as follows:

	December 31, 2018	2017
	US\$ in millions	
Arising from unused tax losses	270	263
Arising from pre-opening expenses	6	9
	276	272

As at December 31, 2018, subject to the agreement by tax authorities, out of the total unrecognized tax losses of approximately US\$2,210 million (2017: US\$2,140 million), an amount of approximately US\$122 million (2017: US\$124 million) can be carried forward indefinitely. The remaining amount of approximately US\$2,088 million (2017: US\$2,016 million), will expire in one to three years (2017: same).

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS, NET

		December 31, 2018	2017
	Note	US\$ in millions	
Trade receivables		461	348
Less: provision for credit losses		(94)	(111)
Trade receivables, net	(a)	367	237
Other receivables		60	12
Prepayments		56	36
Deferred rent		81	77
Less: amortization of deferred rent		(46)	(43)
provision for doubtful deferred rent		(4)	(3)
Prepayments, net		87	67
Trade and other receivables and prepayments, net		514	316
Less: non-current portion:			
prepayments		(18)	(4)
deferred rent		(19)	(19)
		(37)	(23)
Current portion		477	293

As at January 1, 2017, trade receivables, net from contracts with customers amounted to US\$297 million.

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS, NET (CONTINUED)

The trade and other receivables, net of provision for credit losses, are denominated in the following currencies:

	December 31, 2018	2017
	US\$ in millions	
HK\$	341	210
MOP	29	37
US\$	57	2
	427	249

(a) Trade receivables, net

The aging analysis of trade receivables, net of provision for credit losses, is as follows:

	December 31, 2018	2017
	US\$ in millions	
0–30 days	236	171
31–60 days	39	32
61–90 days	28	21
Over 90 days	64	13
	367	237

The carrying values of trade receivables approximate their fair values at each balance sheet date. The maximum exposure to credit risk is the fair values of trade receivables at each balance sheet date.

Trade receivables are comprised of casino, mall and hotel receivables. The Group extends credit to approved customers, tenants and gaming promoters following background checks and investigations of creditworthiness. Business or economic conditions, the legal enforceability of gaming debts, or other significant events in foreign countries could affect the collectability of receivables from customers and gaming promoters residing in these countries.

Trade receivables mainly consist of casino receivables. Credit is granted to certain gaming promoters on a revolving basis. All gaming promoter credit lines are generally subject to monthly review and regular settlement procedures to evaluate the current status of liquidity and financial health of these gaming promoters. Credit is granted based on the performance and financial background of the gaming promoter and, if applicable, the gaming promoter's guarantor. Absent special approval, the credit period granted to selected premium and mass market players is typically 7–15 days, while for gaming promoters, the receivable is typically repayable within one month following the granting of the credit, subject to terms of the relevant credit agreement. The Group generally does not charge interest for credit granted, but requires a personal check or other acceptable forms of security.

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS, NET (CONTINUED)

(a) Trade receivables, net (continued)

The Group maintains an allowance for doubtful casino, mall and hotel receivables and regularly evaluates the balances. The Group specifically analyzes the collectability of each account with a significant balance, based upon the age of the account, the customer's financial condition, collection history and any other known information, and the Group makes an allowance for trade receivables. The Group also monitors regional and global economic conditions and forecasts in its evaluation of the adequacy of the recorded allowances. Table games play is primarily cash play, as credit play represented approximately 15.3% (2017: 15.4%) of total table games play for the year ended December 31, 2018. The credit extended to gaming promoters can be offset by the commissions payable to and front money made by these gaming promoters, which is considered in the establishment of the allowance for doubtful accounts.

The Group currently has a legally enforceable right to offset the commissions payable and front money deposits against the casino receivables and intends to settle on a net basis. As at December 31, 2018, a gross amount of casino receivables after provision for credit losses of US\$442 million (2017: US\$298 million), was offset by commissions payable and front money deposits in an aggregate amount of US\$191 million (2017: US\$148 million), resulting in net amounts of casino receivables after provision for credit losses of US\$251 million (2017: US\$150 million).

There is a concentration of credit risk related to net casino receivables as 33.3% (2017: 45.2%) of the casino receivables as at December 31, 2018 were from the top five customers. Other than casino receivables, there is no other concentration of credit risk with respect to trade receivables as the Group has a large number of customers. The Group believes the concentration of its credit risk in casino receivables is mitigated substantially by its credit evaluation process, credit policies, credit control and collection procedures, and also believes no significant credit risk is inherent in the Group's trade receivables not provided for as at December 31, 2018 and 2017.

As at December 31, 2018, included in the Group's trade receivables balance are debtors with aggregate carrying amount of US\$247 million which are past due as at the reporting date. The Directors of the Company are in the view there have been no significant increase in credit risk nor default because these relate to a number of independent customers that are either active and or have a good track record and established creditworthiness with the Group.

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS, NET (CONTINUED)

(a) Trade receivables, net (continued)

As at December 31, 2018, except for credit impaired balances and outstanding significant balances with gross amount of US\$167 million that have been assessed individually, as part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers because these remaining customers consist of a large number of small customers with common risk characteristics representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix as at December 31, 2018 within lifetime ECL.

		Trade receivables US\$ in millions
Provision matrix — debtors' aging	Average loss rate	
Current (not past due)	—	86
Past due 1–90 days	2%–10%	102
Past due 91–360 days	15%–25%	56
Past due over 360 days	50%–100%	50
		294

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

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

	Year ended December 31, 2018 US\$ in millions
At beginning of year	111
Provision for expected credit losses, net	7
Amounts written-off	(24)
At end of year	94

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS, NET (CONTINUED)

(a) Trade receivables, net (continued)

Comparative information under IAS 39

As at December 31, 2017, net trade receivables of approximately US\$74 million, were past due but not impaired. These relate to a number of independent customers that have a good track record with the Group. Extension of the credit period, with terms and conditions subject to special approvals, has been granted to these customers. The aging analysis of these trade receivables that were past due but not impaired based on the original terms is as follows:

	December 31, 2017 US\$ in millions
Past due 1–30 days	34
Past due 31–60 days	21
Past due 61–90 days	4
Past due over 90 days	15
	74

As at December 31, 2017, trade receivables of US\$136 million, were past due and impaired and the amount of the provision was US\$111 million. The receivables mainly relate to casino customers, which are in unexpected difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered and thus not impaired. The aging of these past due receivables is as follows:

	December 31, 2017 US\$ in millions
Past due 1–30 days	1
Past due 31–60 days	14
Past due 61–90 days	6
Past due over 90 days	115
	136

The Group maintains an allowance for doubtful accounts and regularly evaluates the balances.

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS, NET (CONTINUED)

(a) Trade receivables, net (continued)

Comparative information under IAS 39 (continued)

Movements of provision of doubtful trade receivables for the year ended December 31, 2017 are as follows:

	Year ended December 31, 2017 US\$ in millions
At beginning of year	169
Provision for doubtful account, net	1
Amounts written-off	(58)
Exchange difference	(1)
At end of year	111

(b) Other receivables and deferred rent

The carrying values of other receivables approximate their fair values at each balance sheet date, which also represent the Group's maximum exposure to credit risk as at December 31, 2018. The Group holds security deposits, bank guarantees and letters of credit for certain other receivables and deferred rent. Impairment charges of US\$2 million (2017: US\$3 million) related to deferred rent were recorded for the year ended December 31, 2018, and included in "Other expenses and losses" in the consolidated income statement. Amounts are charged to the provision account and generally written off when the recoverability is remote.

18. RESTRICTED CASH AND CASH EQUIVALENTS

	December 31, 2018	2017
	US\$ in millions	
Cash at bank	2	2
Short-term bank deposit	11	9
	13	11

Restricted cash and cash equivalents represent sinking funds set aside to cover the cost of capital expenses, including repairs, renovations, replacements and maintenance of a substantial but infrequent or irregular nature of the Group's shopping malls. As at December 31, 2018, the restricted cash and cash equivalents are denominated in MOP (2017: same).

As at December 31, 2018, the effective interest rate on the short-term bank deposit is 1.9% (2017: 0.8%). The deposit has a maturity of 88 days (2017: 89 days).

The maximum exposure to credit risk is the carrying amount of restricted cash and cash equivalents at each balance sheet date.

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. INVENTORIES

	December 31, 2018	2017
	US\$ in millions	
Food and beverage	9	8
Retail products	2	3
Ferry parts	1	2
General operating supplies and other	2	2
	14	15

As at December 31, 2018, all inventories were carried at cost (2017: same).

20. CASH AND CASH EQUIVALENTS

	December 31, 2018	2017
	US\$ in millions	
Cash at bank and on hand	503	512
Short-term bank deposits	2,173	727
	2,676	1,239

The cash and cash equivalents are denominated in the following currencies:

	December 31, 2018	2017
	US\$ in millions	
HK\$	1,497	1,134
US\$	1,066	18
MOP	82	69
Japanese Yen	13	6
Singapore dollar	10	6
RMB	8	6
	2,676	1,239

As at December 31, 2018, the effective interest rates on short-term bank deposits ranged from 1.4% to 3.1% (2017: 0.5% to 1.5%) per annum. These deposits have maturities ranging from 8 to 88 days (2017: 11 to 62 days).

The carrying values of cash equivalents are their fair values as at December 31, 2018 (2017: same).

The maximum credit exposure of cash and cash equivalents of the Group as at December 31, 2018 amounted to US\$2,494 million (2017: US\$1,011 million).

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. SHARE CAPITAL

	Ordinary shares of US\$0.01 each	US\$ in millions
Authorized		
At January 1, 2017, December 31, 2017 and December 31, 2018	16,000,000,000	160
Issued and fully paid:		
At January 1, 2017	8,071,130,245	81
Shares issued upon exercise of share options	3,287,521	—
At December 31, 2017	8,074,417,766	81
Shares issued upon exercise of share options	6,185,925	—
At December 31, 2018	8,080,603,691	81

22. RESERVES

The amount of the Group's reserves and the movements therein for the current and prior years are set out in the consolidated statement of changes in equity.

(i) Capital reserve

The capital reserve represents the combined share premium of Venetian Venture Development Intermediate Limited ("VVDIL") and Cotai Services (HK) Limited.

(ii) Statutory reserve

The statutory reserve represents amounts set aside from the income statement that are not distributable to Shareholders/quota-holders of the group companies incorporated.

The Macao Commercial Code #432 requires that companies incorporated in Macao that are limited by shares should set aside a minimum of 10% of the company's profit after taxation to the statutory reserve until the balance of the reserve reaches a level equivalent to 25% of the company's capital.

For companies incorporated in Macao that are limited by quotas, the Macao Commercial Code #377 requires that a company should set aside a minimum of 25% of the company's profit after taxation to the statutory reserve until the balance of the reserve reaches a level equivalent to 50% of the company's capital.

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. TRADE AND OTHER PAYABLES

	Note	December 31, 2018 US\$ in millions	2017
Trade payables		33	40
Outstanding chip liability	4	514	418
Customer deposits and other deferred revenue	4	497	424
Other tax payables		325	286
Accrued employee benefit expenses		155	137
Construction payables and accruals		147	111
Interest payables		125	5
Casino liabilities		67	50
Loyalty program liability	4	33	30
Payables to related companies — non-trade	29(b)	9	5
Other payables and accruals		127	123
		2,032	1,629
Less: non-current portion		(104)	(92)
Current portion		1,928	1,537

Note: The prior year presentation has been adjusted for the adoption of IFRS 15, Revenue from Contracts with Customers, and conformed to the current year presentation.

The monetary trade and other payables are denominated in the following currencies:

	December 31, 2018 US\$ in millions	2017
HK\$	997	805
MOP	483	435
US\$	145	30
Other currencies	10	2
	1,635	1,272

The aging analysis of trade payables based on invoice date is as follows:

	December 31, 2018 US\$ in millions	2017
0–30 days	27	29
31–60 days	3	5
61–90 days	2	3
Over 90 days	1	3
	33	40

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. BORROWINGS

	Note	December 31, 2018	2017
		US\$ in millions	
Non-current portion			
Senior Notes, unsecured		5,515	—
Bank loans, secured		—	4,301
Finance lease liabilities on leasehold interests in land, secured	26	122	127
Other finance lease liabilities, secured	26	3	3
		5,640	4,431
Less: deferred financing costs		(88)	(73)
		5,552	4,358
Current portion			
Bank loans, secured		—	47
Finance lease liabilities on leasehold interests in land, secured	26	8	5
Other finance lease liabilities, secured	26	2	2
		10	54
Total borrowings		5,562	4,412

The Group's borrowings are denominated in the following currencies:

	December 31, 2018	2017
	US\$ in millions	
HK\$	—	1,944
US\$	5,427	1,696
MOP	135	772
	5,562	4,412

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. BORROWINGS (CONTINUED)

The contractual maturities of bank loans are as follows:

	December 31, 2018	2017
	US\$ in millions	
Repayable within 1 year	—	47
Repayable over 1 year but not exceeding 2 years	—	110
Repayable over 2 years but not exceeding 5 years	—	4,191
	—	4,348

The estimated fair value of the Group's bank loans as at December 31, 2017 was approximately US\$4.30 billion.

The contractual maturities of Senior Notes are as follows:

	December 31, 2018	2017
	US\$ in millions	
Repayable over 2 years but not exceeding 5 years	1,800	—
Repayable over 5 years	3,700	—
	5,500	—
Fair value adjustment of the interest rate swaps	15	—
	5,515	—

The estimated fair value of the Group's Senior Notes as at December 31, 2018 was approximately US\$5.52 billion.

Senior Notes

On August 9, 2018, the Company issued three series of senior unsecured notes in an aggregate principal amount of US\$5.50 billion, consisting of US\$1.80 billion of 4.600% senior notes due August 8, 2023 (the "2023 Notes"), US\$1.80 billion of 5.125% senior notes due August 8, 2025 (the "2025 Notes") and US\$1.90 billion of 5.400% senior notes due August 8, 2028 (the "2028 Notes" and, together with the 2023 Notes and the 2025 Notes, the "Senior Notes"). A portion of the net proceeds from the issuance was used to repay in full the outstanding borrowings under the 2016 VML Credit Facility (defined below). There are no interim principal payments on the Senior Notes and interest is payable semi-annually in arrears on each February 8 and August 8, commencing on February 8, 2019. In connection with the Senior Notes, the Company entered into fixed-to-variable interest rate swap contracts (see Note 25).

The Senior Notes are general senior obligations. Each series of Senior Notes rank equally in right of payment with all of the Company's existing and future senior unsecured debt and rank senior in right of payment to all of the Company's future subordinated debt, if any. The Senior Notes are effectively subordinated in right of payment to all of the Company's future secured debt (to the extent of the value of the collateral securing such debt) and are structurally subordinated to all of the liabilities of the Company's subsidiaries. None of the Company's subsidiaries guarantee the Senior Notes.

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. BORROWINGS (CONTINUED)

Senior Notes (continued)

The Senior Notes were issued pursuant to an indenture, dated August 9, 2018 (the “Indenture”), between the Company and U.S. Bank National Association, as trustee. Upon the occurrence of certain events described in the Indenture, the interest rate on the Senior Notes may be adjusted. The Indenture contains covenants, subject to customary exceptions and qualifications, that limit the ability of the Company and its subsidiaries to, among other things, incur liens, enter into sale and leaseback transactions and consolidate, merge, sell or otherwise dispose of all or substantially all of the Company’s assets on a consolidated basis. The Indenture also provides for customary events of default.

2018 SCL Credit Facility

On November 20, 2018, the Company as borrower, entered into a facility agreement with the arrangers and lenders named therein and Bank of China Limited, Macau Branch, as agent for the lenders, (the “2018 SCL Credit Facility”) pursuant to which the lenders made available a US\$2.0 billion revolving unsecured credit facility to the Company (the “2018 SCL Revolving Facility”). The facility is available until July 31, 2023, and the Company may draw loans under the facility, which may consist of general revolving loans (consisting of a United States dollar component and a Hong Kong dollar component) or loans drawn under a swing-line loan sub-facility (denominated in either United States dollars or Hong Kong dollars). The Company may utilize the loans for general corporate purposes and working capital requirements of the Company and its subsidiaries.

Loans under the 2018 SCL Revolving Facility bear interest calculated by reference to (1) in the case of general revolving loans denominated in United States dollars, the London Interbank Offered Rate (“LIBOR”), (2) in the case of loans denominated in United States dollars drawn under the swing-line loan sub-facility, a United States dollar alternate base rate (determined by reference to, among other things, the United States dollar prime lending rate and the Federal Funds Effective Rate), (3) in the case of general revolving loans denominated in Hong Kong dollars, the Hong Kong Interbank Offered Rate (“HIBOR”) or (4) in the case of loans denominated in Hong Kong dollars drawn under the swing-line loan sub-facility, a Hong Kong dollar alternate base rate (determined by reference to, among other things, the Hong Kong dollar prime lending rate), in each case, plus a margin determined by reference to the consolidated leverage ratio. The initial margin for general revolving loans is 2.0% per annum and the initial margin for loans drawn under the swing-line loan sub-facility is 1.0% per annum. The Company is also required to pay a commitment fee of 0.60% per annum on the undrawn amounts under the 2018 SCL Revolving Facility. As at December 31, 2018, the Company had US\$2.0 billion of available borrowing capacity under the 2018 SCL Revolving Facility.

The 2018 SCL Credit Facility contains affirmative and negative covenants customary for similar unsecured financings, including, but not limited to, limitations on indebtedness secured by liens on principal properties and sale and leaseback transactions. The 2018 SCL Credit Facility also requires the Company to maintain a maximum ratio of total indebtedness to trailing twelve-month adjusted earnings before interest, income taxes, depreciation and amortization, as defined in the 2018 SCL Credit Facility (the “SCL Credit Facility Adjusted EBITDA”) of 4.00 to 1.00 throughout the life of the facility, and a minimum ratio of the SCL Credit Facility Adjusted EBITDA to net interest expense (including capitalized interest) of 2.50 to 1.00 throughout the life of the facility.

The 2018 SCL Credit Facility also contains certain events of default (some of which are subject to grace and remedy periods and materiality qualifiers), including, but not limited to, events relating to the Company’s gaming operations and the loss or termination of certain land concession contracts.

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. BORROWINGS (CONTINUED)

2016 VML Credit Facility

Two subsidiaries of the Company, VML US Finance LLC, the Borrower, and Venetian Macau Limited ("VML"), as guarantor, entered into a credit agreement (the "2016 VML Credit Facility"), which pursuant to various amendments, provided for a US\$4.12 billion term loan (the "2016 VML Term Loans"), a US\$269 million non-extended term loan ("the 2016 Non-Extended VML Term Loans"), and a US\$2.0 billion revolving facility (the "2016 VML Revolving Facility," and together with the 2016 VML Term Loans and the 2016 Non-Extended VML Term Loans, the "2016 VML Credit Facility"). Borrowings under the 2016 VML Term Loans were used for working capital requirements and general corporate purposes, including to make any investment or payment not specifically prohibited by the terms of the loan documents.

The Company paid standby fees of 0.5% per annum on the undrawn amounts under the 2016 VML Revolving Facility. For the year end December 31, 2018, the weighted average interest rate on the 2016 VML Credit Facility was 3.1% (2017: 2.6%).

As previously described, a portion of the proceeds from the Senior Notes were used to repay the outstanding borrowings under the 2016 VML Credit Facility. As a result, the Company recorded a US\$72 million loss on early retirement of debt during the year ended December 31, 2018.

On November 20, 2018, the 2016 VML Credit Facility was terminated with effect as of November 21, 2018. As a result, the Company recorded a US\$9 million loss on early retirement of debt during the year ended December 31, 2018.

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those 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.

	Non-cash changes								Balance at December 31, 2018
	Balance at January 1, 2018	Financing cash flows ⁽ⁱ⁾	Accruals	Amortization	Foreign exchange movement	Adjustment arising from adoption of IFRS 9	Loss on modification or early retirement of debt	Fair value adjustment of the interest rate swaps	
US\$ in millions									
Senior notes	—	5,500	—	—	—	—	—	15	5,515
Bank loans	4,348	(4,337)	—	—	(11)	—	—	—	—
Finance lease liabilities on leasehold interests in land	132	(13)	11	—	—	—	—	—	130
Other finance lease liabilities	5	(2)	2	—	—	—	—	—	5
Deferred financing costs	(73)	(90)	(2)	22	—	(24)	79	—	(88)
Interest payables	5	(128)	248	—	—	—	—	—	125
Dividend payables	—	(2,052)	2,053	—	(1)	—	—	—	—
	4,417	(1,122)	2,312	22	(12)	(24)	79	15	5,687

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. BORROWINGS (CONTINUED)

Reconciliation of liabilities arising from financing activities (continued)

	Balance at January 1, 2017	Financing cash flows ⁽ⁱ⁾	Accruals	Amortization	Non-cash changes			Adjustment arising from change in lease term of leasehold interests in land	Balance at December 31, 2017
					Foreign exchange movement	True-up adjustment			
					US\$ in millions				
Bank loans	4,388	(19)	—	—	(21)	—	—	—	4,348
Finance lease liabilities on leasehold interests in land	72	(2)	—	—	—	(1)	63	—	132
Other finance lease liabilities	8	(3)	—	—	—	—	—	—	5
Deferred financing costs	(94)	—	—	21	—	—	—	—	(73)
Interest payables	47	(128)	134	—	—	—	(48)	—	5
Dividend payables	—	(2,067)	2,069	—	(2)	—	—	—	—
	4,421	(2,219)	2,203	21	(23)	(1)	15	—	4,417

- (i) The cash flows from bank loans make up the net amount of proceeds from bank loans and repayments of bank loans in the statement of cash flows.

25. DERIVATIVE FINANCIAL INSTRUMENTS

Accounting standards require an entity to recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value. If specific conditions are met, a derivative may be designated as a hedge of specific financial exposures. The accounting for changes in fair value of a derivative depends on the intended use of the derivative and, if used in hedging activities, on its effectiveness as a hedge. In order to qualify for hedge accounting, the underlying hedged item must expose the Company to risks associated with market fluctuations and the financial instrument used must be designated as a hedge and must reduce the Company's exposure to market fluctuation throughout the hedge period.

Changes in market rates and prices, such as interest rates, foreign currency exchange rates and commodity prices, can impact the Company's results of operations. The Company's primary exposures to market risk are interest rate risk associated with long-term debt and foreign currency exchange rate risk associated with the Company's operations. The Company has a policy aimed at managing interest rate risk associated with its current and anticipated future borrowings and foreign currency exchange rate risk associated with operations of its foreign subsidiaries. This policy enables the Company to use any combination of interest rate swaps, futures, options, caps, forward contracts and similar instruments. The Company does not hold or issue financial instruments for trading purposes and does not enter into derivative transactions that would be considered speculative positions.

In August 2018, the Company entered into interest rate swap agreements (the "IR Swaps"), which qualified and were designated as fair value hedges, swapping fixed-rate for variable-rate interest to hedge changes in the fair value of interest payments. These IR Swaps have a total notional value of US\$5.50 billion and expire in August 2020.

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The total fair value of the IR Swaps as of December 31, 2018 was US\$56 million. In the accompanying consolidated balance sheets, US\$15 million was recorded as an asset in "Trade and other receivables and prepayments, net" with an equal corresponding adjustment recorded against the carrying value of the Senior Notes. The realized portion of IR Swaps of US\$41 million was recorded as interest receivables in "Trade and other receivables and prepayments, net". The fair value of the IR Swaps was estimated using level 2 inputs from recently reported market forecasts of interest rates. Gains and losses due to changes in fair value of the IR Swaps completely offset changes in the fair value of the hedged portion of the underlying debt; therefore, no gain or loss has been recognized due to hedge ineffectiveness. Additionally, for the year ended December 31, 2018, the Company recorded US\$9 million as a reduction to interest expense related to the realized amount associated with the IR Swaps.

26. FINANCE LEASE LIABILITIES

The Group is a lessee under finance leases for land and equipment.

Lease liabilities are effectively secured as the rights of the leased assets will revert to the lessor in the event of default.

- (a) The future minimum lease payments (including interest) and the present value of the minimum lease payments under finance lease obligations for land are as follows:

	December 31, 2018	2017
	US\$ in millions	
Minimum finance lease payments:		
No later than 1 year	8	5
Later than 1 year and no later than 2 years	5	5
Later than 2 years and no later than 5 years	16	16
Later than 5 years	312	318
	341	344
Future finance charges on finance lease obligations	(211)	(212)
Present value of finance lease liabilities	130	132
Present value of minimum finance lease payments:		
No later than 1 year	8	5
Later than 1 year and no later than 2 years	5	5
Later than 2 years and no later than 5 years	12	13
Later than 5 years	105	109
	130	132

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. FINANCE LEASE LIABILITIES (CONTINUED)

- (b) The future minimum lease payments (including interest) and the present value of the minimum lease payments under finance lease obligations for equipment are as follows:

	December 31, 2018	2017
	US\$ in millions	
Minimum finance lease payments:		
No later than 1 year	2	2
Later than 1 year and no later than 2 years	2	1
Later than 2 years and no later than 5 years	1	2
	5	5
Present value of minimum finance lease payments:		
No later than 1 year	2	2
Later than 1 year and no later than 2 years	2	1
Later than 2 years and no later than 5 years	1	2
	5	5

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

Cash generated from operations is as follows:

	Year ended December 31,	
	2018	2017
	US\$ in millions	
Profit before income tax	1,868	1,625
Adjustments for:		
Interest income	(20)	(5)
Interest and other finance costs	203	132
Depreciation and amortization	655	676
Amortization of deferred financing costs	22	21
Amortization of deferred rent	15	15
Amortization of other assets	3	3
Loss on disposal of property and equipment, investment properties and intangible assets	131	12
Loss on modification or early retirement of debt	81	—
Provision for expected credit losses, net	9	—
Provision for doubtful accounts, net	—	4
Share-based compensation, net of amount capitalized	13	12
Net foreign exchange (gains)/losses	(5)	11
Changes in working capital:		
Other assets	(1)	(1)
Inventories	1	(1)
Trade and other receivables and prepayments	(180)	37
Trade and other payables	260	91
Cash generated from operations	3,055	2,632

28. OPERATING LEASE ARRANGEMENTS, COMMITMENTS AND CONTINGENCIES

(a) Operating lease arrangements

(i) The Group as the lessee

The Group had future aggregate minimum lease payments under non-cancelable operating leases for property and equipment as follows:

	December 31,	
	2018	2017
	US\$ in millions	
No later than 1 year	5	4
Later than 1 year and no later than 5 years	2	2
	7	6

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. OPERATING LEASE ARRANGEMENTS, COMMITMENTS AND CONTINGENCIES (CONTINUED)

(a) Operating lease arrangements (continued)

(ii) The Group as the lessor/grantor of the right of use

The future aggregate minimum lease/base fee receivables under non-cancelable agreements are as follows:

	December 31, 2018	2017
	US\$ in millions	
No later than 1 year	331	344
Later than 1 year and no later than 5 years	602	727
Later than 5 years	59	52
	992	1,123

Turnover fees earned during the year ended December 31, 2018 were US\$64 million (2017: US\$28 million).

(b) Capital commitments

Property and equipment commitments not provided for are as follows:

	December 31, 2018	2017
	US\$ in millions	
Contracted but not provided for	507	201

(c) Litigation

The Group has contingent liabilities arising in the ordinary course of business. Management has made estimates for potential litigation costs based upon consultation with legal counsel. Actual results could differ from these estimates; however, in the opinion of management, such litigation and claims will not have a material adverse effect on the Group's financial condition, results of operations or cash flows.

(d) Concession and Subconcession

On June 26, 2002, the Macao Government granted a concession to operate casinos in Macao through June 26, 2022, subject to certain qualifications, to Galaxy, a consortium of Macao and Hong Kong-based investors. During December 2002, VML and Galaxy entered into a subconcession agreement that was recognized and approved by the Macao Government and allows VML to develop and operate casino projects, including The Venetian Macao, Sands Cotai Central, The Parisian Macao, The Plaza Macao and Sands Macao, separately from Galaxy. Beginning on December 26, 2017, the Macao Government may redeem the subconcession agreement by providing the Group at least one year's prior notice. The subconcession of VML will expire on June 26, 2022.

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. OPERATING LEASE ARRANGEMENTS, COMMITMENTS AND CONTINGENCIES (CONTINUED)

(d) Concession and Subconcession (continued)

Under the subconcession, the Group is obligated to pay to the Macao Government an annual premium with a fixed portion and a variable portion based on the number and type of gaming tables it employs and gaming machines it operates. The fixed portion of the premium is equal to MOP30 million (approximately US\$4 million at the exchange rate in effect on December 31, 2018). The variable portion is equal to MOP300,000 per gaming table reserved exclusively for certain kinds of games or players, MOP150,000 per gaming table not so reserved and MOP1,000 per electrical or mechanical gaming machine, including slot machines (approximately US\$37,195, US\$18,598 and US\$124, respectively, at the exchange rate in effect on December 31, 2018), subject to a minimum of MOP45 million (approximately US\$6 million at the exchange rate in effect on December 31, 2018). The Group is also obligated to pay a special gaming tax of 35% of gross gaming revenues and applicable withholding taxes. The Group must also contribute 4% of its gross gaming revenue to utilities designated by the Macao Government, a portion of which must be used for promotion of tourism in Macao. Based on the number and types of gaming tables employed and gaming machines in operation as at December 31, 2018, the Group was obligated under its subconcession to make minimum future payments of approximately US\$42 million in each of the next three years in the period ending December 31, 2021, and approximately US\$21 million during the year ending December 31, 2022.

(e) Construction labor

The Group, in the past, has utilized an imported construction labor quota granted to it and its appointed construction manager, Hsin Chong Engineering (Macau) Limited, by the Human Resources Office of the Macao Government for purposes of completing outstanding areas within Sands Cotai Central and The Parisian Macao project and for additions and alterations work in The Venetian Macao, The Plaza Macao and Sands Cotai Central (the "Old Group Quota"). Following the completion of The Parisian Macao project, the Old Group Quota was held exclusively by the Group. The Old Group Quota was set to expire on December 31, 2018. In December 2018, the Group applied to the Labor Affairs Office of the Macao Government for the renewal of the Old Group Quota as well as for the granting of an additional imported construction labor quota ("New Group Quota", and together with the "Old Group Quota", the "Group Quota"), which were approved and granted in January 2019. The Group retained a new construction management company, BCA (Macau) Limited, to manage the Group Quota in future development works on behalf of, and as directed by the Group with the Group's contractors and consultants. The Group Quota covers the importation of overseas staff and workers that represents only part of the imported staff and labor required to complete the construction work. The remainder of the imported staff and labor are covered by separate quotas awarded by the Labor Affairs Office of the Macao Government directly to the various construction companies contracted by the Group for the construction work, including BCA (Macau) Limited (the "Contractor Quota").

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. OPERATING LEASE ARRANGEMENTS, COMMITMENTS AND CONTINGENCIES (CONTINUED)

(e) Construction labor (continued)

The Group is primarily liable for all employer costs associated with persons employed under the Group Quota. In the past, such employees were managed and supervised by the Group's contractors. The contractors utilizing the Group Quota are contractually obligated to pay all employer costs and to indemnify the Group for any costs they may incur as a result of the persons employed. In addition, the Group has the right of recovering the costs they may incur against any amounts due to the contractors. The Group, however, may still have a contingency for the payments to the construction labor if the contractors fail to pay the salaries and the Group is unable to fully recover the amounts due to the construction labor from the contractors. Up to December 31, 2018, the Group continued to employ imported staff and labor under the Old Group Quota. Upon the approval and grant of the Group Quota in January 2019, the Group employs imported staff and labor under the Group Quota.

The Group is not directly liable for employer costs associated with staff and labor imported by contractors under the Contractor Quota.

29. RELATED PARTY TRANSACTIONS

For the purposes of these consolidated financial statements, parties are considered to be related to the Group if the party has the ability, directly or indirectly, to exercise significant influence over the Group in making financial and operating decisions, or vice versa. Related parties may be individuals (being members of key management personnel, significant Shareholders and/or their close family members) or other entities, and include entities which are under the significant influence of related parties of the Group where those parties are individuals. The Group's immediate holding company is VVDI (II). LVS is the Group's ultimate holding company. Related companies represent the group companies of the LVS Group.

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with related parties during the year:

(a) Transactions during the year

(i) Management fee income

	Year ended December 31,	
	2018	2017
	US\$ in millions	
LVS	1	1
Intermediate holding companies	—	1
Fellow subsidiaries	4	3
	5	5

Management services are provided by the Group to LVS Group companies. These services include, but are not limited to, accounting services, information technology support, sourcing of goods and services, and design, development and construction consultancy services. Management fees are charged at actual costs incurred or on a cost-plus basis.

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions during the year (continued)

(ii) Management fee expense

	Year ended December 31,	
	2018	2017
	US\$ in millions	
LVS	20	14
Fellow subsidiaries	7	6
	27	20

Management services are provided by LVS Group companies. These services include, but are not limited to, human resources support, accounting services, sourcing of goods and services, sourcing of tenants for the malls, transportation services, other various types of marketing and promotion activities for the Group, and design, development and construction consultancy services. Management fees are charged at actual costs incurred or on a cost-plus basis.

Management fee expense disclosed below can be reconciled to the management fees as disclosed in Note 5(a), Note 5(b) and Note 7(a)(i) as follows:

	Note	Year ended December 31,	
		2018	2017
		US\$ in millions	
Total management fees disclosed in "Related party transactions" and expensed in the consolidated income statement		27	20
Represented by management fees presented within:			
Segment information — Corporate expense	5(a)	6	6
Segment information — Pre-opening expense	5(b)	—	1
Other operating and administrative departments		21	13
		27	20
Reconciled to management fees presented with "Other expenses and losses" as below:			
Net management fees charged by related parties and expensed through the consolidated income statement		27	20
Management fees charged by third parties		23	22
Total management fees expensed	7(a)(i)	50	42

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions during the year (continued)

(iii) Expenses billed to/paid by other LVS group companies

During the year, the Group incurred certain expenses on behalf of other LVS group companies, or vice versa. The Group charged/reimbursed other LVS group companies for these expenses at cost.

(iv) Key management personnel remuneration

No transactions have been entered into with the Directors of the Company (being the key management personnel) during the year ended December 31, 2018 other than the emoluments paid to them (being the key management personnel remuneration) as disclosed in Note 6 (2017: same).

(v) Royalty fees

In November 2009, the Group entered into an agreement with Las Vegas Sands, LLC ("LVS LLC"), an intermediate holding company incorporated in the United States of America, for the use of the trademarks and other intellectual property rights as defined in the agreement. For each of the full fiscal years through the full fiscal year ended December 31, 2012, the Group was required to pay LVS LLC an annual royalty in the amount of 1.5% of non-gaming revenue and Paiza-related gaming revenue of the Sands Macao, 1.5% of all revenue of The Venetian Macao, and 1.5% of all gaming revenue of the Plaza Casino at The Plaza Macao (the "Relevant Royalty"), provided that the total royalty payable in connection with these three properties in each fiscal year was capped at US\$20 million per full fiscal year. For each of the subsequent full fiscal years through the full fiscal year ending December 31, 2022, the Group is required to pay an annual royalty being the lesser of the Relevant Royalty or the annual caps reflecting an increase of 20.0% for each subsequent year. Each subsequent Casino Gaming property the Group operates which utilizes any of the licensed marks in connection with generating the relevant revenue will pay for each of the first three fiscal calendar years after commencement of operations of each subsequent property, a royalty fee of 1.5% of the respective gross revenues of the operations in connection with which such licensed marks are used (each, the "Subsequent Casino Gaming Property Royalty"), subject to a US\$20 million cap per fiscal year. For the fiscal calendar years thereafter until expiration of the initial term, the Group will pay LVS LLC an annual royalty being the lesser of the Subsequent Casino Gaming Property Royalty or the annual caps reflecting an increase of 20.0% for each subsequent year. After the commencement of the operation of Sands Cotai Central and The Parisian Macao in April 2012 and September 2016 respectively, the Group is required to pay royalty fees in connection with these properties. During the year ended December 31, 2018, the Group incurred US\$106 million (2017: US\$98 million) of royalty fees.

(vi) Share-based compensation

The Group participates in the share-based compensation plan of LVS (Notes 6 and 30).

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Year-end balances between the Group and related companies

	Note	December 31, 2018 US\$ in millions	2017
Payables to related companies:			
LVS		4	2
Intermediate holding company		4	3
Fellow subsidiaries		1	—
	23	9	5

The credit period on the payables to related companies is 45 days. The payables are unsecured and interest-free.

30. SHARE-BASED COMPENSATION

(a) Share options of the Company

The Company adopted the Equity Award Plan in November 2009 for grants of options to purchase ordinary shares of the Company. The purpose of the Equity Award Plan is to give the Company a competitive edge in attracting, retaining and motivating employees, directors and consultants and to provide the Company with a share plan providing incentives directly related to increases in its Shareholder value. Subject to certain criteria as defined in the Equity Award Plan, the Company's subsidiaries' or affiliates' employees, directors or officers and many of its consultants are eligible for awards under the Equity Award Plan. The Equity Award Plan provides for an aggregate of 804,786,508 shares of the Company's ordinary shares to be available for awards, representing 10% of the outstanding shares upon completion of the Global Offering. The Equity Award Plan has a term of ten years and no further awards may be granted after the expiration of the term. The Company's Remuneration Committee may grant awards of share options, share appreciation rights, restricted share awards, restricted share units, share bonus awards, performance compensation awards or any combination of the foregoing. As at December 31, 2018, there were 714,665,526 shares available for grant under the Equity Award Plan.

Share option awards are granted with an exercise price not less than (i) the closing price of the Company's ordinary shares on the date of grant or (ii) the average closing price of the Company's ordinary shares for the five business days immediately preceding the date of grant. The outstanding share options generally vest over four years and have ten-year contractual terms. Compensation cost for all share option grants, which all have graded vesting, is net of estimated forfeitures and is recognized on an accelerated granted attribution approach over the awards' respective requisite service periods. The Company estimates the fair value of share options using the Black-Scholes option-pricing model. Expected volatilities are based on the Company's historical volatility for a period equal to the expected life of the share options. The expected option life is based on the contractual term of the option as well as historical exercise and forfeiture behavior. The risk-free interest rate for periods equal to the expected term of the share option is based on the Hong Kong Government Bond rate in effect at the time of the grant for share options granted subsequent to March 31, 2015 and based on the Hong Kong Exchange Fund Note rate in effect at the time of the grant for share options granted on or before March 31, 2015. The expected dividend yield is based on the estimate of annual dividends expected to be paid at the time of the grant. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. SHARE-BASED COMPENSATION (CONTINUED)

(a) Share options of the Company (continued)

A summary of the share option activity for the Company's Equity Award Plan is presented below:

	Year ended December 31,		2017	
	2018	Weighted average exercise price US\$	Number of options '000	Weighted average exercise price US\$
Outstanding at January 1	48,252	4.39	38,185	4.48
Granted	18,873	5.62	17,364	4.23
Exercised	(6,186)	3.74	(3,287)	3.61
Forfeited	(3,557)	5.24	(4,010)	5.20
Outstanding at December 31	57,382	4.81	48,252	4.39
Exercisable at December 31	18,152	5.00	14,608	5.02

The weighted average share price at the date of exercise for share options exercised during the year was US\$5.72 (2017: US\$4.74).

The range of exercise prices and the weighted average remaining contractual life of the above share options outstanding as at the dates indicated are as follows:

	December 31,		2017	
	2018	Weighted average remaining contractual life (years)	Number of options outstanding '000	Weighted average remaining contractual life (years)
Range of exercise prices US\$	Number of options outstanding '000			
1.01–2.00	811	1.29	893	2.30
2.01–3.00	283	2.80	470	3.74
3.01–4.00	14,805	6.94	19,311	7.79
4.01–5.00	18,673	8.00	20,108	8.76
5.01–6.00	15,991	9.01	592	5.82
6.01–7.00	2,227	7.26	1,868	6.56
7.01–8.00	2,554	5.29	2,972	6.28
8.01–9.00	2,038	5.21	2,038	6.21
	57,382	7.64	48,252	7.82

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. SHARE-BASED COMPENSATION (CONTINUED)

(a) Share options of the Company (continued)

The fair value of each option grant was estimated on the grant date using the Black-Scholes option-pricing model with the following weighted average assumptions:

	Year ended December 31,	
	2018	2017
Expected volatility	36.0%	36.9%
Expected life (years)	4.7	4.4
Risk-free annual interest rate	1.7%	1.3%
Expected dividends	5.8%	6.6%
Weighted average share price at the date of grant (US\$)	5.58	4.23
Weighted average exercise price (US\$)	5.62	4.23
Weighted average fair value of each share option granted by the Company (US\$)	1.01	0.71

(b) Restricted share units of the Company

The grant date fair value of restricted share units is the share price of the ordinary shares of the Company at the respective grant date. The number of unvested equity-settled restricted share units represents the number of ordinary shares of the Company to be given to the employees upon vesting.

Summaries of the unvested restricted share units under the Company's Equity Award Plan are presented below:

	Year ended December 31,			
	2018		2017	
	Number of restricted share units '000	Weighted average grant date fair value US\$	Number of restricted share units '000	Weighted average grant date fair value US\$
Equity-settled				
Unvested at January 1	—	—	852	7.51
Granted	—	—	—	—
Modified to cash-settled	—	—	(852)	7.51
Unvested at December 31	—	—	—	—

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. SHARE-BASED COMPENSATION (CONTINUED)

(b) Restricted share units of the Company (continued)

	Year ended December 31,			
	2018		2017	
	Number of restricted share units '000	Weighted average grant date fair value US\$	Number of restricted share units '000	Weighted average grant date fair value US\$
Cash-settled				
Unvested at January 1	852	7.51	236	7.13
Modified from equity-settled	—	—	852	7.51
Vested	(852)	7.51	(236)	7.13
Unvested at December 31	—	—	852	7.51

As a result of the Company cash-settling and planning to cash-settle certain future unvested restricted share units on their vesting dates, 852,000 outstanding restricted share units under the Equity Award Plan were modified from equity awards to cash-settled liability awards during the year ended December 31, 2017. The modification affected four employees and resulted in no additional compensation expense. The fair value of these awards is remeasured each reporting period until the vesting dates. Upon settlement, the Group will pay the grantees an amount in cash calculated based on the higher of (i) the closing price of the Company's shares on the vesting date, and (ii) the average closing price of the Company's shares for the five trading days immediately preceding the vesting date. If the vesting date is not a trading day, the trading day immediately preceding the vesting date shall be considered as the vesting date. All cash-settled restricted share units have been vested during the year ended December 31, 2018. During the year ended December 31, 2018, the Company paid US\$5 million (2017: US\$3 million) to settle vested restricted share units that were previously classified as equity awards. As at December 31, 2017, the accrued liability associated with these cash-settled restricted share units was US\$4 million. For the year ended December 31, 2018, no fair value gain or loss on remeasurement of the liability was recognized in the consolidated financial statements (2017: same).

(c) Share options of LVS

The Group participates in the equity-settled share-based compensation plan of LVS and is a party to a non-qualified share option plan, the 2004 Plan, which is described below. The plan provides for the granting of share options pursuant to the applicable provisions of the Internal Revenue Code and regulations in the United States of America.

LVS adopted the 2004 Plan, to which the Group is a party, for grants of options to purchase its common shares. The purpose of the 2004 Plan is to give LVS and its subsidiaries (collectively the "LVS Group") a competitive edge in attracting, retaining, and motivating employees, directors and consultants and to provide the LVS Group with a share plan providing incentives directly related to increases in its shareholder value. Any of the LVS Group's employees, directors or officers and many of its consultants are eligible for awards under the 2004 Plan. The 2004 Plan provides for an aggregate of 26,344,000 shares of LVS' common shares to be available for awards. The 2004 Plan originally had a term of ten years, but in June 2014, the LVS' board of directors approved an amendment to the 2004 Plan, extending the term to December 2019. LVS' compensation committee may grant awards of non-qualified share options, incentive (qualified) share options, share appreciation rights, restricted share awards, restricted share units, share bonus awards, performance compensation awards or any combination of the foregoing. As at December 31, 2018, there were 917,674 shares available for grant under the 2004 Plan.

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. SHARE-BASED COMPENSATION (CONTINUED)

(c) Share options of LVS (continued)

Share option awards are granted with an exercise price equal to the fair market value (as defined in the 2004 Plan) of LVS' share on the date of grant. The outstanding share options generally vest over three to four years and have ten-year contractual terms. Compensation cost for all share option grants, which all have graded vesting, is net of estimated forfeitures and is recognized on an accelerated granted attribution approach over the awards' respective requisite service periods. LVS estimates the fair value of share options using the Black-Scholes option-pricing model. Expected volatilities are based on LVS' historical volatility for a period equal to the expected life of the share options. The expected option life is based on the contractual term of the option as well as historical exercise and forfeiture behavior. The risk-free interest rate for periods equal to the expected term of the share options is based on the U.S. Treasury yield curve in effect at the time of grant. The expected dividend yield is based on the estimate of annual dividends expected to be paid at the time of the grant. LVS has no legal or constructive obligation to repurchase or settle the options in cash.

For the purpose of financial reporting of the Group, share-based compensation expense arising from the granting of share options by LVS to the Directors and employees of the Group, to the extent of services rendered to the Group, is deemed to have been allocated to the Group as its expense with the corresponding increase in the share option reserve under equity in the relevant companies comprising the Group.

A summary of the share option activity for the 2004 Plan operated by LVS is presented below:

	Year ended December 31,			
	2018		2017	
	Number of options '000	Weighted average exercise price US\$	Number of options '000	Weighted average exercise price US\$
Outstanding at January 1	198	72.83	357	71.20
Granted	23	77.44	34	63.13
Exercised	(62)	66.18	(34)	51.09
Transfer-out ⁽ⁱ⁾	—	—	(12)	22.90
Expired	(102)	80.08	(147)	75.93
Outstanding at December 31	57	69.00	198	72.83
Exercisable at December 31	11	63.13	164	74.83

- (i) Transfer-in and transfer-out represent movement of options owned by grantees who transferred from other subsidiaries of LVS to the Group, or vice versa.

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. SHARE-BASED COMPENSATION (CONTINUED)

(c) Share options of LVS (continued)

The fair value of each option grant under the 2004 Plan was estimated on the grant date using the Black-Scholes option-pricing model with the following weighted average assumptions:

	Year ended December 31,	
	2018	2017
Expected volatility	25.0%	25.4%
Expected life (years)	5.5	5.0
Risk-free annual interest rate	2.5%	2.0%
Dividend yield	3.9%	4.6%
Weighted average share price (US\$)	77.44	63.13
Weighted average exercise price (US\$)	77.44	63.13
Weighted average fair value of each share option granted by LVS (US\$)	12.67	8.82

The range of exercise prices and the weighted average remaining contractual life of the above share options outstanding as at the dates indicated are as follows:

	December 31,		December 31,	
	2018		2017	
Range of exercise prices US\$	Number of options outstanding '000	Weighted average remaining contractual life (years)	Number of options outstanding '000	Weighted average remaining contractual life (years)
60.01–70.00	34	8.81	96	3.62
70.01–80.00	23	9.07	—	—
80.01–90.00	—	—	102	0.22
	57	8.92	198	1.87

Options exercised during the year ended December 31, 2018 resulted in 61,875 (2017: 34,475) shares of LVS being issued at a weighted average price of US\$66.18 (2017: US\$51.09). The related weighted average share price at the time of exercise was US\$77.66 (2017: US\$69.08) during the year.

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. SHARE-BASED COMPENSATION (CONTINUED)

(d) Restricted shares and Units of LVS

Grant date fair value of the restricted shares and units is the share price of the ordinary shares of LVS at the respective grant date. The number of unvested restricted shares and units represents the number of ordinary shares of LVS to be given to the employees upon vesting.

A summary of the unvested restricted shares and units under the 2004 Plan operated by LVS is presented below:

	Year ended December 31,			
	2018		2017	
	Number of restricted shares and units '000	Weighted average grant date fair value US\$	Number of restricted shares and units '000	Weighted average grant date fair value US\$
Unvested at January 1	—	—	35	64.78
Granted	—	—	—	—
Vested	—	—	(35)	64.78
Unvested at December 31	—	—	—	—

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall financial risk management program, mainly carried out by a central treasury department and approved by the Board of Directors, focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

(i) Market risk

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates and foreign currency exchange rates.

Interest rate risk

The Group's primary exposure to market risk is interest rate risk associated with its fixed rate long-term borrowings and interest rate swap contracts for the year ended December 31, 2018, and variable rate long-term borrowings for the year ended December 31, 2017. However, management monitors interest rate exposures and will consider hedging significant interest rate risk should the need arise. The Group does not hold or issue financial instruments for trading purposes and does not enter into derivative transactions that would be considered speculative positions. For the year ended December 31, 2018, the Group holds derivative financial instruments which consist of interest rate swap contracts on the fixed rate Senior Notes, which have been designated as hedging instruments for accounting purposes. The Group's borrowings at fixed rates were denominated in US\$ during the year ended December 31, 2018, and the Group's borrowings at variable rates were denominated in US\$, HK\$ and MOP during the year ended December 31, 2017.

As at December 31, 2018, the estimated fair value of fixed rate long-term borrowings was approximately US\$5.52 billion, compared to its carrying value of US\$5.50 billion. The estimated fair value of fixed rate long-term borrowings is based on level 2 inputs (quoted prices in markets that are not active). A change in interest rates on fixed rate long-term borrowings impacts its fair value. A hypothetical 100 basis points change in market rates would cause the fair value of the fixed rate long-term borrowings to change by US\$308 million inclusive of the impact from the interest rate swaps.

The total notional amount of our fixed-to-variable interest rate swaps was US\$5.50 billion as at December 31, 2018. The fair value of the interest rate swaps, on a stand-alone basis, as at December 31, 2018, was an asset of US\$56 million. A hypothetical 100 basis points change in LIBOR would cause the fair value of the interest rate swaps to change by approximately US\$88 million.

As at December 31, 2017, if interest rates on US\$-denominated borrowings had been 50 basis-points higher/lower with all other variables held constant, pre-tax profit for the year would have been lower/higher by US\$9 million. As at December 31, 2017, if interest rates on HK\$-denominated borrowings had been 50 basis-points higher/lower with all other variables held constant, pre-tax profit for the year would have been lower/higher by US\$10 million. As at December 31, 2017, if interest rates on MOP-denominated borrowings had been 50 basis-points higher/lower with all other variables held constant, pre-tax profit would have been lower/higher by US\$3 million. This analysis does not include the effect of interest capitalized.

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (continued)

(i) Market risk (continued)

Foreign exchange risk

The Group's foreign currency transactions are mainly denominated in US\$. The majority of assets and liabilities are denominated in US\$, HK\$ and MOP, and there are no significant assets and liabilities denominated in other currencies. The Group is subject to foreign exchange rate risk arising from future commercial transactions and recognized assets and liabilities denominated in a currency other than MOP, which is the functional currency of the major operating companies within the Group.

For companies with MOP as their functional currency, as at December 31, 2018, if the US\$ had weakened by 1% against the MOP with all other variables held constant, it would cause a foreign currency transaction loss of approximately US\$40 million (2017: US\$15 million), mainly as a result of the translation of US\$-denominated debt held by SCL (2017: US\$-denominated intercompany debt held). If the HK\$ had weakened by 1% against the MOP with all other variables held constant, pre-tax profit for the year would have been lower by approximately US\$11 million (2017: US\$5 million), mainly as a result of the translation of HK\$-denominated cash and cash equivalents, deposits, trade receivables and borrowings (2017: same).

(ii) Credit risk

Financial instruments, which potentially subject the Group to concentrations of credit risk, consist principally of cash and cash equivalents, restricted cash and cash equivalents and trade and other receivables.

The Group maintains cash and cash equivalents and restricted cash and cash equivalents and receivables associated with the derivative contracts with various creditworthy financial institutions. Management monitors this credit risk on an on-going basis and does not believe that the Group has any other significant exposure to any individual or institution as at December 31, 2018 and 2017. See Note 17 for details of credit risk related to trade receivables.

(iii) Liquidity risk

Liquidity risk is the financial risk arising from the difficulty in meeting obligations associated with financial liabilities settled by cash or other financial assets.

The 2018 SCL Credit Facility requires the Group to comply with financial covenants, which include maintaining a maximum leverage ratio of debt to SCL Credit Facility Adjusted EBITDA. The maximum leverage ratio is 4.0x for all quarterly periods through maturity. As at December 31, 2018, the leverage ratio, as defined per the credit facility agreement, was 1.9:1.0, compared to the maximum leverage ratio allowed of 4.0:1.0. If the Group is unable to maintain compliance with the financial covenants under the credit facility, the Group would be in default with regard to any borrowings under the credit facility.

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (continued)

(iii) Liquidity risk (continued)

The Group's financial liabilities, based on the contractual undiscounted cash flows are as follows:

	Within the first year	In the second year	In the third to fifth year	Over the fifth year	Total
	US\$ in millions				
At December 31, 2018					
Senior Notes principal	—	—	1,800	3,700	5,500
Senior Notes interest	277	277	833	698	2,085
Finance lease liabilities on leasehold interests in land	8	5	16	312	341
Other finance lease liabilities	2	2	1	—	5
Trade and other payables	1,546	22	55	12	1,635
At December 31, 2017					
Bank borrowings	182	243	4,440	—	4,865
Finance lease liabilities on leasehold interests in land	5	5	16	318	344
Other finance lease liabilities	2	1	2	—	5
Trade and other payables	1,196	26	47	3	1,272

(b) Capital risk management

The Group's primary objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for Shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk.

The capital structure of the Group consists of debt, which includes borrowings (including current and non-current borrowings as shown in the consolidated balance sheet), net of cash and cash equivalents, and equity attributable to Shareholders, comprising issued share capital and reserves as disclosed in Notes 21 and 22, respectively.

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Capital risk management (continued)

The Group actively and regularly reviews and manages its capital structure to maintain the net debt-to-capital ratio (gearing ratio) at an appropriate level based on its assessment of the current risk and circumstances. This ratio is calculated as net debt divided by total capital. Net debt is calculated as interest bearing borrowings, net of deferred financing costs, less cash and cash equivalents and restricted cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

	December 31, 2018	2017
	US\$ in millions	
Interest bearing borrowings, net of deferred financing costs	5,427	4,275
Less: cash and cash equivalents	(2,676)	(1,239)
restricted cash and cash equivalents	(13)	(11)
Net debt	2,738	3,025
Total equity	4,409	4,538
Total capital	7,147	7,563
Gearing ratio	38.3%	40.0%

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. COMPANY BALANCE SHEET

	Note	December 31, 2018 US\$ in millions	2017
ASSETS			
Non-current assets			
Interests in subsidiaries		1,951	1,811
Note receivable from a subsidiary		5,239	—
Other receivables and prepayments		54	—
Total non-current assets		7,244	1,811
Current assets			
Other receivables and prepayments		64	14
Cash and cash equivalents		279	47
Total current assets		343	61
Total assets		7,587	1,872
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		81	81
Reserves (a)		1,954	1,782
Total equity		2,035	1,863
LIABILITIES			
Non-current liability			
Borrowings		5,427	—
Total non-current liability		5,427	—
Current liability			
Other payables		125	9
Total current liability		125	9
Total liabilities		5,552	9
Total equity and liabilities		7,587	1,872
Net current assets		218	52
Total assets less current liability		7,462	1,863

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. COMPANY BALANCE SHEET (CONTINUED)

(a) The movements of reserves during the year are as follows

	Capital reserve	Share premium	Share-based compensation reserves	Currency translation reserve	Retained earnings	Total
	US\$ in millions					
Balance at January 1, 2017	106	1,411	50	(3)	634	2,198
Profit for the year	—	—	—	—	1,645	1,645
Other comprehensive expense for the year	—	—	—	(11)	—	(11)
Total comprehensive income	—	—	—	(11)	1,645	1,634
Exercise of share options	—	12	—	—	—	12
Conversion of equity awards to liability awards	—	—	(5)	—	—	(5)
Transfer to share premium upon exercise of share options	—	5	(5)	—	—	—
Forfeiture of share options	—	—	(3)	—	3	—
Share-based compensation of the Company	—	—	12	—	—	12
Dividends to equity holders of the Company (Note 11)	—	—	—	—	(2,069)	(2,069)
Balance at December 31, 2017	106	1,428	49	(14)	213	1,782
Profit for the year	—	—	—	—	2,192	2,192
Other comprehensive expense for the year	—	—	—	(4)	—	(4)
Total comprehensive income	—	—	—	(4)	2,192	2,188
Exercise of share options	—	23	—	—	—	23
Transfer to share premium upon exercise of share options	—	6	(6)	—	—	—
Forfeiture of share options	—	—	(4)	—	4	—
Share-based compensation of the Company	—	—	14	—	—	14
Dividends to equity holders of the Company (Note 11)	—	—	—	—	(2,053)	(2,053)
Balance at December 31, 2018	106	1,457	53	(18)	356	1,954

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. PRINCIPAL SUBSIDIARIES

Details of the Group's principal subsidiaries as at December 31, 2018 are as follows:

Name	Place of incorporation or establishment/ operations and date of incorporation or establishment	Principal activities	Particulars of issued share/ registered capital	Effective interests held
Directly held:				
Venetian Venture Development Intermediate Limited	Cayman Islands, June 21, 2002	Investment holding	US\$1	100%
SCL IP Holdings, LLC	United States, September 29, 2009	Holder of trademark licenses	US\$100	100%
Indirectly held:				
Cotai Ferry Company Limited	Macao/Macao and Hong Kong, July 19, 2007	High speed ferry transportation services	MOP10,000,000	100%
Cotai Strip Lot 2 Apart Hotel (Macao) Limited	Macao, October 27, 2008	Hotel apartments	MOP6,498,900 MOP722,100 (preference shares)	100% 100%
Cotai Services (HK) Limited	Hong Kong, July 11, 2007	Investment holding	HK\$1	100%
CotaiJet 311 Ltd.	Cayman Islands/ Macao and Hong Kong, August 14, 2007	Ferry leasing	US\$1	100%
CotaiJet 312 Ltd.	Cayman Islands/ Macao and Hong Kong, August 14, 2007	Ferry leasing	US\$1	100%
CotaiJet 313 Ltd.	Cayman Islands/ Macao and Hong Kong, August 14, 2007	Ferry leasing	US\$1	100%
CotaiJet 314 Ltd.	Cayman Islands/ Macao and Hong Kong, September 12, 2007	Ferry leasing	US\$1	100%

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. PRINCIPAL SUBSIDIARIES (CONTINUED)

Name	Place of incorporation or establishment/ operations and date of incorporation or establishment	Principal activities	Particulars of issued share/ registered capital	Effective interests held
CotaiJet 315 Ltd.	Cayman Islands/ Macao and Hong Kong, September 12, 2007	Ferry leasing	US\$1	100%
CotaiJet 316 Ltd.	Cayman Islands/ Macao and Hong Kong, October 8, 2007	Ferry leasing	US\$1	100%
CotaiJet 317 Ltd.	Cayman Islands/ Macao and Hong Kong, October 8, 2007	Ferry leasing	US\$1	100%
CotaiJet 318 Ltd.	Cayman Islands/ Macao and Hong Kong, October 8, 2007	Ferry leasing	US\$1	100%
CotaiJet 319 Ltd.	Cayman Islands/ Macao and Hong Kong, October 8, 2007	Ferry leasing	US\$1	100%
CotaiJet 320 Ltd.	Cayman Islands/ Macao and Hong Kong, October 8, 2007	Ferry leasing	US\$1	100%
CotaiJet 350 Ltd.	Cayman Islands/ Macao and Hong Kong, January 21, 2008	Ferry leasing	US\$1	100%
CotaiJet 351 Ltd.	Cayman Islands/ Macao and Hong Kong, January 21, 2008	Ferry leasing	US\$1	100%
CotaiJet 352 Ltd.	Cayman Islands/ Macao and Hong Kong, January 21, 2008	Ferry leasing	US\$1	100%
CotaiJet 353 Ltd.	Cayman Islands/ Macao and Hong Kong, January 21, 2008	Ferry leasing	US\$1	100%

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. PRINCIPAL SUBSIDIARIES (CONTINUED)

Name	Place of incorporation or establishment/ operations and date of incorporation or establishment	Principal activities	Particulars of issued share/ registered capital	Effective interests held
Cotaiwaterjet Sea Bridge 1 Ltd.	Cayman Islands/ Macao and Hong Kong, October 27, 2015	Pontoon leasing	US\$1	100%
Cotaiwaterjet Sea Bridge 2 Ltd.	Cayman Islands/ Macao and Hong Kong, October 27, 2015	Pontoon leasing	US\$1	100%
Sands Cotai East Holdings Limited	Cayman Islands/ Macao, May 25, 2011	Holder of hotel franchise agreement	US\$1	100%
Sands Cotai West Holdings Limited	Cayman Islands/ Macao, May 25, 2011	Holder of hotel franchise agreement	US\$1	100%
Sands Resorts Travel Limited	Hong Kong, February 29, 2016	Travel and tourism agency services	HK\$500,000	100%
Sands Venetian Security Limited	Macao, June 22, 2011	Security services	MOP1,000,000	100%
Venetian Cotai Hotel Management Limited	Macao, March 12, 2008	Human resources administration	MOP500,000	100%
Venetian Cotai Limited	Macao, November 11, 2004	Hotels, restaurants, shopping mall, and conference and convention	MOP200,000,000	100%
Venetian Macau Limited (Note (i))	Macao, June 21, 2002	Gaming and other related activities	MOP200,000,000	100%
Venetian Orient Limited	Macao, February 2, 2006	Hotels, restaurants, shopping mall, and conference and convention	MOP100,000	100%
Venetian Retail Limited	Macao, June 15, 2007	Mall management	MOP1,500,000	100%
Venetian Travel Limited	Macao, October 16, 2006	Travel and tourism agency services	MOP2,400,000	100%

4.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. PRINCIPAL SUBSIDIARIES (CONTINUED)

Name	Place of incorporation or establishment/ operations and date of incorporation or establishment	Principal activities	Particulars of issued share/ registered capital	Effective interests held
V-HK Services Limited	Hong Kong, September 6, 2004	Marketing and customer development services for VML	HK\$1	100%
VML US Finance LLC	United States, January 3, 2006	Financing	Nil	100%
Zhuhai Cotai Information Services Outsourcing Co., Ltd. (Note (ii))	PRC, September 30, 2010	Outsourcing services, including information technology, accounting, hotel reservation and marketing	US\$800,000	100%
Zhuhai Cotai Logistics Hotel Services Co., Ltd. (Note (ii))	PRC, September 27, 2007	Procurement, marketing and administrative services	US\$4,500,000	100%

Notes:

- (i) 10% of the company's issued share capital is held through an usufruct agreement whereby VVDIL has the sole and exclusive benefit. Accordingly, the profits and losses and assets and liabilities of the company have been consolidated as to 100% thereof into the consolidated financial statements.
- (ii) These entities are wholly foreign owned enterprises established in the PRC.

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