FINANCIAL REVIEW

Consolidated Results

Total revenue of Hang Lung Properties Limited (the Company) and its subsidiaries (collectively known as "Hang Lung Properties") for the financial year ended December 31, 2020 edged up by 1% to HK$8,973 million, and operating profit stayed flat at HK$6,481 million.

Despite the adverse impact of the novel coronavirus disease (COVID-19), our leasing portfolio revenue grew by 4%, driven by respectable growth in the Mainland portfolio. Property sales revenue dropped by 79% to HK$62 million.

Underlying net profit attributable to shareholders fell by 6% to HK$4,201 million. Underlying earnings per share correspondingly decreased to HK$0.93.

After taking into account the net revaluation loss of properties attributable to shareholders of HK$6,772 million, Hang Lung Properties reported a net loss attributable to shareholders of HK$2,571 million (2019: net profit of HK$6,172 million). The loss per share was HK$0.57 (2019: earnings per share of HK$1.37).

Revenue and Operating Profit

	Revenue			Operating Profit		
	2020 HK$ Million	2019 HK$ Million	Change	**2020 HK$ Million**	2019 HK$ Million	Change
Property Leasing	**8,911**	8,556	4%	**6,437**	6,325	2%
Mainland China	**5,277**	4,544	16%	**3,468**	2,938	18%
Hong Kong	**3,634**	4,012	-9%	**2,969**	3,387	-12%
Property Sales	**62**	296	-79%	**44**	162	-73%
Total	**8,973**	8,852	1%	**6,481**	6,487	–

Dividend

The Board of Directors has recommended a final dividend of HK59 cents per share for 2020 (2019: HK59 cents) to be paid in cash on May 20, 2021, to shareholders whose names are listed on the register of members on May 6, 2021. Together with an interim dividend of HK17 cents per share (2019: HK17 cents), the full year dividends for 2020 amounted to HK76 cents per share (2019: HK76 cents).

Property Leasing

Hang Lung Properties' overall leasing performance for the year increased by 4% to HK$8,911 million. While both the Mainland and Hong Kong portfolios were adversely affected by COVID-19 at the initial outbreak in early 2020, the full-year outcomes were very different. The Mainland portfolio posted a respectable year-on-year revenue growth of 17% in RMB terms and 16% in HKD terms, while the rental revenue of the Hong Kong portfolio declined by 9%.

On the Mainland, the spread of COVID-19 was better contained. Businesses experienced a V-shaped rebound starting from April 2020 along with a post-COVID-19 jump in luxury goods spending. Overall retail sales for the year surpassed last year. On the other hand, Hong Kong experienced ups and downs in waves throughout the year since the outbreak. A fourth-wave outbreak in late November resulted in further tightening of social distancing measures. Consequently, businesses and the overall retail environment in Hong Kong were facing a downturn.

During the year, steps were taken to alleviate the pressure on tenants, including the provision of rent relief and other supporting measures. We donated RMB10 million to establish the "Hang Lung Novel Coronavirus Relief Fund", supporting measures to stem the spread of COVID-19 in mainland China and Hong Kong.

Mainland China

Leasing revenue of our Mainland portfolio rose by 17% to RMB4,675 million, while overall operating profit for the Mainland portfolio grew by 19%. The average rental margin was 66%. Excluding the income from properties opened in the third quarter of 2019, namely Spring City 66 in Kunming, Office Tower 2 at Center 66 in Wuxi, Conrad Shenyang at Forum 66 and the new office tower at Heartland 66 in Wuhan ready for occupancy in November 2020, leasing revenue increased by 11% on a comparable basis.

In the retail businesses, the luxury goods market prospered since April 2020 after COVID-19 came under control in mainland China. Partly due to the repatriation of luxury goods spending caused by overseas travel restrictions, the retail sales growth at malls with higher luxury content in the second half of 2020 more than compensated for the sales drop during the initial outbreak. As a result, Plaza 66 and Grand Gateway 66 in Shanghai, Forum 66 in Shenyang and Center 66 in Wuxi recorded retail sales growth ranging from 9% to 72% against a year ago.

Palace 66 in Shenyang, Parc 66 in Jinan, Riverside 66 in Tianjin and Olympia 66 in Dalian, showed a more gradual recovery, reflecting weaker spending in the non-luxury sector. Although these retail properties posted negative growth on a full-year basis, we sighted the path to recovery with the overall retail sales of these properties returning to the same level in the last quarter of 2020 compared with the same period in 2019.

Overall, the mall portfolio collected 19% more revenue at a total of RMB3,731 million. If excluding the new Spring City 66 mall in Kunming, which opened in August 2019, the leasing income of our eight other Mainland malls grew by 15% year-on-year.

The office portfolio delivered a 2% revenue growth for the year resulting from the full-year effects of Office Tower 2 at Center 66 in Wuxi and the new office tower at Spring City 66 in Kunming, along with a smaller contribution from the Heartland 66 office tower in Wuhan, which was completed for occupancy in late 2020. Revenue from the existing four office towers declined 3% compared with the previous year.

Mainland China Property Leasing Portfolio

Name of Property and City	Revenue 2020 RMB Million	2019 RMB Million	Change	Occupancy Rate* Mall	Office
Plaza 66, Shanghai	**2,032**	1,696	20%	99%	93%
Grand Gateway 66, Shanghai	**984**	853	15%	98%	N/A
Palace 66, Shenyang	**175**	194	-10%	88%	N/A
Forum 66, Shenyang#	**299**	257	16%	89%	90%
Parc 66, Jinan	**297**	322	-8%	94%	N/A
Center 66, Wuxi#	**363**	289	26%	96%	72%
Riverside 66, Tianjin	**168**	186	-10%	76%	N/A
Olympia 66, Dalian	**136**	152	-11%	77%	N/A
Spring City 66, Kunming#	**220**	54	307%	91%	41%
Heartland 66, Wuhan^	**1**	–	N/A	N/A	15%
Total	**4,675**	4,003	17%		
Total in HK$ Million equivalent	**5,277**	4,544	16%		

* All stated occupancy rates were as of December 31, 2020.

\# New properties opened in the second half of 2019: Conrad Shenyang at Forum 66, Office Tower 2 at Center 66 in Wuxi, and the mall and office tower at Spring City 66 in Kunming.

^ New property opened in November 2020: the office tower at Heartland 66 in Wuhan.

Plaza 66, Shanghai

Rental growth of 20% to RMB2,032 million was recorded at Plaza 66.

The mall delivered an outstanding result for the full year despite a dip in performance during the outbreak of COVID-19 in early 2020. The mall had successfully established its firm position as the "Home to Luxury", along with the maturity of our nationwide customer relationship management (CRM) program HOUSE 66. Rental revenue jumped 34% against 2019 while retail sales surged by 60% for the year. We will continue to cultivate customer loyalty and provide exclusive privileges to our members through increased collaborations with our tenants.

Income from the two office towers fell by 4% year-on-year as several tenants vacated their offices during the COVID-19 outbreak. Grade A office rents within the core Central Business District were under pressure in the short-term when some tenants were keen on moving to non-core areas to save costs. Nevertheless, we captured this opportunity to accommodate the expansion of larger international groups in both the fashion and professional services sectors to enhance the overall quality of our tenant portfolio. Plaza 66 maintained its long-term competitiveness in the market with its high quality of tenant-customer engagement programs, customer service and premium hardware. The occupancy rate remained stable at 93% at the end of 2020.

Grand Gateway 66, Shanghai (Mall only)

Grand Gateway 66 completed its three-year Asset Enhancement Initiative (AEI) in the third quarter of 2020. Accordingly, the mall is starting to deliver results according to plan. Through the last phase of its asset enhancement, revenue jumped 15% to RMB984 million. Retail sales grew sharply by 42%. The project is expected to produce good results as it enters its normalized years of operation from 2021 onward.

The project was relaunched as the "Gateway to Inspiration" with a grand party in late November 2020, featuring various entertainment and sales-driven activities involving celebrities and extensive collaborations with tenants. The Grand Gateway 66 mall is repositioned as a regional lifestyle center with a rich luxury content. It now houses a constellation of top international luxury brands in addition to its traditionally strong collection of contemporary fashion and beauty, along with a large variety of food and entertainment. The AEI successfully transformed Grand Gateway 66 into a mall with luxury offerings and has established a solid foundation for future rental growth.

Palace 66, Shenyang

Palace 66 mall revenue fell by 10% to RMB175 million and retail sales dropped by 15% year-on-year, primarily due to the COVID-19 outbreak and extensive public roadworks along the pedestrianized zone that lasted for several months. Shopping sentiment and footfall returned to pre-pandemic levels from the fourth quarter of 2020 along with the completion of the public roadworks. Despite these challenges, Palace 66 seized the opportunity to improve its tenant mix by replacing non-performing tenants with more competitive and unique brands to enhance the location's position as the city's trendiest mall. Occupancy fell by seven points to 88% as of December 31, 2020.

Forum 66, Shenyang

Total revenue of the entire Forum 66 portfolio increased by 16% from the previous year to RMB299 million, mainly attributed to the new income stream from the Conrad Shenyang hotel, which commenced business in September 2019.

Affected by the pandemic in the first half of 2020 and intense competition in the city's luxury market, Forum 66 mall revenue retreated by 7% year-on-year. Occupancy fell by five points to 89%. Sales increased 9% year-on-year. The luxury segment rebounded strongly from May 2020, which narrowed the drop in revenue against last year's. The nationwide CRM program HOUSE 66 was launched in August 2020 to enhance customer experience and loyalty and drive tenants' sales.

Income from the office tower retreated by 2%. Although the office vacancy rate in Shenyang remained high due to ample supply, the occupancy rate achieved 90%, up three points against a year ago, due to Forum 66's strong positioning in the Shenyang office market.

Conrad Shenyang contributed a revenue of RMB80 million for the reporting year. COVID-19-related travel restrictions crushed demand for hotel rooms and catering services in the first half of 2020. Revenue has gradually recovered since May 2020 when business and domestic travels resumed.

Parc 66, Jinan

The Parc 66 mall recorded a 8% decline in revenue to RMB297 million and a 18% drop in retail sales due to the pandemic. Despite the unfavorable trading conditions, the brand improvement exercise continued. The year-end occupancy rate was high at 94%. Retail sales recovered in the fourth quarter of 2020 with 2% growth period-on-period. A major AEI is planned to start in 2021 to pave the way for a stronger mix of brands. The renovation is scheduled for completion in phases from 2022 onwards.

Center 66, Wuxi

Center 66 achieved remarkable rental growth of 26% to RMB363 million.

The Center 66 mall became the heart of luxury in the city upon the migration of top luxury brands from other locations in Wuxi to Center 66. As a result, revenue and retail sales jumped by 30% and 72% respectively, primarily due to higher base and turnover rent from the luxury labels. We saw strong growth momentum in the second half of 2020 when retail sales leaped by 125% against the corresponding period of 2019. The mall continues to drive solid and sustainable growth in luxury sales through its HOUSE 66 program.

Total income from the two office towers advanced by 16% resulting from the expansion of some existing tenants and the relocation of certain multinational corporations from other Grade A properties. The new lettings of Office Tower 2 outpaced the minor retreat in Office Tower 1. The occupancy of the two office towers combined was 72% at year-end 2020. It successfully lured tenants from different sectors such as insurance, technology and the new economy. In September 2020, we launched our first multifunctional workspace, HANGOUT, which broadens its appeal to a variety of potential tenants looking for world-class flexible work-spaces.

Riverside 66, Tianjin

Revenue of mall decreased by 10% to RMB168 million and retail sales contracted by 23%. After a government-ordered five-week business suspension in response to the COVID-19 outbreak, the mall reopened in March 2020. Since then, we have been collaborating with our tenants to bring shoppers back and boost retail sales. The mall will continue to enhance its lifestyle content by introducing strong sports brands, fashion and accessories, and high-quality food and beverage offerings. Further customer loyalty to the mall was attracted with the launch of the HOUSE 66 program in July 2020.

Olympia 66, Dalian

Olympia 66 experienced a revenue decline of 11% to RMB136 million, as it was heavily affected by the adverse impacts of COVID-19. Retail sales retreated 18% for the year. The introduction of top-end luxury offerings starting in the third quarter of 2020, has upgraded the mall's positioning. It will be followed by the gradual opening of a complete line-up of the world's leading brands in 2021. The HOUSE 66 program was successfully launched there in June 2020 to complement the positioning uplift.

Spring City 66, Kunming

Spring City 66 commenced business in August 2019 and recorded total rental revenue of RMB220 million in its first full year of operation.

The mall collected RMB183 million in rents. With a highly successful pre-leasing program, the mall was well positioned as the hub of prime luxury in the city from the start. As a result, substantial growth was experienced in the second half of 2020 after a minor setback by the COVID-19 outbreak in the early part of the year. The occupancy rate reached 91% at the end of 2020.

Office tower revenue reached RMB37 million for 2020, and the occupancy rate was 41% at the year-end. The prime location and premium facilities have attracted quality tenants from fast-growing industries across Southwest China.

Heartland 66, Wuhan

The Heartland 66 office tower readied itself for occupancy in November 2020 and is the seventh office tower in our Mainland portfolio. Rental revenue recognized for the first two months was RMB1 million, while year-end occupancy reached 15%.

Hong Kong

Hong Kong was still reeling from the prolonged adverse effects of the COVID-19 pandemic in 2020. Revenue fell by 9% to HK$3,634 million while operating profit dropped by 12% to HK$2,969 million. The rental margin was at 82%.

The pandemic inevitably affected our leasing business in Hong Kong. Businesses located in properties in Causeway Bay and Mongkok and the serviced apartments segment suffered the most from the slump in tourist arrivals. Food and beverage tenants, cinemas, education centers, gyms and beauty parlors were directly affected to varying degrees by social distancing measures imposed by the government, including dine-in restrictions, operation halts and capacity caps. While the community malls like Kornhill Plaza and Amoy Plaza were more resilient, the businesses of cinemas, gyms and education centers therein could not escape from the damaging effect of various measures.

Rent relief was granted to selective tenants to alleviate the impact of business environment on them. New lease and renewal terms were mostly concluded at negative reversion rates during the reporting year. Unlike the Mainland portfolio, revenue and retail sales did not return to pre-pandemic levels and are expected to take significantly longer to recover.

We took the opportunity to refine our tenant mix during this challenging time by seeking out more popular trades and brands to cater to the local community's daily needs.

Hong Kong Property Leasing Portfolio

	Revenue			Occupancy Rate*
	2020 HK$ Million	2019 HK$ Million	Change	
Commercial	**2,139**	2,374	-10%	97%
Office and Industrial / Offices	**1,232**	1,315	-6%	88%
Residential & Serviced Apartments	**263**	323	-19%	56%
Total	**3,634**	4,012	-9%	

* All stated occupancy rates were as of December 31, 2020.

Commercial

Revenue from our Hong Kong commercial portfolio decreased by 10% to HK$2,139 million. The overall occupancy rate fell one point to 97%.

The **Causeway Bay portfolio** was mostly affected as a result of the significant decrease in tourist arrivals. With the impacts of rent relief and negative rental reversions, revenue from this portfolio dropped by 16% and the occupancy rate declined by two points to 95%.

With more tourist-oriented trades, our Mongkok portfolio was also negatively impacted. Revenue at **Grand Plaza** and **Gala Place in Mongkok** decreased by 16% for the reporting year. Grand Plaza remained fully let at the reporting date. At Gala Place, the former three-story anchor tenant departed in October 2020. Part of the premises have been taken up while advanced discussions are continuing with a well-established lifestyle brand for the balance of the space. In the transition, the occupancy rate of Gala Place declined to 62%.

Our community strongholds, **Kornhill Plaza in Hong Kong East** and **Amoy Plaza in Kowloon East**, were less affected. Revenue at Kornhill Plaza remained flat, while revenue at Amoy Plaza retreated by 8%. The mega department store at Kornhill Plaza continued to perform well even under adverse market conditions. To meet the needs of the highly populated neighborhood, we continuously refine the trade mix and enrich the experiences and offerings in our community malls.

Peak Galleria collected 9% more in rents against 2019, benefiting from the full-year impact of its reopening in the second half of 2019 after the completion of a two-year extensive AEI. The occupancy rate was 95% at year-end 2020. In December 2020, a popular Japanese grocery store unveiled a new concept shop at Peak Galleria, which offered new excitements and a unique experience for all visitors.

Offices

Office leasing momentum was sluggish due to the geopolitical tensions and economic uncertainties caused by the prolonged COVID-19 pandemic. Some tenants were keen on downsizing their office space to reduce overhead. During the pandemic, services such as beauty parlors, gyms and education centers found it difficult if not impossible to maintain routine operation. Revenue of the Hong Kong office portfolio dropped by 6% to HK$1,232 million. The overall occupancy rate fell by four points to 88%.

The office rents of our Central portfolio increased by 2% during the year. Revenue from the Mongkok and Causeway Bay portfolios decreased by 6% and 21% respectively because of their heavy semi-retail elements. Hong Kong office rentals accounted for 34% of the total leasing income in Hong Kong.

Residential and Serviced Apartments

Our serviced apartments' performance was weak because of the travel restrictions imposed and shrinking demand from expatriates. Revenue from the apartments dropped by 19% to HK$263 million, primarily due to lower occupancy at Kornhill Apartments and The Summit.

Property Sales

The last unit (duplex) of The Long Beach was sold in 2020 (2019: one house at 23-39 Blue Pool Road). Revenue from property sales fell by 79% to HK$62 million. Taking into account pre-sale marketing expenses for projects launching in 2021, operating profit from property sales was HK$44 million and the corresponding profit margin was 71%.

In December 2020, a total of 44 car parking spaces held as investment properties at AquaMarine and The Long Beach were sold. The transactions will be completed in the first half of 2021. These properties were reclassified as assets held for sale as of December 31, 2020, valued with reference to the selling prices. A gain on disposal of HK$45 million was included as part of the fair value change of properties for the year.

Property Revaluation

The total value of our investment properties and investment properties under development amounted to HK$191,866 million as of December 31, 2020, comprising the value of the mainland China portfolio and the Hong Kong portfolio standing at HK$130,769 million and HK$61,097 million, respectively. These properties were revalued by Savills, an independent valuer, as of December 31, 2020.

A revaluation loss of HK$6,664 million (2019: gain of HK$8,797 million) was recorded, representing a 4% decrease in valuation compared to the value as of December 31, 2019. Our investment properties are held to earn recurring rental income as long-term investments. The revaluation loss is non-cash in nature with no material effect on cash flows and dividend distribution capability.

The mainland China portfolio recorded a loss of HK$2,529 million (2019: gain of HK$9,281 million), a 2% decrease in valuation against year-end 2019 and stayed flat versus June 30, 2020, respectively, largely reflecting the adverse effect of COVID-19 on shopping malls that have lesser luxury content and the market conditions of offices.

The Hong Kong portfolio had a revaluation loss of HK$4,135 million (2019: HK$484 million), a 6% and 3% decline against year-end 2019 and June 30, 2020, respectively. The decrease in the appraised value of our investment properties in Hong Kong signified the dampening effects of the pandemic on consumer spending and uncertainties on the ensuing recovery.

Property Development and Capital Commitment

The aggregated values of development projects in investment properties for leasing and properties for sale were HK$27,544 million and HK$7,022 million, respectively. These comprised mainland China projects in Wuhan, Wuxi, Kunming, Hangzhou and Shenyang, and redevelopment projects in Hong Kong. At the reporting date, our capital commitments for the development of investment properties amounted to HK$19 billion.

Mainland China

The construction works at **Heartland 66** in Wuhan are progressing well despite a temporary work suspension in the first quarter of 2020 resulting from the outbreak of COVID-19. Following the opening of the office tower in November 2020, the mall is scheduled to commence operations around the end of March 2021. Construction of the three blocks of apartments has started and is scheduled for completion, in stages, from the second half of 2022. The pre-sale of apartments will begin in the second half of 2021.

Phase two of **Center 66** in Wuxi comprises luxury apartments and a boutique hotel, with a total gross floor area of 108,982 square meters. The master layout plan of the project has been approved and piling is in progress. The project is expected to reach completion from 2023 onwards.

The remaining development at **Spring City 66** in Kunming comprises the five-star Grand Hyatt Kunming hotel and the luxury branded residences. Construction has begun and is scheduled for completion in 2023. The hotel is expected to open in mid-2023.

The piling works of **Westlake 66** in Hangzhou are making good progress. The project has a total gross floor area of 194,100 square meters above-ground, and will be developed into a high-end commercial complex comprising a retail podium covering a gross floor area of 99,000 square meters, five Grade A office towers and a luxury hotel. The project is scheduled for completion, in phases, from 2024 onwards.

The remaining phases of **Forum 66** in Shenyang consist of offices, apartments and a retail podium with a total gross floor area of 502,660 square meters. Construction works commenced in September 2020.

Hong Kong

The construction works of the redevelopment of a Grade A office tower at 226-240 Electric Road in North Point are in progress. The project is a joint development with our parent company, Hang Lung Group Limited (Hang Lung Group), spanning a total gross floor area of approximately 105,000 square feet, inclusive of a retail area across the lower floors. The project is scheduled for completion in 2022.

The former Amoycan Industrial Centre, which is close to MTR Kowloon Bay Station and the future East Kowloon Cultural Centre, is being redeveloped into residential units for sale with a total gross floor area of 155,000 square feet, and some commercial areas on the podium floors. Construction is progressing well and the project is targeted for completion in 2023. The pre-sale of apartments is planned for the second half of 2021.

On September 9, 2020, Hang Lung Properties won the tender for a land site at 37 Shouson Hill Road in the Southern District of Hong Kong Island worth HK$2,566 million for redevelopment. The transaction was not completed as scheduled by December 30, 2020 as it involves foreign affairs and diplomatic matters that are within the prerogative of China and the U.S. as Sovereign States, and hence outside of our control. We will continue to evaluate the appropriate actions that may be taken. For more details, please refer to the joint announcement of Hang Lung Group and Hang Lung Properties on December 30, 2020.

Financing Management

The prime objective of our financial management strategy is to maintain an appropriate capital structure with a high degree of agility. The aim is to ensure access to sufficient financial resources for meeting operational needs and business expansions and to cushion the Company from unexpected external financial shock. All financial risk management, including debt re-financing, foreign exchange exposure, and interest rate volatility, is centrally managed and controlled at the corporate level.

Funding needs are closely monitored and regularly reviewed to allow a fair degree of financial flexibility and liquidity while optimizing the cost of funds. We also maintain multiple channels of debt financing to mitigate concentration risks.

For debt portfolio management, we focus on mitigating foreign exchange, interest rate, and re-financing risks through an appropriate mix of RMB/HKD/USD borrowings, fixed/floating-rate debts, a staggered debt repayment profile, and a diversified source of funding.

As part of our ESG (environmental, social and governance) initiatives, Hang Lung Properties had made good progress during the year in sustainable financing. Under the Green Finance Framework launched in 2019, we have issued green bonds worth HK$2.0 billion and arranged green loan facilities to the value of HK$1.9 billion in 2020. We also obtained two sustainability-linked loan facilities totaling HK$1.5 billion during the year as part of the efforts to drive our long-term sustainability performance. Sustainable finance now accounts for 13% of our total debts and available facilities and we aim to further increase this proportion.

Cash Management

As of December 31, 2020, total cash and bank balances amounted to HK$6,319 million (December 31, 2019: HK$3,306 million). All deposits are placed with banks carrying strong credit ratings. The counterparty risk is monitored on a regular basis.

The cash and bank balances at the reporting date comprised the following currencies:

	At December 31, 2020		At December 31, 2019	
	HK$ Million	% of Total	HK$ Million	% of Total
Denominated in:				
HKD	**2,584**	41%	2,056	62%
RMB	**3,602**	57%	1,150	35%
USD	**133**	2%	100	3%
Total cash and bank balances	**6,319**	100%	3,306	100%

Debt Portfolio

As of December 31, 2020, total borrowings amounted to HK$37,917 million (December 31, 2019: HK$29,673 million), of which 34% was denominated in RMB as a natural hedge to the net investments in mainland China. The higher debt balance against 2019 was mainly due to payments for construction in mainland China and Hong Kong.

In 2020, Hang Lung Properties entered a number of interest rate swap contracts converting HK$4.5 billion in floating-rate borrowings to a fixed rate as part of our interest rate management strategy. Also, additional Medium Term Notes (MTN) of HK$6.1 billion were issued during the year. As a result, fixed-rate borrowings accounted for 63% of our total borrowings as of December 31, 2020.

The composition of our debt portfolio can be categorized as follows:

i) by currency (after currency swap):

	At December 31, 2020		At December 31, 2019	
	HK$ Million	% of Total	HK$ Million	% of Total
Denominated in:				
HKD	**25,007**	66%	18,116	61%
RMB	**12,910**	34%	11,557	39%
Total borrowings	**37,917**	100%	29,673	100%

ii) by fixed or floating interest (after interest rate swap):

	At December 31, 2020		At December 31, 2019	
	HK$ Million	% of Total	HK$ Million	% of Total
Fixed	**23,772**	63%	13,466	45%
Floating	**14,145**	37%	16,207	55%
Total borrowings	**37,917**	100%	29,673	100%

Gearing Ratios

At the reporting date, the net debt balance amounted to HK$31,598 million (December 31, 2019: HK$26,367 million). Net debt to equity ratio was 21.3% (December 31, 2019: 17.8%) and debt to equity ratio was 25.6% (December 31, 2019: 20.1%). The increases were largely due to capital expenditures in mainland China and Hong Kong.

Maturity Profile and Refinancing

At the reporting date, the average tenure of the entire loan portfolio was 2.9 years (December 31, 2019: 2.9 years). The maturity profile was staggered over more than 10 years. Around 57% of the loans were repayable after 2 years.

	At December 31, 2020		At December 31, 2019	
	HK$ Million	% of Total	HK$ Million	% of Total
Repayable:				
Within 1 year	**7,464**	20%	2,694	9%
After 1 but within 2 years	**8,585**	23%	7,235	25%
After 2 but within 5 years	**18,645**	49%	18,172	61%
Over 5 years	**3,223**	8%	1,572	5%
Total borrowings	**37,917**	100%	29,673	100%

As of December 31, 2020, total undrawn committed banking facilities amounted to HK$12,563 million (December 31, 2019: HK$9,399 million). The available balances of the USD4 billion (December 31, 2019: USD3 billion) MTN Program amounted to USD1,670 million, equivalent to HK$12,945 million (December 31, 2019: HK$10,965 million).

Net Finance Costs and Interest Cover

For the year ended December 31, 2020, the gross finance costs stayed flat at HK$1,470 million, as the effect of the increase in total borrowings were offset by a lower average cost of fund. The net amount charged to the statement of profit or loss for the year increased to HK$174 million. The increase was due to a reduction in finance costs capitalized for projects under development after the completion and opening of new properties in 2019 and 2020.

Interest income for the year decreased by 57% to HK$63 million due to our concrete efforts to better utilize surplus cash for construction payments.

For 2020, finance costs in excess of interest income, i.e. net interest expense, was HK$111 million (2019: net interest income of HK$100 million). The average effective cost of borrowings for the year was lowered to 4.4% (2019: 4.8%), benefitting from the lower HIBOR and lower coupon rates for the MTN issued in 2020.

Interest cover for 2020 was 4 times (2019: 4 times).

Foreign Exchange Management

Normal operations in mainland China and the two USD500 million bonds issued expose our business activities to foreign exchange fluctuations. Appropriate measures have been taken to mitigate our risk.

(a) RMB Exposure

Our RMB exposure is mainly derived from the currency translation risk arising from the net assets of our subsidiaries in mainland China.

As of December 31, 2020, net assets denominated in RMB accounted for about 71% of our total net assets. Following the RMB's appreciation against the HKD by 6.4% compared with December 31, 2019, the re-translation of these net assets converted from RMB into HKD at the exchange rate as of the reporting date resulted in a re-translation gain of HK$6,233 million (2019: loss of HK$2,028 million). The re-translation gain was recognized in other comprehensive income/ exchange reserve.

Our business operations and projects under development in mainland China are funded by cash inflows from local operations, RMB borrowings and capital injections from Hong Kong. We have adopted a systematic approach to mitigate the currency risks and practiced the strict discipline of not speculating on the movement of the RMB against the HKD. Regular business reviews assess the level of funding needs for our mainland China projects based on factors such as regulatory constraints, project development timelines, and the market environment. Appropriate modifications to our funding plan will be conducted in light of changing circumstances.

(b) USD Exposure

Our USD foreign exchange exposure is related to the two USD500 million fixed-rate bonds issued, equivalent to HK$7,753 million at the reporting date. The related currency exchange risk was covered back-to-back by two USD/HKD cross-currency swap contracts.

Charge of Assets

Assets of Hang Lung Properties were not charged to any third parties as of December 31, 2020.

Contingent Liabilities

Hang Lung Properties did not have any material contingent liabilities as of December 31, 2020.