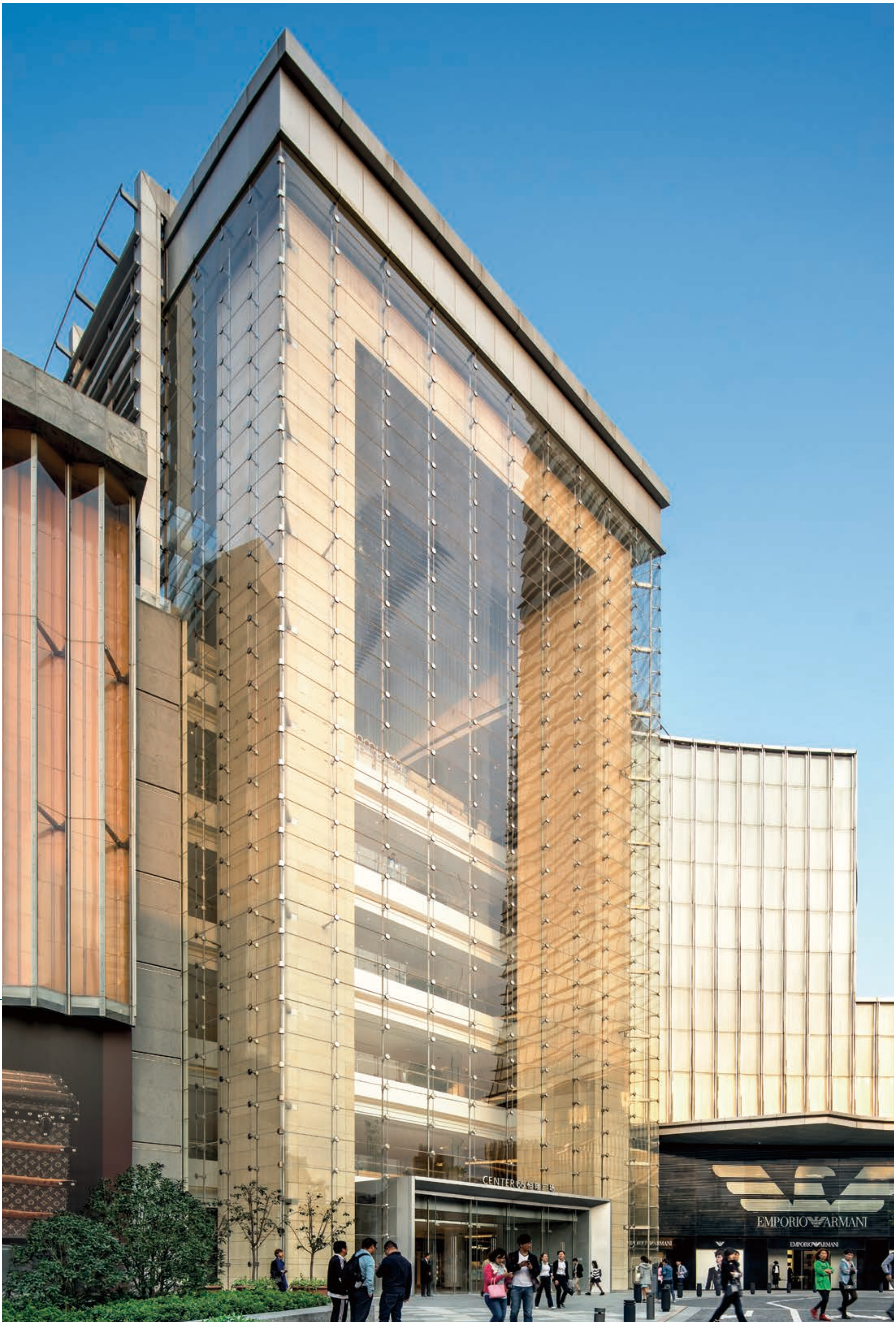
EMBRACE TECHNOLOGY


EMPORIO ARMANI

Forum 66, Shenyang

Consolidated Results

For the financial year ended December 31, 2019, the total revenue of Hang Lung Group Limited (the Company) and its subsidiaries (the Group) declined 6% to HK$9,435 million owing to a 76% drop of property sales income to HK$296 million. With the robust growth and continuing expansion of our Mainland portfolio and the resilient performance of the Hong Kong portfolio, the revenue of our core property leasing business grew 4% year-on-year, in spite of a 4.3% Renminbi (RMB) depreciation against Hong Kong Dollar. Total operating profit decreased 5% to HK$6,898 million in the reporting period.

Net profit attributable to shareholders increased 29% to HK$6,816 million after taking into account the revaluation gain on investment properties. Earnings per share increased correspondingly to HK$5.01. Excluding the property revaluation gain and all related effects, underlying net profit attributable to shareholders increased 44% to HK$3,796 million while underlying earnings per share increased similarly to HK$2.79.

Revenue and Operating Profit

	Revenue			Operating Profit		
	2019 HK$ Million	2018 HK$ Million	Change	**2019 HK$ Million**	2018 HK$ Million	Change
Property Leasing	**9,139**	8,784	4%	**6,736**	6,484	4%
Mainland China	**4,975**	4,686	6%	**3,226**	3,034	6%
Hong Kong	**4,164**	4,098	2%	**3,510**	3,450	2%
Property Sales	**296**	1,231	-76%	**162**	765	-79%
Total	**9,435**	10,015	-6%	**6,898**	7,249	-5%

Dividend

The Board of Directors has resolved to declare a special dividend of HK26 cents per share for 2019 (2018: Nil), taking into account the gain on disposal of certain non-core properties in Hong Kong by the Company in 2019. The Board of Directors has also recommended a final dividend of HK63 cents per share for 2019 (2018: HK61 cents). Both the special dividend and final dividend will be paid by cash on May 20, 2020 to shareholders whose names appeared on the register of members on May 7, 2020.

Therefore the full year dividends for 2019 amounted to HK108 cents per share (2018: HK80 cents), being:

1. interim dividend of HK19 cents per share (2018: HK19 cents);
2. special dividend of HK26 cents per share (2018: Nil); and
3. final dividend of HK63 cents per share (2018: HK61 cents).

Property Leasing

Against the backdrop of the US-China trade dispute and the social unrest in Hong Kong, total property leasing revenue grew 4% to HK$9,139 million, of which 54% was attributable to Mainland operations. Our mainland leasing properties achieved a revenue growth of 11% against last year in RMB terms. The performance of our Hong Kong leasing portfolio was over-shadowed by the ongoing social unrest and recorded a 2% growth in revenue.

Even before the social unrest began in June 2019, the market sentiment of Hong Kong had been soft with the retail market recording negative growth since February of the year. With a drastic drop in tourist arrivals since the third quarter, the retail market shrank 23.6% year-on-year in November 2019. Entering the second half of 2019, retail sales lost momentum, especially in popular tourist districts such as Causeway Bay and Mongkok. Inevitably, the rental performance of Hong Kong portfolio was adversely affected.

Across the border, GDP growth in mainland China for the first three quarters of 2019 was 6.2%, while total retail sales advanced 8.2%. Domestic consumption is expected to rise with supportive government measures and a weaker RMB relative to 2018, resulting in shift of spending from abroad to domestic market. Robust growth in the sale of luxury goods in mainland China might partly due to diversion of sales from Hong Kong as the social situation dampened visitors from mainland China.

Customer Engagement

We put our customer-centric strategy at the very heart of our operations and continuously invest in initiatives to enhance customer experience and loyalty. Having successfully launched HOUSE 66 in 2018 at Shanghai Plaza 66, and Jinan Parc 66, this nationwide Customer Relationship Management (CRM) program has been subsequently launched in four more projects, namely Wuxi Center 66, Kunming Spring City 66, Shanghai Grand Gateway 66 and Shenyang Palace 66 in 2019. Members of the program enjoy an array of personalized services and invitations to exclusive events which have been instrumental in enhancing customer loyalty and our relationships with customers and tenants. In addition, we continued to leverage technology to enhance customer experience by launching car-finding and paperless car park payment system during the reporting year. SmartPOS, our integrated point-of-sale system which was fully rolled out across Mainland malls in 2019, enables mobile payments and allows seamless HOUSE 66 reward points registration and targeted marketing promotion.

Constantly measuring customer satisfaction is instrumental in improving customer experience. Ongoing online customer surveys and referencing our Net Promoter Score to gauge satisfaction level of members of HOUSE 66 are some of the tools we use to engage customers.

Mainland China

Our leasing properties in mainland China recorded strong performance in the year. Total revenue of the entire portfolio grew 11% to RMB4,382 million. Various new leasing properties commenced business in the third quarter of 2019, namely the mall and office tower at Kunming Spring City 66, the second office tower at Wuxi Center 66, and Conrad Shenyang at Shenyang Forum 66. Excluding these new properties, total revenue grew 9% year-on-year. After taking into account ramp-up losses of these new properties, operating profit increased 11% while average margin for the period stood at 65%.

The growth momentum of the Mainland portfolio continued. Revenue in RMB terms achieved growth rates at 7% and 15% in the first half and second half of 2019. In particular, revenue of properties outside Shanghai grew 19% for the year, with a 24% growth for the second half. Revenue of the two Shanghai properties also advanced 7% year-on-year, with the second half year achieving a 11% increase.

The robust revenue advancement at our eight existing malls and the fresh income stream from the new mall opened in August 2019 in Kunming fuelled the overall revenue growth of our Mainland portfolio. Altogether, revenue from our Mainland malls was up 14% to RMB3,129 million. In Shanghai, revenue from retail properties rose 11% year-on-year, with strong revenue and retail sales growth of 14% at Plaza 66 and moderate growth of 6% at Grand Gateway 66 due to temporary rental interruption resulting from renovation. Outside of Shanghai, the overall revenue growth of 14% was contributed by our existing malls that reported positive growth.

Our office portfolio in mainland China collected 3% growth in revenue for a total of RMB1,086 million in 2019 as compared to the previous year. The office towers at Shanghai Plaza 66 and Grand Gateway 66 together recorded a stable growth of 2%, amid keen competition and new office supply in Shanghai. Revenue from all office towers accounted for 25% of our total Mainland leasing revenue.

Mainland China Property Leasing Portfolio

City and Name of Property	Revenue 2019 RMB Million	2018 RMB Million	Change	Occupancy Rate* Mall	Office
Shanghai Plaza 66	**1,696**	1,554	9%	99%	93%
Shanghai Grand Gateway 66	**1,232**	1,176	5%	91%	96%
Shenyang Palace 66	**194**	162	20%	95%	N/A
Shenyang Forum 66#	**257**	216	19%	94%	87%
Jinan Parc 66	**322**	292	10%	98%	N/A
Wuxi Center 66#	**289**	252	15%	95%	65%
Tianjin Riverside 66	**186**	179	4%	89%	N/A
Dalian Olympia 66	**152**	119	28%	82%	N/A
Kunming Spring City 66#	**54**	–	N/A	82%	13%
Total	**4,382**	3,950	11%		
Total in HK$ Million equivalent	**4,975**	4,686	6%		

* All occupancy rates stated herein were as of December 31, 2019.

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

Shanghai Plaza 66

Total revenue at Plaza 66 increased 9% to RMB1,696 million, mainly resulting from robust growth at the mall.

The Plaza 66 mall has firmly established its positioning as the Home to Luxury following the completion of the major asset enhancement program in 2017 and the debut launch of HOUSE 66 in 2018. In 2019, we continued to leverage on House 66 to strengthen customer loyalty and drive tenant sales, with the highlight being the Home to Luxury Party. The party has also strengthened the mall's engagement with our valued business partners and customers. As a result, double-digit growth in revenue and sales, at 14% and 21% respectively, had been reported for the third consecutive year. The mall was almost fully let at the end of 2019.

The Plaza 66 offices recorded a 1% revenue growth to RMB630 million in the face of new supply of Grade A offices in nearby areas. The occupancy rate fell two points to 93% at the end of 2019.

Shanghai Grand Gateway 66

Total revenue at Grand Gateway 66 increased 5% year-on-year to RMB1,232 million, mainly driven by good performance at the mall.

Benefited largely from the full year effect of the reopening of the North Building since September 2018 and its basement in June 2019, the Grand Gateway 66 mall achieved a revenue growth of 6% to RMB853 million. Comprising a mix of lifestyle brands and a refurbished cinema, the North Building has become a popular hub for young, affluent customers. Greater variety in food and beverage offerings has also been a factor in successful positioning. The second phase of the renovation covering the bulk of the South Building and its basement is on schedule. The newly renovated basement was energized by a new cosmetics zone housing top global brands and fast fashion retailers. In December 2019, several luxury flagship stores at the main atrium of the South Building commenced business. The entire South Building renovation is scheduled to be completed in the third quarter of 2020.

Revenue from the office tower at Grand Gateway 66 rose 2% year-on-year to RMB241 million with the occupancy rate advancing to 96%. Competitive position of the office tower was enhanced after the completion of renovation works at the mall's North Building in 2018, attracting more quality tenants such as multinational corporations and large domestic enterprises.

Income from residential and serviced apartments at Grand Gateway 66 grew 1% year-on-year. The occupancy rate was satisfactory at 88%.

Shenyang Palace 66

Driven by higher occupancy rate and growth in sales rent, revenue from the Palace 66 mall surged 20% year-on-year to RMB194 million. The mall's successful positioning as the leading contemporary lifestyle mall in the Zhongjie district and Shenyang city boosted retail sales by 20%. In the second quarter, the revamped kids' zone on the third floor was opened, further enhancing the tenant mix and increasing family footfall. International sports brands and popular lifestyle fashion brands recorded remarkable sales performance during the reporting year. The occupancy rate rose seven points to 95%. In December 2019, HOUSE 66 was also launched at Palace 66.

Shenyang Forum 66

Benefiting from the opening of the Conrad Shenyang and the revenue growth of the office tower, total revenue at Forum 66 increased 19% year-on-year to RMB257 million.

Amid strong competition in the luxury retail sector of the local market, revenue and retail sales from the Forum 66 mall edged up 3% and 6% respectively. Some international brands made their debuts into the Shenyang market with pop-up stores on the first floor of the mall. The occupancy rate rose one point to 94%, as a result of introducing new quality food and beverage tenants and shops targeting families and children.

The office tower at Forum 66 recorded a revenue growth of 8% to RMB127 million, with the first full-year income reported for the six floors of high-zone office commencing leasing in the second half of 2018. The year-end occupancy rate slipped one point to 87% amid plentiful supply of new offices in the market.

Conrad Shenyang, the 315-room five-star hotel residing on the top 19 floors of the office tower, commenced operations in September 2019. In its first four months of operations, the hotel contributed RMB29 million in revenue. Being the first hotel in our mainland China portfolio, Conrad Shenyang is positioned at the pinnacle of Shenyang's high-end market and is expected to be a focal point for business and social gatherings in the city. It will further reinforce Forum 66's positioning as an upscale shopping destination and prestigious address for businesses.

Jinan Parc 66

Revenue at the Parc 66 mall increased 10% to RMB322 million, a result of favorable rental reversions and the uplift of the occupancy rate by two points to 98%. Retail sales rose 6%. With the tenant profile upgrade introducing a good brand mix on the first floor as well as new contemporary luxury brands, the Starbucks Reserve and Heytea flagship stores, the mall achieved improvement in both unit rents and sales. The upper floors were also upgraded with specific themes such as a sports zone on the fourth floor and new food and beverage options on the top floor.

Since its launch in December 2018, HOUSE 66 at Parc 66 has been well received. Through tenant collaborations offering exclusive promotions and events to members, tenant sales as well as turnover rents were boosted.

Wuxi Center 66

Total revenue of the entire Center 66 portfolio recorded a remarkable growth of 15% year-on-year to RMB289 million.

Revenue of the mall recorded a 22% growth, which was attributable to the increase in sales rent as a result of tenant reshuffling, favorable rental reversions and higher occupancy. HOUSE 66 was launched in May 2019, and retail sales grew 21% with the occupancy rate advancing six points to 95%. Some luxury brands consolidated their shops elsewhere in Wuxi after opening their stores at Center 66. We anticipate more brands will migrate to Center 66 in the coming year.

In August 2019, Office Tower Two at Center 66, with a total floor area of 54,000 square meters, was opened. The combined income of the two office towers stayed flat at RMB83 million during the reporting period. Occupancy rate at Office Tower One rose four points to 90%.

Tianjin Riverside 66

Income at the Riverside 66 mall increased 4% to RMB186 million. In August 2019, Starbucks opened a unique flagship store inside the iconic and historic Zhejiang Xingye Bank Building. The overall trade mix of the mall was further refined with more sportswear and lifestyle tenants. Part of the fourth floor was also converted into a themed zone to attract the younger generations. As a result, retail sales increased 5% while the occupancy rate fell one point to 89% during the process of tenant mix refinement.

Dalian Olympia 66

Riding on the business growth among popular contemporary lifestyle and food and beverage tenants, the Olympia 66 mall delivered strong performance in 2019 with revenue and retail sales jumping 28% and 29%, respectively. The occupancy rate increased three points to 82%. Phase two of the mall is scheduled to open in stages during 2020 with more luxury labels joining the tenant portfolio.

Kunming Spring City 66

Spring City 66, our first project in the southwestern region of mainland China, commenced operation in late August 2019. Comprising a mall and an office tower, the complex contributed RMB54 million in revenue since opening.

Revenue from the mall in 2019 was RMB49 million. Positioned as Kunming's luxury and lifestyle destination of choice, the status of Spring City 66 mall is set to elevate further with the arrivals of more luxury international brands in 2020. The year-end occupancy rate reached 82%.

In the first four months of operations, the 153,000-square-meter office tower collected RMB5 million in rents, with 13% occupancy rate at the end of 2019.

Hong Kong

The performance of our Hong Kong leasing properties, like many businesses in Hong Kong, was adversely affected by the social unrest. Total revenue reported a mild growth of 2% to HK$4,164 million while both operating profit and rental margin were stable. Rental margin remained at 84%.

The significant decrease in tourist arrivals, transport disruption and shop closures had led to significant drop in the retail sales particularly in the jewelry and watches, beauty and cosmetics, and fashion wholesale sectors. Nevertheless, Peak Galleria was reopened as scheduled after a two-year major Asset Enhancement Initiative, making a positive contribution in both retail sales and leasing revenue in 2019.

Hong Kong Property Leasing Portfolio

	Revenue			Occupancy Rate *
	2019 HK$ Million	2018 HK$ Million	Change	
Commercial	**2,392**	2,344	2%	98%
Offices and Industrial/Offices	**1,449**	1,429	1%	93%
Residential & Serviced Apartments	**323**	325	-1%	74%
Total	**4,164**	4,098	2%	

* All occupancy rates stated therein were as of December 31, 2019.

Commercial

The Hong Kong commercial portfolio achieved a 2% revenue growth to HK$2,392 million. Total retail sales dropped 5% year-on-year, but sales in the second half of the year slumped 17% compared to the corresponding period in 2018. Occupancy rate at the end of 2019 edged up to 98%, three points above a year ago.

The **Causeway Bay portfolio** was affected the most by the social unrest in Hong Kong. Revenue of the portfolio dropped 1% to HK$628 million year-on-year. Retail sales declined by 10% with occupancy rate dropping two points to 97%.

Our Mongkok portfolio was also severely hit by the social unrest. Revenue from **Grand Plaza and Gala Place in Mongkok** achieved 6% growth in the first half year. After offset by the significant retail market slow-down, full-year revenue grew slightly by 3%. Retail sales decreased by 1%. Both properties remained fully let at the reporting date.

Kornhill Plaza in Hong Kong East and **Amoy Plaza in Kowloon East** are community malls and they were less affected by socio-political issues. Income of these two malls increased by 2% and 3%, respectively, as supported by the positive rental reversion of AEON STYLE in Kornhill Plaza, and upgrade of food and beverage tenants at Amoy Plaza, which also benefited from the opening of the UA Amoy cinema in August 2018. Retail sales of both malls decreased by 3% year-on-year.

Peak Galleria was reopened in the second half of 2019 after closure for major asset enhancement works since October 2018. Despite reopening at a challenging time, the mall had secured a 91% occupancy rate at the end of 2019.

Offices

Revenue from our Hong Kong office portfolio increased 1% to HK$1,449 million, mainly attributable to positive rental reversions. The overall occupancy rate slipped two points to 93%. Our offices in Central and Mongkok recorded growth in revenue of 6% and 5% respectively. Revenue from the Causeway Bay portfolio, which has substantial semi-retail element, dropped 4%. Hong Kong office rental accounted for 35% of total Hong Kong leasing turnover.

Residential and Serviced Apartments

Revenue from the apartments dropped 1% to HK$323 million, mainly caused by lower occupancy at Kornhill Apartments.

Property Sales

During the year, one house at 23-39 Blue Pool Road (2018: three houses at Blue Pool Road, and nine apartments at The Long Beach) was sold. Accordingly, revenue from property sales fell 76% year-on-year to HK$296 million. The profit margin was 55%.

We also disposed of certain non-core investment properties in Hong Kong. During the reporting period, a gain on disposal of HK$869 million was included in other income. The disposal of 111 car parking spaces at Laichikok Bay Garden, previously held as investment properties, resulted in a gain of HK$69 million recognized as part of the fair value gain of properties.

Property Revaluation

As of December 31, 2019, the total value of our investment properties amounted to HK$168,218 million. The value of the Hong Kong portfolio and the mainland China portfolio was HK$66,579 million and HK$101,639 million, respectively. Our investment properties were revalued by Savills, an independent valuer, as of December 31, 2019.

A total revaluation gain of HK$10,620 million (2018: HK$4,298 million) was recorded, representing a 6% growth in valuation compared to the value recorded at December 31, 2018.

Investment properties in mainland China recorded an overall gain of HK$10,545 million (2018: HK$305 million); revaluation gain of properties in Shanghai supported by robust rental growth and projections and capitalization rates compression by the valuer was partly offset by the revaluation loss of properties in second tier cities in light of the challenging market environment. Investment properties in Hong Kong had a revaluation loss of HK$391 million, which was offset by the HK$466 million gain of properties for sales upon transfer to investment properties. As a result, properties in Hong Kong recorded an overall revaluation gain of HK$75 million (2018: HK$3,993 million).

Property Development and Capital Commitment

The total values of property development projects on investment properties and properties for sale were HK$27,602 million and HK$4,707 million, respectively. These represented mainland China projects in Wuhan, Wuxi, Kunming, Hangzhou and Shenyang, and redevelopment projects in Hong Kong. At the reporting date, our capital commitments for development projects in investment properties amounted to HK$26 billion.

Mainland China

Wuhan **Heartland 66** will be the next Mainland project to commence operation. The entire complex, with a total gross floor area of 460,000 square meters, will house a premier mall, a Grade A office tower and serviced apartments for sale. Construction of the mall and office tower has been progressing as scheduled and is target for completion in 2020. Leasing activities have commenced with good progress. Construction of the three residential towers commenced in the first quarter of 2019 and is scheduled for completion, in stages, beginning in the last quarter of 2022.

Phase two of Wuxi **Center 66** has a total gross floor area of 108,982 square meters, comprising luxury serviced apartments and a boutique hotel. The master layout plan of the project was approved in March 2019. Excavation works commenced in July 2019 and the project is scheduled for completion from 2023 onwards.

To complete the development of Kunming **Spring City 66**, a five-star hotel and luxury apartments will be built. The planning permit is expected to be obtained in the first quarter of 2020 and an estimated period of four years is required for the completion of construction.

The development of Hangzhou **Westlake 66**, a high-end commercial complex with a total gross floor area of 194,100 square meters above-ground, has begun since September 2019. The entire project comprises a retail podium with five Grade A office towers and a hotel. Piling works have commenced. The project is scheduled for completion, in phases, from 2024.

The master layout plan of the remaining phases of Shenyang **Forum 66**, consisting of a total gross floor area of 502,660 square meters, was submitted in November 2019. The development comprises offices, apartments and a retail podium. Construction works will commence in phases beginning from 2020.

Hong Kong

During the year, the Group commenced a joint venture project with its subsidiary, Hang Lung Properties Limited (Hang Lung Properties), to redevelop the properties at 226-240 Electric Road in North Point into a Grade A office tower. Total gross floor area of the project is approximately 105,000 square feet inclusive of a retail area on the podium floors. Construction is expected to be completed in 2022.

In April 2019, we have consolidated the entire ownership of the Amoycan Industrial Centre in Ngau Tau Kok through the Compulsory Sale for Redevelopment Order. With its proximity to MTR Kowloon Bay Station and the future East Kowloon Cultural Centre, it will be redeveloped into residential units for sale with commercial areas on the podium floors. The total gross floor area is about 155,000 square feet. The project is targeted to be completed in 2023.

Liquidity and Financial Resources

Our major financial management objective is to maintain an appropriate capital structure with a high degree of agility. This is to ensure access to sufficient financial resources for meeting operational needs and capital commitments, and to seize investment opportunities when they arise for sustaining long-term growth. We also strive to establish multiple channels of debt financing for risk mitigation. All financial risk management, including debt re-financing, foreign exchange exposure, and interest rate volatility, etc., are centrally managed and controlled at the corporate level.

Liquidity and Financing Management

Cash flow position and funding needs are closely monitored and reviewed to ensure that we have a good degree of financial flexibility and liquidity while optimizing net financial costs.

As of December 31, 2019, total cash and bank balances amounted to HK$3,660 million (December 31, 2018: HK$12,509 million). All deposits are placed with banks with strong credit ratings and the counterparty risk is monitored on a regular basis.

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

As part of our ESG (environmental, social and governance) initiatives, we have continued to broaden the channel of obtaining green financing. In 2018, we were the first Hong Kong developer to establish an on-shore green bond issuance platform (Green Panda Bond) with a debut bond issuance of RMB1 billion. As a continuous commitment to sustainable development, our Green Financing Framework was further enhanced in 2019. A green loan facility of HK$1 billion was procured under that framework during the year.

As of December 31, 2019, total borrowings amounted to HK$31,113 million (December 31, 2018: HK$30,651 million), of which about 37% was denominated in RMB. The higher debt balance year-on-year was due to payments for the various projects under development in mainland China and Hong Kong, including the final payment of 50% of the land cost for Hangzhou Westlake 66.

The following table shows the composition of our debt portfolio:

	At December 31, 2019		At December 31, 2018	
	HK$ Million	% of Total	HK$ Million	% of Total
Floating rate HKD bank loans	**7,204**	23.1%	3,653	11.9%
Floating rate RMB bank loans	**10,443**	33.6%	13,490	44.0%
Fixed rate bonds	**13,466**	43.3%	13,508	44.1%
Denominated in USD	**7,789**	25.0%	7,832	25.6%
Denominated in HKD	**4,563**	14.7%	4,540	14.8%
Denominated in RMB	**1,114**	3.6%	1,136	3.7%
Total borrowings	**31,113**	100%	30,651	100%

At the reporting date, the average tenure of the entire loan portfolio was 2.9 years (December 31, 2018: 3.3 years). The maturity profile was well staggered and spread over a period of 6 years. Around 65% of the loans were repayable after 2 years.

	At December 31, 2019		At December 31, 2018	
	HK$ Million	% of Total	HK$ Million	% of Total
Repayable:				
Within 1 year	**3,241**	10.4%	3,360	11.0%
After 1 but within 2 years	**7,632**	24.5%	4,057	13.2%
After 2 but within 5 years	**18,668**	60.0%	19,809	64.6%
Over 5 years	**1,572**	5.1%	3,425	11.2%
Total borrowings	**31,113**	100%	30,651	100%

As of December 31, 2019, total undrawn committed banking facilities amounted to HK$14,627 million (December 31, 2018: HK$20,984 million). The available balances of the USD3 billion Medium Term Note Program and the RMB10 billion Green Panda Bond Program amounted to USD1,408 million and RMB9,000 million, respectively, equivalent to HK$21,004 million in total (December 31, 2018: HK$21,297 million).

The undrawn committed banking facilities of the Company and its other subsidiaries, excluding the balances of Hang Lung Properties and its subsidiaries (HLP Group), amounted to HK$5,228 million (December 31, 2018: HK$4,760 million).

Gearing Ratios and Interest Cover

At the end of 2019, the net debt balance amounted to HK$27,453 million (December 31, 2018: HK$18,142 million). Net debt to equity ratio was 17.3% (December 31, 2018: 12.0%) and debt to equity ratio was 19.7% (December 31, 2018: 20.3%).

Excluding the balances of HLP Group, the net debt balance of the Company and its other subsidiaries amounted to HK$1,086 million (December 31, 2018: HK$3,252 million). The corresponding net debt to shareholders' equity ratio (on an attributable net asset basis) was 1.2% (December 31, 2018: 3.8%).

For the year ended December 31, 2019, the total amount of gross borrowing costs increased by 10% to HK$1,573 million. The net amount charged to the statement of profit or loss for the year decreased by 88% to HK$144 million due to the capitalization of borrowing costs to projects under development and the adoption of an amendment to the accounting standard on the capitalization of borrowing costs effective on January 1, 2019.

Interest income for the year decreased 66% to HK$160 million. The decrease was mainly due to a reduction in the average deposit balance after settling the payments on capital expenditures and the Hangzhou land premium.

The amount of net interest income for 2019, i.e. the excess of interest income over finance costs, was HK$16 million (2018: net interest expense of HK$715 million). The average effective cost of borrowings for the year was lowered to 4.7% (2018: 4.8%).

Interest cover for 2019 was 5 times (2018: 7 times).

Foreign Exchange Management

Our activities are exposed to foreign exchange risks, mainly arising from operations in mainland China and the two USD500 million bonds issued. Appropriate measures have been taken to mitigate the exposure to foreign exchange risk.

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

	At December 31, 2019		At December 31, 2018	
	HK$ Million	% of Total	HK$ Million	% of Total
Denominated in:				
HKD	**2,102**	57.4%	4,737	37.9%
RMB	**1,449**	39.6%	7,757	62.0%
USD	**109**	3.0%	15	0.1%
Total cash and bank balances	**3,660**	100%	12,509	100%

(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, 2019, net assets denominated in RMB accounted for about 62% of our total net assets. As the RMB had depreciated by about 2.2% against the HKD between the two balance sheet dates, the re-translation of these net assets denominated in RMB into HKD using the exchange rate as of the reporting date resulted in a re-translation loss of HK$2,130 million (2018: HK$3,864 million). The re-translation loss was recognized in other comprehensive income/exchange reserve.

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

(b) USD Exposure

The USD foreign exchange exposure is related to the two USD500 million fixed rate bonds issued, equivalent to HK$7,789 million at the reporting date. The related currency exchange risk was covered back-to-back by two USD/HKD cross currency swap contracts. The swap contracts were entered into in order to effectively fix the exchange rate between the USD and HKD for future interest payments and principal repayments.

The changes in the fair value of both swap contracts did not materially impact the cash flows and the profit or loss as they qualified for cash flow hedge accounting.

Charge of Assets

Assets of the Group were not charged to any third parties as of December 31, 2019.

Contingent Liabilities

The Group did not have any material contingent liabilities as of December 31, 2019.