FINANCIAL REVIEW

Consolidated Results

For the financial year ended December 31, 2020, total revenue of Hang Lung Group Limited (the Company) and its subsidiaries (collectively known as "the Group") edged up by 1% to HK$9,526 million, and operating profit stayed flat at HK$6,880 million.

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

The underlying net profit attributable to shareholders fell by 25% to HK$2,834 million due to a one-off disposal gain recognized in 2019 regarding a non-core property. Underlying earnings per share correspondingly decreased to HK$2.08.

After including a net revaluation loss of properties attributable to shareholders of HK$4,375 million, the net loss attributable to shareholders was HK$1,541 million (2019: net profit of HK$6,816 million). The loss per share was HK$1.13 (2019: earnings per share of HK$5.01).

Revenue and Operating Profit

	Revenue			Operating Profit		
	2020 HK$ Million	2019 HK$ Million	Change	**2020 HK$ Million**	2019 HK$ Million	Change
Property Leasing	**9,464**	9,139	4%	**6,836**	6,736	1%
Mainland China	**5,694**	4,975	14%	**3,757**	3,226	16%
Hong Kong	**3,770**	4,164	-9%	**3,079**	3,510	-12%
Property Sales	**62**	296	-79%	**44**	162	-73%
Total	**9,526**	9,435	1%	**6,880**	6,898	–

Dividend

The Board of Directors has recommended a final dividend of HK63 cents per share for 2020 (2019: HK63 cents) to be paid by 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 HK19 cents per share (2019: HK19 cents), the full year dividends for 2020 amounted to HK82 cents per share (2019: HK108 cents, including a special dividend of HK26 cents per share).

Property Leasing

The Group's overall leasing revenue increased by 4% to HK$9,464 million during the year. As COVID-19 spread in early 2020, both the Group's Mainland and Hong Kong portfolios experienced business shocks. However, the results in the two locations were very different as the year drew to a close. The Mainland portfolio recorded a robust year-on-year revenue growth of 15% in RMB terms and 14% in HKD terms, in contrast to a 9% decline reported by the Hong Kong portfolio.

The unprecedented public health efforts in the Mainland have contained the spread of COVID-19 effectively. Consumer confidence recovered progressively starting from April 2020 which brought a V-shaped rebound to the business. Spending on luxury goods increased, and overall retail sales in 2020 surpassed the previous year. Comparatively, Hong Kong experienced ups and downs in waves throughout the year since the pandemic. A fourth-wave outbreak in late November led to tightening of social distancing measures, further affecting the business of retail sector.

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

Revenue of the Mainland leasing portfolio advanced by 15% to RMB5,045 million, and overall operating profit grew by 17%. The average rental margin was 66%. After 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 rose by 10% on a comparable basis.

On the Mainland, along with the ease of the spread of COVID-19, the luxury goods market started to boom since April 2020. Overseas travel restrictions led to the repatriation of luxury goods spending. 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.

On the other hand, the recovery of Palace 66 in Shenyang, Parc 66 in Jinan, Riverside 66 in Tianjin and Olympia 66 in Dalian, was gradual, caused by weaker spending in the non-luxury sector. Although annual negative growth was recorded for these retail properties, the overall retail sales of these properties returned to the same level in the fourth quarter of 2020 compared with the same period in 2019, demonstrating evidence of a recovery.

The entire mall portfolio generated 19% more revenue at a total of RMB3,731 million. Without counting the new Spring City 66 mall in Kunming that opened in August 2019, the leasing income of our remaining eight Mainland malls grew by 15% year-on-year.

After including 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 some contribution from the Heartland 66 office tower in Wuhan that opened in November 2020, annual revenue growth of the office portfolio was 2%. Revenue from the existing five office towers declined 3% compared with the previous year, reflecting strong competition in this sector.

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	**1,354**	1,232	10%	98%	99%
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	**5,045**	4,382	15%		
Total in HK$ Million equivalent	**5,694**	4,975	14%		

* 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

Total revenue at Plaza 66 rose sharply by 20% to RMB2,032 million, mainly driven by a higher contribution from the mall.

The mall's rental revenue climbed by 34% against 2019, while retail sales surged by 60%. The mall's established firm position as the "Home to Luxury" synergized with the ongoing development of our nationwide customer relationship management (CRM) program HOUSE 66. We will continue to develop brand loyalty by providing exclusive privileges to our members and increasing collaborations with our tenants.

Income generated by the two office towers fell by 4% year-on-year due to some COVID-19-related voids. Meanwhile, we grasped this opportunity to enhance the overall quality of our tenant mix by accommodating the expansion of large international groups. Plaza 66 maintained its long-term competitiveness in the market with its high quality of tenant-customer engagement programs, customer service and premium hardware, despite competition from newly opened offices in non-core areas. The occupancy rate remained stable at 93% at the end of 2020.

Grand Gateway 66, Shanghai

Rental growth of 10% to RMB1,354 million was recorded at Grand Gateway 66.

The Grand Gateway 66 mall completed its three-year Asset Enhancement Initiative (AEI) in the third quarter of 2020. Revenue from the mall jumped 15% to RMB984 million and retail sales grew significantly by 42%. Good results are expected in normalized years of operation from 2021 onwards.

The project was relaunched as the "Gateway to Inspiration". A grand party was held in late November 2020, featuring various entertainment and sales-driven activities involving celebrities and extensive collaborations with tenants. The AEI successfully repositioned the Grand Gateway 66 mall as a regional lifestyle center with a rich luxury content, in which shoppers can find a constellation of top international luxury brands, a strong collection of contemporary fashion and beauty, and a large variety of food and entertainment. The AEI provides a solid foundation for future rental growth for years to come.

Revenue from the office tower increased by 1% to RMB243 million. Occupancy rate rose three points to 99% by the end of 2020. The major upgrade of the mall and the completion of the AEI are expected to provide synergy for the office tower.

Income from residential and serviced apartments decreased by 8%. The occupancy rate declined by two points to 86% owing to softened demand from expatriates.

Palace 66, Shenyang

Hit by the COVID-19 outbreak and extensive public roadworks along the pedestrianized zone outside the mall, Palace 66 experienced a 10% decline in revenue to RMB175 million while retail sales dropped by 15% year-on-year. In the fourth quarter of 2020, we witnessed the return of shoppers and improvement in shopping sentiment after the completion of the public roadworks. Despite these difficult circumstances, we took the opportunity to strengthen the mall's position as the city's trendiest destination by introducing more competitive and unique brands. Occupancy rate slipped by seven points to 88% as of December 31, 2020.

Forum 66, Shenyang

The Forum 66 portfolio achieved remarkable revenue growth of 16% to RMB299 million, mainly attributed to the new income stream from the Conrad Shenyang hotel that opened in September 2019.

Forum 66 mall revenue retreated by 7% year-on-year as affected by the COVID-19 outbreak in the first half of 2020 and fierce competition in the city's luxury market. Occupancy fell by five points to 89%. Retail sales increased 9% year-on-year. Sales in the luxury segment rebounded notably from May 2020, which narrowed the decline in revenue against last year's. Customer experience and loyalty were enhanced and tenants' sales were driven by the nationwide CRM program HOUSE 66 launched in August 2020.

Income from the office tower dropped slightly by 2%. The strong positioning of Forum 66 in the competitive Shenyang office market uplifted its occupancy rate to 90%, up three points against the prior year.

Conrad Shenyang generated revenue of RMB80 million during the financial year ended December 31, 2020. The travel restrictions caused by COVID-19 restrained the demand for hotel rooms and catering services in the first half of 2020, but revenue has gradually recovered since May 2020 once business and domestic trips resumed.

Parc 66, Jinan

Parc 66 revenue fell by 8% to RMB297 million and its retail sales reduced by 18% due to COVID-19. In the fourth quarter of 2020, retail sales showed a sign of recovery with a 2% period-on-period growth. The occupancy rate was high at 94% by the end of 2020 despite the unfavorable trading conditions, reflecting our efforts in brand improvement. 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

Total revenue of the Center 66 portfolio advanced by 26% to RMB363 million compared to 2019.

After the migration of top luxury brands from other locations in Wuxi to Center 66, the mall became the heart of luxury in the city. This resulted in a boost in revenue and retail sales by 30% and 72% respectively. The growth momentum continued in the second half of 2020, with retail sales soaring by 125% compared with the same period a year ago. Through its HOUSE 66 program, the mall will continue to drive solid and sustainable growth in luxury sales.

Revenue from the two office towers improved by 16% to RMB96 million. 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% in total at 2020 year-end. The growth was primarily driven by the new lettings concluded from different sectors such as insurance, technology and the new economy, including some tenants who moved from other Grade A premises. In addition, the launch of our first multifunctional workspace, HANGOUT, in September 2020 has opened our market to potential tenants who need world-class flexible work-spaces.

Riverside 66, Tianjin

Income from the mall lowered by 10% to RMB168 million and retail sales were down by 23%. The mall reopened in March 2020 after a government-ordered five-week business suspension in response to the COVID-19 outbreak. We kept working together with our tenants to lure shoppers back and drive retail sales up. The mall has been promoting its lifestyle content by introducing popular sports brands, fashion and accessories, and high-quality food and beverage offerings. Customer loyalty was further enhanced with the launch of the HOUSE 66 program in July 2020.

Olympia 66, Dalian

Affected by the adverse impacts of COVID-19, Olympia 66 recorded a decline in revenue of 11% to RMB136 million. Retail sales reduced by 18% for the year. HOUSE 66 was successfully launched in June 2020, which coincided with the introduction of top-end luxury offerings starting in the third quarter of 2020. This positioning upgrade will continue in 2021, along with the gradual opening of a complete line-up of the world's leading brands.

Spring City 66, Kunming

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

With a successfully executed pre-leasing program, the mall was well-positioned as the hub of prime luxury in the city from its startup and collected RMB183 million in rents. There was substantial growth in the second half of 2020 after a minor setback by the COVID-19 outbreak at the beginning of the year. The occupancy rate was 91% at the end of 2020.

Revenue from the office tower reached RMB37 million for 2020, and the occupancy rate was 41% at the year-end. Our prime location and premium facilities won quality tenants from fast-growing industries across Southwest China.

Heartland 66, Wuhan

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

Hong Kong

The Hong Kong economy continues to suffer from the adverse impacts of the COVID-19 pandemic in 2020. Revenue dropped 9% to HK$3,770 million while operating profit declined by 12% to HK$3,079 million. The rental margin was at 82%.

The performance of the Hong Kong portfolio was inevitably affected by the pandemic. Due to the significant decline in tourist arrivals, businesses located in properties in Causeway Bay and Mongkok and the serviced apartments segment were severely affected. The government imposed social distancing measures such as dine-in restrictions, operation halts and capacity caps that directly affected the restaurants, cinemas, education centers, gyms and beauty parlors to different degrees. The community malls like Kornhill Plaza and Amoy Plaza were more resilient, but cinemas, gyms and education centers in these malls inevitably suffered from these measures.

Rent relief was granted to selective tenants according to their circumstances. New lease and renewal terms were mostly concluded at negative reversion rates during the reporting year. Unlike the Mainland portfolio, revenue and retail sales have yet to show signs of recovery. As the pandemic evolves, Hong Kong is certainly taking more time 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	**2,158**	2,392	-10%	96%
Office and Industrial / Offices	**1,349**	1,449	-7%	87%
Residential & Serviced Apartments	**263**	323	-19%	56%
Total	**3,770**	4,164	-9%	

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

Commercial

The Hong Kong commercial portfolio recorded a 10% revenue drop to HK$2,158 million. The overall occupancy rate fell two points to 96%.

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

Our Mongkok portfolio also suffered, given its exposure to tourist-oriented trades. 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 area has been occupied while we are in discussions with a well-established lifestyle brand to take up the remaining space. In the transition, the occupancy rate of Gala Place declined to 62%.

Kornhill Plaza in Hong Kong East and **Amoy Plaza in Kowloon East**, positioned as community malls, were less affected. Revenue at Kornhill Plaza remained flat, while revenue at Amoy Plaza retreated by 8%. The mega department store at Kornhill Plaza performed well despite the 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 reopened in the second half of 2019 after the completion of a two-year extensive AEI. Revenue of the mall increased by 9%, benefiting from the full-year impact. The occupancy rate was 95% at the end of the reporting year. 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. Office downsizing was common under the weak economic environment. During the pandemic, our semi-retail tenants such as beauty parlors, gyms and education centers could not maintain routine services. Revenue of the Hong Kong office portfolio dropped by 7% to HK$1,349 million. The overall occupancy rate fell by six points to 87%.

The office rents of our Central portfolio increased by 2% during the year. Revenue from the Mongkok and Causeway Bay portfolios, which contained heavy semi-retail elements, decreased by 6% and 21% respectively. Hong Kong office rentals accounted for 36% of the total leasing income in Hong Kong.

Residential and Serviced Apartments

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

Property Sales

We sold the last unit (duplex) of The Long Beach in 2020 (2019: one house at 23-39 Blue Pool Road). Revenue from property sales dropped 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, 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

As of December 31, 2020, the total value of our investment properties and investment properties under development amounted to HK$200,779 million. The value of the mainland China portfolio and the Hong Kong portfolio was HK$137,854 million and HK$62,925 million, respectively. These properties were revalued by Savills, an independent valuer, as of December 31, 2020.

A revaluation loss of HK$6,856 million (2019: gain of HK$10,620 million) was recorded, representing a 4% decrease in valuation compared to the value as of December 31, 2019. As our investment properties are held to earn recurring rental income as long-term investments, the revaluation loss, being non-cash in nature, does not materially affect our cash flows and dividend distribution capability.

The mainland China portfolio recorded a loss of HK$2,627 million (2019: gain of HK$10,545 million), a 2% decrease in valuation against year-end 2019 and stayed flat versus June 30, 2020, respectively, largely reflecting the adverse effect of the pandemic on shopping malls with lesser luxury content and the market conditions of offices.

The Hong Kong portfolio had a revaluation loss of HK$4,229 million (2019: gain of HK$75 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 total 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 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 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 related to COVID-19. The office tower was completed in November 2020 and 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, comprising a high-end commercial complex with 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 subsidiary, Hang Lung Properties Limited (Hang Lung Properties), spanning a total gross floor area of approximately 105,000 square feet, inclusive of a retail area across the lower floors. Project completion is planned for 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, the Group 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 the Group and Hang Lung Properties on December 30, 2020.

Financing Management

The primary 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 Group from unexpected external financial shock. We centrally manage and control all financial risk management at the corporate level, including debt re-financing, foreign exchange exposure and interest rate volatility.

Funding needs are closely monitored and regularly revisited to allow a sound 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, the Group continued to make strong progress during the year in sustainable financing. 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 under the Green Finance Framework launched in 2019. 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 11% 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$6,793 million (December 31, 2019: HK$3,660 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	**2,631**	39%	2,102	57%
RMB	**4,021**	59%	1,449	40%
USD	**141**	2%	109	3%
Total cash and bank balances	**6,793**	100%	3,660	100%

Debt Portfolio

As of December 31, 2020, total borrowings amounted to HK$38,770 million (December 31, 2019: HK$31,113 million), of which 33% was denominated in RMB as an economic hedge to the net investments in mainland China. The increase in debt balance against 2019 was mainly due to payments for construction in mainland China and Hong Kong.

In 2020, the Group 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 61% 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	**25,860**	67%	19,556	63%
RMB	**12,910**	33%	11,557	37%
Total borrowings	**38,770**	100%	31,113	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**	61%	13,466	43%
Floating	**14,998**	39%	17,647	57%
Total borrowings	**38,770**	100%	31,113	100%

Gearing Ratios

At the reporting date, the net debt balance amounted to HK$31,977 million (December 31, 2019: HK$27,453 million). Net debt to equity ratio was 20.1% (December 31, 2019: 17.3%) and debt to equity ratio was 24.3% (December 31, 2019: 19.7%). The increases were largely due to capital expenditures in mainland China and Hong Kong.

Excluding the balances of Hang Lung Properties and its subsidiaries (HLP Group), the net debt balance of the Company and its other subsidiaries amounted to HK$379 million (December 31, 2019: HK$1,086 million). The corresponding net debt to shareholders' equity ratio (on an attributable net asset basis) was 0.4% (December 31, 2019: 1.2%).

Maturity Profile and Refinancing

At the reporting date, the average tenure of the entire loan portfolio was 2.8 years (December 31, 2019: 2.9 years). The maturity profile was staggered over more than 10 years. Around 58% 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	**7,863**	20%	3,241	10%
After 1 but within 2 years	**8,582**	22%	7,632	25%
After 2 but within 5 years	**19,102**	50%	18,668	60%
Over 5 years	**3,223**	8%	1,572	5%
Total borrowings	**38,770**	100%	31,113	100%

As of December 31, 2020, total undrawn committed banking facilities amounted to HK$16,538 million (December 31, 2019: HK$14,627 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).

Excluding the balances of HLP Group, the undrawn committed banking facilities of the Company and its other subsidiaries amounted to HK$3,975 million (December 31, 2019: HK$5,228 million).

Net Finance Costs and Interest Cover

For the year ended December 31, 2020, the gross finance costs decreased by 3% to HK$1,518 million, mainly driven by the decrease in market interest rates, which outweighed the impact of the increase in total borrowings. After deducting the amount capitalized for projects under development, the net amount charged to the statement of profit or loss for the year increased to HK$222 million, along with the completion and opening of new properties in 2019 and 2020.

Interest income for the year decreased by 56% to HK$70 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$152 million (2019: net interest income of HK$16 million). The average effective cost of borrowings for the year was lowered to 4.4% (2019: 4.7%), benefitting from the lower cost of funds for bank loans and the MTN issued in 2020.

Interest cover for 2020 was 4 times (2019: 5 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 69% 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$6,604 million (2019: loss of HK$2,130 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 internally generated cash flows, 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. We regularly 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 the Group were not charged to any third parties as of December 31, 2020.

Contingent Liabilities

The Group did not have any material contingent liabilities as of December 31, 2020.