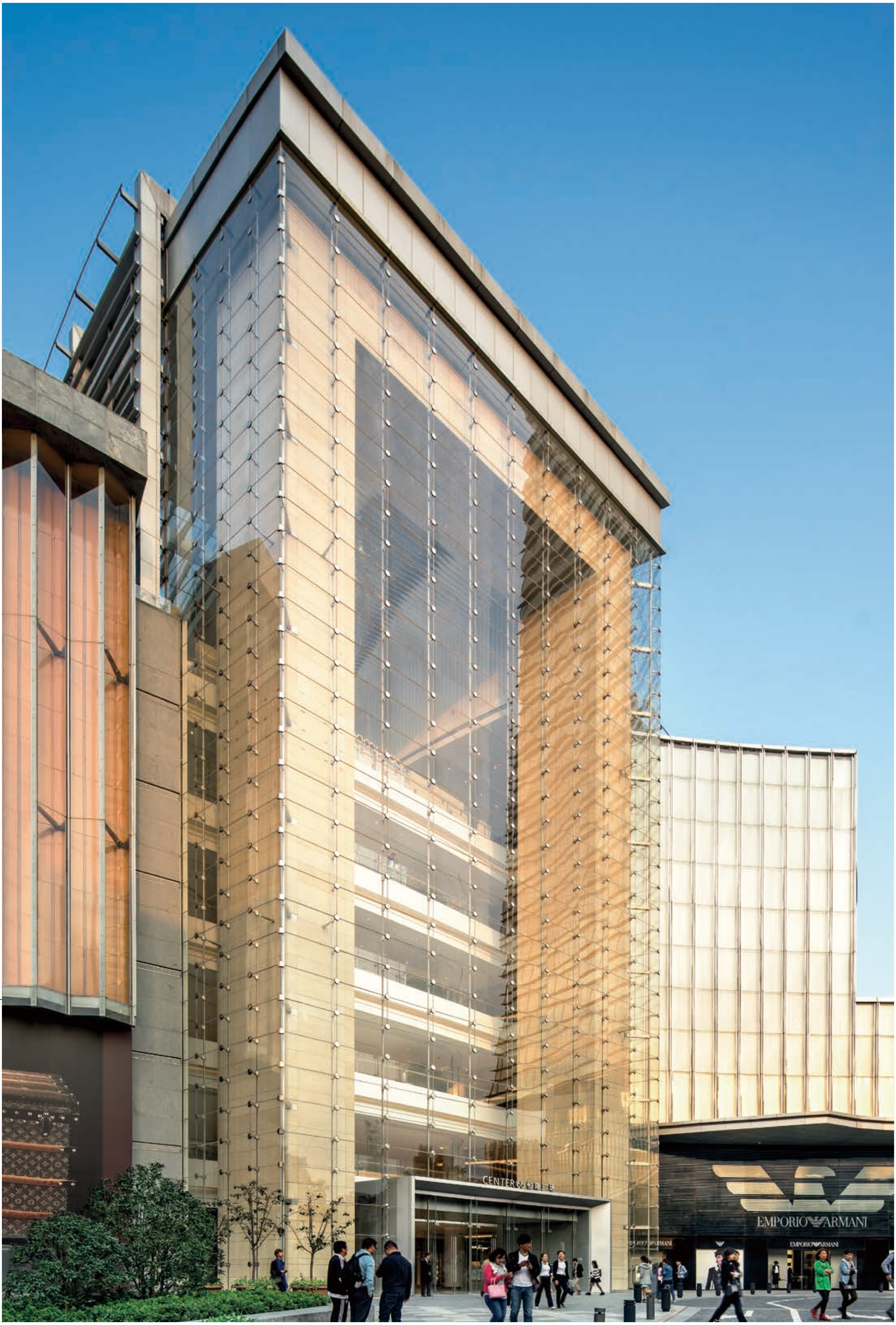
EMBRACE TECHNOLOGY


CENTER 66
EMPORIO ARMANI

Forum 66, Shenyang

Consolidated Results

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 5% year-on-year for the financial year ended December 31, 2019, despite a 4.3% Renminbi (RMB) depreciation against the Hong Kong Dollar. Property sales income dropped 76% to HK$296 million due to fewer residential units sold during the reporting year. As a result, the total revenue of Hang Lung Properties Limited (the Company) and its subsidiaries (collectively known as "Hang Lung Properties") retreated 6% to HK$8,852 million. Total operating profit decreased 5% to HK$6,487 million in the reporting period.

Underlying net profit attributable to shareholders increased 9% to HK$4,474 million. Underlying earnings per share increased correspondingly to HK$0.99. Including the revaluation gain and the related effects of income tax and non-controlling interests, net profit attributable to shareholders decreased 24% to HK$6,172 million. Earnings per share decreased similarly to HK$1.37.

Revenue and Operating Profit

	Revenue			Operating Profit		
	2019 HK$ Million	2018 HK$ Million	Change	**2019 HK$ Million**	2018 HK$ Million	Change
Property Leasing	**8,556**	8,181	5%	**6,325**	6,060	4%
Mainland China	**4,544**	4,244	7%	**2,938**	2,739	7%
Hong Kong	**4,012**	3,937	2%	**3,387**	3,321	2%
Property Sales	**296**	1,227	-76%	**162**	762	-79%
Total	**8,852**	9,408	-6%	**6,487**	6,822	-5%

Dividend

The Board of Directors has recommended a final dividend of HK59 cents per share for 2019 (2018: HK58 cents) to be paid by cash on May 20, 2020, to shareholders whose names appeared on the register of members on May 7, 2020. Together with an interim dividend of HK17 cents per share (2018: HK17 cents), the full year dividends for 2019 amounted to HK76 cents per share (2018: HK75 cents).

Property Leasing

Against the backdrop of the US-China trade dispute and the social unrest in Hong Kong, our property leasing performance recorded mild growth in both income and profit. Total property leasing revenue grew 5% to HK$8,556 million of which 53% was contributed by the Mainland operations. Mainland leasing properties achieved a revenue growth of 12% year-on-year in RMB terms, while the Hong Kong leasing portfolio recorded 2% growth in revenue under the shadow of the social unrest.

The retail market sentiment of Hong Kong had been weak this year even before the social unrest began in June, with year-on-year growth falling into negative territory after February 2019. Coupled with a drastic drop in tourist arrivals since the third quarter, the retail market shrank 23.6% year-on-year in November 2019. Retail sales lost momentum in the second half of 2019, especially in popular tourist districts such as Causeway Bay and Mongkok. As our retail portfolio in Hong Kong is not excessively exposed to the tourism sector and is more geographically dispersed, we maintained mild growth in leasing revenue for the reporting year.

Across the border, mainland China's GDP increased by 6.2% for the first three quarters of 2019, while total retail sales growth remained robust at 8.2%. Supportive government measures and a weaker RMB relative to 2018 continued to boost domestic consumption and the repatriation of spending. The strong growth in the sale of luxury goods in mainland China might partly be due to the diversion of sales from Hong Kong, given the social situation dampened visitors from mainland China.

Customer Engagement

We put our customer-centric strategy at the very heart of our operations to develop 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 can enjoy an array of personalized services and exclusive events which have been instrumental in enhancing customer loyalty and our relationships with customers and tenants. Besides, we continued to leverage technology to enhance customer experience through the launch of car-finding and paperless car park payment system during the year. SmartPOS, our integrated point-of-sale system, enables mobile payments and allows seamless HOUSE 66 reward points registration and targeted marketing promotion in the mall. It was fully rolled out to all our Mainland malls during 2019.

Constantly measuring customer satisfaction is key for us to explore ways to improve customer experience. Conducting online customer surveys and referencing to 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

The performance of our Mainland leasing portfolio in 2019 was encouraging. During the third quarter of 2019, various new properties in our leasing portfolio commenced business, 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. Total revenue climbed 12% to RMB4,003 million, or 10% when excluding the impact of the new properties. Operating profit grew 12% after taking up ramp-up losses of the new properties, 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 16% 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 8% year-on-year, with the second half year achieving a 12% increase.

The overall growth of our Mainland portfolio was stimulated by the remarkable revenue advancement at our eight existing malls with the new revenue stream from the opening of our new mall in Kunming in August 2019. Altogether, revenue from our Mainland malls increased by 14% to RMB3,129 million. Revenue of our Shanghai retail properties advanced 11% year-on-year, with Plaza 66 maintaining its growth momentum at 14% and milder growth of 6% at Grand Gateway 66 given the short-term rental interruption as a result of the ongoing renovation. Outside of Shanghai, all existing malls saw good improvement leading to an overall 14% increase in revenue.

Our office portfolio in mainland China generated 3% more in revenue for a total of RMB845 million in 2019 as compared to the previous year. The office towers at Shanghai Plaza 66 recorded a stable year-on-year income growth of 1%, against keen competition and new office supply in Shanghai. Income from all office towers accounted for 21% of our total Mainland leasing revenue.

Mainland China Property Leasing Portfolio

	Revenue			Occupancy Rate*	
City and Name of Property	2019 RMB Million	2018 RMB Million	Change	Mall	Office
Shanghai Plaza 66	1,696	1,554	9%	99%	93%
Shanghai Grand Gateway 66	853	803	6%	91%	N/A
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	4,003	3,577	12%		
Total in HK$ Million equivalent	4,544	4,244	7%		

* 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 the strong performance of 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.

Set against ample new supply of Grade A offices in nearby areas, our efforts in bringing new lettings and recruiting quality long-term tenants drove up average occupancy. Income from the two office towers at Plaza 66 grew 1% year-on-year to RMB630 million, with occupancy rate fell two points to 93% at the end of 2019.

Shanghai Grand Gateway 66 (Mall only)

Revenue at the Grand Gateway 66 mall increased 6% to RMB853 million, benefiting greatly from the full year effect of the reopening of the North Building since September 2018 and its basement in June 2019. The North Building, housing a mix of lifestyle brands and a refurbished cinema, has become a popular hub for young, affluent customers. More varieties of food and beverage offerings have also been a factor in successful positioning. The second phase of the renovation covering the bulk of the South Building and its basement is in the process of stage-by-stage completion and has been partially reopened. A new cosmetics zone housing top global brands and fast fashion retailers has energized the newly renovated basement. The luxury flagship stores at the main atrium of the South Building commenced business in December 2019. The entire South Building renovation is scheduled for completion in the third quarter of 2020.

Shenyang Palace 66

The Palace 66 mall collected 20% more in rents at RMB194 million, driven by higher occupancy rate and increased turnover rents. Retail sales rose by 20%, reflecting the mall's successful positioning as the leading contemporary lifestyle mall in the Zhongjie district and Shenyang city. International sports brands and popular lifestyle fashion brands recorded remarkable sales performance during the reporting year. The revamped kids' zone on the third floor was opened in the second quarter, further enhancing the tenant mix with an increase in family footfall. The occupancy rate rose seven points to 95%. In December 2019, HOUSE 66 was also launched at Palace 66.

Shenyang Forum 66

Total revenue at Forum 66 increased 19% year-on-year to RMB257 million, mainly contributed by the newly opened Conrad Shenyang and the revenue growth from the office tower.

The Forum 66 mall edged up 3% and 6% year-on-year respectively in revenue and retail sales, reflecting our efforts to reshuffle the tenant portfolio and diversify trade mix amid strong competition in the luxury retail sector. The occupancy rate rose one point to 94%, with the introduction of quality food and beverage tenants and shops targeting families and children. Some international brands also made their debuts into the Shenyang market with pop-up stores on the first floor of the mall.

Revenue from the office tower at Forum 66 advanced 8% year-on-year to RMB127 million, benefiting from the full year effect of leasing commencement at six high-zone floors in the second half of 2018. The year-end occupancy rate slipped one point to 87% amid new office supply in the market.

Conrad Shenyang, the 315-room five-star hotel residing on the top 19 floors of the office tower, was opened in September 2019, and contributed RMB29 million in revenue over its first four months of operations. As the first hotel in our mainland China portfolio, it is positioned as 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 also further strengthen the positioning of Forum 66 as an upscale shopping destination and prestigious address for businesses.

Jinan Parc 66

Income at the Parc 66 mall advanced 10% year-on-year to RMB322 million. The revenue growth was mainly attributable to favorable rental reversions and a two-point increase in occupancy rate to 98%. Retail sales rose 6%. The mall achieved higher unit rents and sales through tenant portfolio upgrade by introducing a good brand mix on the first floor, as well as new contemporary luxury brands and the new Starbucks Reserve and Heytea flagship stores. The themed zones on the upper floors were also upgraded with a sports zone on the fourth floor and new food and beverage offerings on the top floor.

HOUSE 66, launched in Parc 66 in December 2018, has been well received, with tenant sales as well as turnover rents boosted through collaboration with tenants in offering exclusive promotions and events to members.

Wuxi Center 66

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

Revenue at the mall jumped 22% mainly due to an increase in turnover rent after tenant reshuffling, favorable rental reversions and higher occupancy. HOUSE 66 was launched in May 2019, and retail sales surged 21% with the occupancy rate rising six points to 95%. Some luxury brands consolidated their stores in Wuxi after opening their stores at Center 66 and we expect to see more brand migrating to Center 66 in the coming year.

Including the revenue from the new 54,000-square-meter Office Tower Two which was opened in August 2019, total income of the two office towers stayed flat at RMB83 million in 2019. Occupancy rate at Office Tower One increased four points to 90% at the end of 2019.

Tianjin Riverside 66

Revenue at the Riverside 66 mall rose 4% year-on-year to RMB186 million. In August 2019, Starbucks opened a unique flagship store in the iconic and historic Zhejiang Xingye Bank Building. Part of the fourth floor was also converted into a themed zone to attract the younger generation while the overall trade mix of the mall had been further refined with more sportswear and lifestyle tenants. As a result, retail sales increased by 5% while the occupancy rate fell one point to 89% as tenant mix refinement continues.

Dalian Olympia 66

The Olympia 66 mall delivered remarkable results in 2019 with revenue and retail sales jumping 28% and 29%, respectively, riding on the business growth among popular contemporary lifestyle and food and beverage tenants. The occupancy rate increased three points to 82%. Phase two of the mall is scheduled to open in phases during 2020 with more luxury brands set to join the tenant portfolio.

Kunming Spring City 66

The mall and office tower at Spring City 66, our first project in the southwestern region of mainland China, were opened in late August 2019 and contributed RMB54 million in revenue during the reporting year.

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

The four-month old 153,000-square-meter office tower collected RMB5 million in rents, with 13% occupancy rate at the end of 2019.

Hong Kong

Like many businesses in Hong Kong, the performance of our Hong Kong leasing properties was adversely affected by the social unrest. Total revenue mildly advanced 2% to HK$4,012 million while operating profit also grew 2%. Rental margin remained at 84%.

With significant decrease in tourist arrivals, transport disruptions and shop closures, a significant drop in retail sales in all trades was inevitable. Nevertheless, the scheduled reopening of Peak Galleria after a two-year Asset Enhancement Initiative made a positive contribution to both retail sales and leasing revenue in 2019.

Hong Kong Property Leasing Portfolio

	Revenue			Occupancy Rate*
	2019 HK$ Million	2018 HK$ Million	Change	
Commercial	**2,374**	2,326	2%	98%
Office and Industrial/Offices	**1,315**	1,286	2%	93%
Residential & Serviced Apartments	**323**	325	-1%	74%
Total	**4,012**	3,937	2%	

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

Commercial

Revenue from our Hong Kong commercial portfolio increased 2% year-on-year to HK$2,374 million. While total retail sales dropped 4% year-on-year, 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 hit hardest due to the social unrest in Hong Kong. Revenue from this portfolio dropped 1% to HK$628 million year-on-year. Retail sales decreased by 10% with occupancy rate declining two points to 97%.

Our Mongkok portfolio was also badly affected by the social unrest. Revenue at **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 growth was slowed to 3%. Retail sales decreased by 1%. Both properties remained fully let at the reporting date.

Our community malls, namely **Kornhill Plaza in Hong Kong East** and **Amoy Plaza in Kowloon East**, were less affected by socio-political issues and saw an income growth of 2% to 3%, primarily due to the positive rental reversion of AEON STYLE in Kornhill Plaza, and the upgrade of food and beverage tenants at Amoy Plaza, which also benefitted 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 in October 2018. Despite reopening at a challenging time, the mall had secured a 91% occupancy rate at end of the reporting year.

Offices

The Hong Kong office portfolio recorded 2% year-on-year growth in revenue to HK$1,315 million, mainly due to positive rental reversions. The overall occupancy rate slipped one point to 93%. Our offices in Central and Mongkok achieved revenue growth of 6% and 5% respectively. Revenue from the Causeway Bay portfolio, which has a good presence of semi-retail element, dropped 4%. Hong Kong office rental accounted for 33% of total leasing income in Hong Kong.

Residential and Serviced Apartments

Revenue from the apartments dropped 1% year-on-year to HK$323 million, mainly due to lower occupancy at Kornhill Apartments.

Property Sales

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

During the reporting period, we also disposed of 111 car parking spaces at Laichikok Bay Garden, previously held as investment properties. The gain on the disposal of HK$69 million was recognized as part of the fair value gain of properties.

Property Revaluation

The total value of our investment properties amounted to HK$159,534 million as of December 31, 2019, comprising the value of the Hong Kong portfolio and the mainland China portfolio standing at HK$64,659 million and HK$94,875 million, respectively. Our investment properties were revalued by Savills, an independent valuer, as of December 31, 2019.

A total revaluation gain of HK$8,797 million (2018: HK$4,170 million) was recorded, representing a 5% growth in valuation compared to the value recorded at December 31, 2018.

Investment properties in mainland China recorded an overall gain of HK$9,281 million (2018: HK$318 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. Properties for leasing in Hong Kong had a revaluation loss of HK$950 million reflecting the adverse impact of a weakened economy and retail sales arising from the social unrest, which was partly 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 loss of HK$484 million (2018: gain of HK$3,852 million).

Property Development and Capital Commitment

The aggregate values of property development projects on investment properties and properties for sale were HK$27,602 million and HK$4,707 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 development projects in investment properties amounted to HK$26 billion.

Mainland China

The next Mainland project to commence operations will be Wuhan **Heartland 66**, which will house a premier mall, a Grade A office tower and serviced apartments for sale, with a total gross floor area of 460,000 square meters. Construction has been progressing as scheduled, with the mall and office tower targeting 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** comprises luxury serviced apartments and a boutique hotel, with a total gross floor area of 108,982 square meters. The master layout plan of the project was approved in March 2019. Excavation works commenced in July 2019, and the project is expected to reach completion from 2023 onwards.

The remaining development of Kunming **Spring City 66** comprises a five-star hotel and luxury apartments. The planning permit is expected to be obtained in the first quarter of 2020 and construction is estimated to require about four years for completion.

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 started since September 2019. The entire project comprises a retail podium with five Grade A office towers and a hotel. With piling works 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 is made up of offices, apartments and a retail area. Construction works will commence by phases beginning from 2020.

Hong Kong

Joining hands with our parent company, Hang Lung Group, we commenced a redevelopment project at 226-240 Electric Road in North Point for the construction of a Grade A office tower with a total gross floor area of approximately 105,000 square feet, inclusive of a retail area on the podium floors. Completion of construction is expected in 2022.

In April 2019, we consolidated the entire ownership of the Amoycan Industrial Centre in Ngau Tau Kok through the Compulsory Sale for Redevelopment Order. As the site is close 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 for completion 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$3,306 million (December 31, 2018: HK$12,363 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$29,673 million (December 31, 2018: HK$27,253 million), of which about 39% 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	**5,764**	19.4%	255	0.9%
Floating rate RMB bank loans	**10,443**	35.2%	13,490	49.5%
Fixed rate bonds	**13,466**	45.4%	13,508	49.6%
Denominated in USD	**7,789**	26.2%	7,832	28.7%
Denominated in HKD	**4,563**	15.4%	4,540	16.7%
Denominated in RMB	**1,114**	3.8%	1,136	4.2%
Total borrowings	**29,673**	100%	27,253	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 67% 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	**2,694**	9.1%	2,414	8.8%
After 1 but within 2 years	**7,235**	24.4%	3,514	12.9%
After 2 but within 5 years	**18,172**	61.2%	17,900	65.7%
Over 5 years	**1,572**	5.3%	3,425	12.6%
Total borrowings	**29,673**	100%	27,253	100%

As of December 31, 2019, total undrawn committed banking facilities amounted to HK$9,399 million (December 31, 2018: HK$16,224 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).

Gearing Ratios and Interest Cover

At the end of 2019, the net debt balance amounted to HK$26,367 million (December 31, 2018: HK$14,890 million). Net debt to equity ratio was 17.8% (December 31, 2018: 10.4%) and debt to equity ratio was 20.1% (December 31, 2018: 19.0%).

For the year ended December 31, 2019, the total amount of gross borrowing costs increased by 12% to HK$1,475 million. The net amount charged to the statement of profit or loss for the year decreased by 96% to HK$46 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 67% to HK$146 million. The decrease was mainly due to a reduction in 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$100 million (2018: net interest expense of HK$624 million). The average effective cost of borrowings for the year was lowered to 4.8% (2018: 4.9%).

Interest cover for 2019 was 4 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 the following currencies:

	At December 31, 2019		At December 31, 2018	
	HK$ Million	% of Total	HK$ Million	% of Total
Denominated in:				
HKD	**2,056**	62.2%	4,673	37.8%
RMB	**1,150**	34.8%	7,681	62.1%
USD	**100**	3.0%	9	0.1%
Total cash and bank balances	**3,306**	100%	12,363	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 63% 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$2,028 million (2018: HK$3,658 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 the outcome 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 Hang Lung Properties were not charged to any third parties as of December 31, 2019.

Contingent Liabilities

Hang Lung Properties did not have any material contingent liabilities as of December 31, 2019.