Financial Review

Consolidated Results

For the financial year ended December 31, 2022, the total revenue of Hang Lung Group Limited (the Company) and its subsidiaries (collectively known as "the Group") was at the same level as in 2021 at HK$10,941 million while operating profit fell by 2% to HK$7,683 million. The revenue of our property leasing business decreased by 3% to HK$10,625 million, mainly due to the depreciation of the Renminbi (RMB) against the Hong Kong dollar since the second quarter of 2022 and the business suspensions of our malls caused by COVID-19 in Shanghai during April and May. Property sales revenue of HK$316 million was recognized during the year (2021: Nil).

The underlying net profit attributable to shareholders remained flat at HK$3,002 million. The underlying earnings per share stayed flat at HK$2.20.

Considering a net revaluation loss on properties attributable to shareholders of HK$284 million (2021: HK$402 million), the Group reported a net profit attributable to shareholders of HK$2,718 million (2021: HK$2,589 million). The corresponding earnings per share was HK$2.00 (2021: HK$1.90).

Revenue and Operating Profit

	Revenue			Operating Profit/(Loss)		
	2022 HK$ Million	2021 HK$ Million	Change	**2022 HK$ Million**	2021 HK$ Million	Change
Property Leasing	**10,625**	10,919	-3%	**7,596**	7,898	-4%
Mainland China	**7,218**	7,402	-2%	**4,886**	5,020	-3%
Hong Kong	**3,407**	3,517	-3%	**2,710**	2,878	-6%
Property Sales	**316**	–	N/A	**87**	(91)	N/A
Total	**10,941**	10,919	–	**7,683**	7,807	-2%

Dividend

The Board of Directors has recommended a final dividend of HK65 cents per share for 2022 (2021: HK65 cents) to be paid in cash on May 19, 2023, to shareholders whose names are listed on the register of members on May 5, 2023. Together with an interim dividend of HK21 cents per share (2021: HK21 cents), the full-year dividends for 2022 amounted to HK86 cents per share (2021: HK86 cents).

Property Leasing

During the year, the Group's total rental revenue decreased by 3% to HK$10,625 million. Rental revenue from our Mainland portfolio edged up by 1% in RMB terms but declined by 2% in HKD terms owing to the RMB depreciation since the second quarter of 2022. Due to the impact of the fifth wave of the COVID-19 pandemic, rental revenue for our Hong Kong portfolio was down by 3%.

On the Mainland, amid the various headwinds faced by the retail sector during the year, our leasing portfolio demonstrated resilience. The outbreak of the highly contagious Omicron variant in the first half of 2022 prompted a strict two-month closure of business operations at our malls in Shanghai during April and May that heavily affected our performance. Yet, our shopping malls outside Shanghai and our office portfolio continued to show respectable growth despite the business suspension in Shanghai and we achieved 1% revenue growth in RMB terms in the first half. In the second half, local pandemic containment measures were reintroduced as COVID cases spread across Mainland which caused business disruptions and drop in foot traffic. The negative sentiment was amplified in December since the pandemic situation heightened and infection cases penetrated across Mainland. Nevertheless, our rental revenue in the second half grew 8% against first half of 2022 and was at par with second half of 2021 when Mainland rental revenue was at its historical high. Our geographical and business diversification strategies again demonstrated its effectiveness. The overall 2022 revenue grew by 1% in RMB terms against last year.

In Hong Kong, with the fifth wave of COVID-19 early in the year having lingering effects on businesses and consumer sentiment, the operating environment was fragile. New round of the government's electronic Consumption Voucher Scheme during the year has boosted consumer sentiment to a certain extent. During this challenging time, we continued to provide support to our tenants and less rent relief was needed in the second half of 2022. Overall, we kept narrowing the gap against 2021 as rental revenue was only 3% lower, while we reported a 4% drop in the first half. We also managed to maintain stable tenant sales and keep the occupancy rate at a high level.

Mainland China[1]

Property Leasing – Mainland China Portfolio

	Revenue		
	2022 RMB Million	2021 RMB Million	Change
Malls	**4,607**	4,662	-1%
Offices	**1,361**	1,248	9%
Residential & Serviced Apartments	**149**	137	9%
Hotel	**73**	94	-22%
Total	**6,190**	6,141	1%
Total in HK$ Million equivalent	**7,218**	7,402	-2%

[1] Percentage changes pertaining to the mainland China portfolio are expressed in RMB terms unless otherwise specified.

In RMB terms, the total rental revenue and operating profit rose by 1%. In HKD terms, both decreased by 2% and 3%, respectively, owing to the RMB's depreciation since the year's second quarter. Despite COVID-19-related interruptions to business operations in many cities, the performance of our mall portfolio remained stable. The suspension of business across our malls caused by COVID-19 in Shanghai and Shenyang was substantially compensated for by a solid improvement in the performance of our malls outside of these two cities. Our quality office portfolio was a bright spot, recording respectable revenue growth year-on-year. The growth was mainly driven by an increase in occupancy rates at our younger office towers in Wuxi, Kunming, and Wuhan. Hotel operations were unfavorably affected by the various pandemic containment measures which impeded travel across provinces and cities.

Malls

Amid the challenging operating environment posed by numerous local pandemic containment measures and weak consumer sentiment, the revenue of our mall portfolio decreased by 1% compared to last year. Luxury-positioned malls recorded a 1% drop in revenue, while revenue of sub-luxury malls slipped by 4% year-on-year.

Property Leasing – Mainland China Mall Portfolio

	Revenue			Year-End Occupancy Rate	
Name of Mall and City	**2022 RMB Million**	2021 RMB Million	Change	**2022**	2021
Luxury malls					
Plaza 66, Shanghai	**1,595**	1,782	-10%	**100%**	100%
Grand Gateway 66, Shanghai	**1,146**	1,163	-1%	**99%**	100%
Forum 66, Shenyang	**97**	106	-8%	**87%**	90%
Center 66, Wuxi	**398**	373	7%	**99%**	98%
Olympia 66, Dalian	**229**	164	40%	**89%**	87%
Spring City 66, Kunming	**285**	269	6%	**95%**	97%
Heartland 66, Wuhan#	**232**	153	52%	**86%**	84%
	3,982	4,010	-1%		
Sub-luxury malls					
Palace 66, Shenyang	**161**	179	-10%	**81%**	90%
Parc 66, Jinan	**304**	305	–	**90%**	93%
Riverside 66, Tianjin	**160**	168	-5%	**80%**	86%
	625	652	-4%		
Total	**4,607**	4,662	-1%		

Opened in March 2021

In 2022, various pandemic containment measures and weak consumer sentiment interrupted the positive performance of our mall portfolio at the beginning of the year. Foot traffic was affected by the suspension of business and capacity restrictions of trades such as food and beverage, entertainment, and education. In the first half of 2022, business was suspended due to COVID-19, and the leasing performance of our malls, especially the malls in Shanghai (Plaza 66 and Grand Gateway 66) and Shenyang (Forum 66 and Palace 66), was directly affected.

Up until recently in December, we have been witnessing a healthy recovery in the second half of 2022 following the gradual relaxation of pandemic control measures alongside our marketing programs and customer relationship management (CRM) program activities and privileges. However, an increase in COVID-19 cases during December affected overall sentiment and the operations of some of our tenants despite our malls remaining open during this period.

Overcoming the challenges above, our luxury malls outside of Shanghai and Shenyang delivered satisfactory results, with revenue advancing between 6% and 52% year-on-year, driven primarily by continuous improvements in occupancy levels and optimization of the tenant mix. Revenue from our sub-luxury malls decreased by 4% during the year.

Luxury malls

Our flagship **Plaza 66** mall in Shanghai recorded a 10% and 24% year-on-year revenue and tenant sales decline, respectively. We developed and launched a range of CRM programs and marketing campaigns, including our signature "Home to Luxury" party, to boost consumer sentiment and footfall. We successfully decreased our year-on-year drop in rental revenue amid business interruptions throughout the year. As of December 31, 2022, the mall remained fully occupied.

Despite a 19% drop in tenant sales of the **Grand Gateway 66** mall in Shanghai due to business suspension caused by COVID-19 in April and May, revenue only marginally decreased compared to 2021. After completing the Asset Enhancement Initiative (AEI) in late 2020, the mall was upgraded and managed to secure more high-quality tenants. An occupancy rate of 99% was maintained at year end.

Under the tightened pandemic containment measures, the **Forum 66** mall in Shenyang was temporarily closed for nearly a month beginning in mid-March, followed by occasional entry restrictions during the year. Regardless, the 2022 leasing performance was satisfactory. The year also marked the 10th anniversary of Forum 66. We rolled out various marketing initiatives to enhance consumer sentiment and tenant sales, lessening the impact of mall closures during the year's first half. Compared to last year, the full-year revenue and tenant sales decreased by 8% and 18%, respectively. However, the numbers improved following the reopening of the mall in mid-April. The occupancy rate fell by three points to 87% at year end.

The undisputed leader in luxury retail in Wuxi, the **Center 66** mall performed well despite the challenging landscape. As a result of the resurgence in COVID-19 cases, the mall was closed for more than a week from the end of March, and business hours were shortened in July to contain the infection rate. The gradual improvement of pandemic situation triggered signs of recovery. Marketing campaigns were rolled out to boost footfall and consumption. Thanks to positive rental reversion, revenue and tenant sales rose by 7% and 1%, respectively, despite the difficult conditions. The occupancy rate remained high at 99%.

Cementing its position as the city's premium shopping and leisure destination, **Olympia 66** in Dalian benefited from its successful transformation into a luxury-led mall with an impressive performance during the year. A strong line-up of luxury tenants opened stores during the year and the occupancy rate improved by two points to 89%. An improved tenant mix and the launch of effective marketing initiatives bolstered revenue and tenant sales by 40% and 67%, respectively.

As the city's prime luxury hub, the **Spring City 66** mall in Kunming earned 6% more revenue mainly due to positive rental reversions from a strong base rent even though tenant sales decreased by 4%. Several international brands entered the mall with a local debut, flagship, or pop-up store, keeping the mall offering fresh and engaging for consumers.
The occupancy rate slipped by two points to 95%.

The **Heartland 66** mall in Wuhan is our first large-scale commercial development in central China. Located in the thriving Qiaokou District, the mall is well connected to Wuhan's commercial and business hubs and an ideal home for first-in-town flagship and specialty stores. Since its opening in March 2021, tenant sales and footfall have kept up the momentum. Revenue rose by 52% to RMB232 million while tenant sales increased by 158% despite the mall closing for three weeks in October and November following tightened COVID-19 situation. The occupancy rate rose by two points to 86% at year end.

Sub-luxury malls

Palace 66 in Shenyang was adversely affected by its temporary closure for nearly a month beginning in mid-March and tightened pandemic containment measures. We witnessed a revenue and tenant sales decline of 10% and 24%, respectively. In mid-April, business resumed, and consumer sentiment gently recovered. We took the opportunity to replace non-performing tenants with higher quality, competitive tenants. As of year end, the occupancy rate decreased by nine points to 81%.

Revenue of **Parc 66** in Jinan stayed flat and tenant sales slipped by 20%. Following the completion of phase one of the three-year AEI, which commenced in June 2021, a variety of brands opened at the mall during the year. Effective marketing strategies and CRM programs enhanced the mall's reputation, enticing multiple beauty brands and first-in-town brands to open stores. The remaining phases of the AEI will continue to enhance the mall's long-term competitiveness and profitability. The occupancy rate dropped by three points to 90% at year end.

Revenue from **Riverside 66** in Tianjin decreased by 5%, and tenant sales dropped by 29% since business was suspended for more than a week in May and again in September 2022 due to a resurgence in COVID-19 cases. We upgraded the tenant mix by replacing non-performing tenants with more attractive brands to enhance the mall's competitiveness. The occupancy rate fell by six points to 80% when compared to last year.

Offices

Accounting for 22% of our total Mainland rental revenue, our office portfolio was a bright spot with a resilient income stream despite weak market sentiment. The year-on-year revenue advanced by 9% to RMB1,361 million while the occupancy level of newer projects, such as the office towers in Kunming and Wuhan, continued to increase.

Property Leasing – Mainland China Office Portfolio

	Revenue			Year-End Occupancy Rate	
Name of Office and City	**2022 RMB Million**	2021 RMB Million	Change	**2022**	2021
Plaza 66, Shanghai	**639**	629	2%	**96%**	97%
Grand Gateway 66, Shanghai	**251**	247	2%	**97%**	98%
Forum 66, Shenyang	**130**	132	-2%	**91%**	92%
Center 66, Wuxi	**119**	113	5%	**85%**	88%
Spring City 66, Kunming	**126**	81	56%	**88%**	71%
Heartland 66, Wuhan	**96**	46	109%	**73%**	57%
Total	**1,361**	1,248	9%		

Despite the heightened COVID-19 situation from April to May 2022, the two Grade A office towers at **Plaza 66** in Shanghai continued to deliver good rental performance during the year. Revenue increased by 2% and the occupancy rate remained high at 96%. During the economic downturn, Plaza 66 demonstrated resilience backed by its strong tenant profile, professional management services, and prime location in the city's traditional central business district.

The office tower at **Grand Gateway 66** in Shanghai increased revenue by 2% during the year, and the occupancy rate remained high at 97%. Grand Gateway 66 continued to generate steady revenue despite new office developments in the Xuhui District, which intensified competition in the market.

The office tower at **Forum 66** in Shenyang recorded a revenue decline of 2%. Facing pressure on rent following a rising supply of office space and soft demand in Shenyang, Forum 66 retained its market leadership by leveraging its prominent location, top-grade design, and premium management services. The occupancy rate slipped by one point to 91%.

Overall, the revenue of the two office towers at **Center 66** in Wuxi rose by 5% to RMB119 million even the occupancy rate decreased by three points to 85%. The self-operated multifunctional workspace HANGOUT enhanced our offering to existing tenants and attracted new small- to medium-sized tenants, encouraging community building and hence performance is expected to be improved afterwards.

Revenue of the office tower at **Spring City 66** in Kunming jumped by 56% to RMB126 million, and the occupancy rate surged by 17 points to 88%. Spring City 66 secured high-quality tenants motivated by our competitive advantage, including a prime location in Kunming, premium facilities, and value-added services. We accelerated leasing by offering modular offices with high-quality fit-outs and furnishings.

The **Heartland 66** Office Tower in Wuhan started operations in November 2020. In 2022, revenue rose to RMB96 million, and the occupancy rate climbed by 16 points to 73% by year end. HANGOUT at Heartland 66 is expected to open in the first half of 2023, aiming to replicate the success of HANGOUT at Center 66.

Residential & Serviced Apartments

Income from our residential and serviced apartments at Grand Gateway 66 in Shanghai increased by 9%. The occupancy rate decreased by one point to 90% as of December 31, 2022.

Hotel

The intermittent COVID-19 outbreak at various intervals across the year in Shenyang negatively impacted our business. Proactive dining promotions and staycation packages were launched to attract local customers. After the pandemic situation started to alleviate, the performance of Conrad Shenyang gradually recovered. 2022's full-year revenue decreased by 22% to RMB73 million.

Hong Kong

In 2022, the retail and office markets were weakened by ongoing COVID-19 control measures, which reduced demand from tourists and foreign corporations – even when the government lifted the quarantine requirement towards the end of the year. Properties located in Causeway Bay, Central, The Peak, and Mongkok remained under pressure due to their reliance on tourism. In the first quarter of the year, the government imposed social distancing measures and capacity limits which directly affected tenants of specific trades, including cinemas, gyms, and restaurants.

We were, however, able to maintain occupancy at a satisfactory level by aligning the tenant mix at our malls with local consumer patterns. We also launched marketing campaigns via the "hello Hang Lung Malls Rewards Program" to coincide with the government's electronic Consumption Voucher Scheme.

Tenants, including restaurants, cinemas, education centers, gyms, and beauty parlors, which endured complete or partial closure, resumed business after the fifth wave of COVID-19 subsided. After that, rent relief in the year's second half was significantly reduced compared to the first half.

Revenue and operating profit decreased by 3% to HK$3,407 million and 6% to HK$2,710 million, respectively, with a rental margin of 80%. Tenant sales stayed flat against 2021.

Property Leasing – Hong Kong Portfolio

	Revenue			Year-End Occupancy Rate	
	2022 HK$ Million	2021 HK$ Million	Change	**2022**	2021
Retail	**1,950**	2,002	-3%	**98%**	97%
Offices and Industrial/Office	**1,205**	1,273	-5%	**90%**	87%
Residential & Serviced Apartments	**252**	242	4%	**73%**	72%
Total	**3,407**	3,517	-3%		

Retail

Due to negative rental reversions, revenue from our Hong Kong retail portfolio dropped by 3% to HK$1,950 million.

The revenue of properties at central business and tourist districts declined by 6% due to negative rental reversions and rent relief as a result of the ongoing effects of the pandemic and cross-border travel restrictions. In response, we introduced brands that focus on local consumption to optimize the tenant mix. The occupancy rate rose by one point to 96%.

Our community malls were more resilient and the revenue remained stable compared to last year. Both **Kornhill Plaza** in Hong Kong East and **Amoy Plaza** in Kowloon East were fully let at the reporting date.

Offices and Industrial/Office

The weak office market and negative rental reversions led to a 5% drop in revenue to HK$1,205 million.

On the Hong Kong Island side, the pandemic fueled office vacancies and supply overshot demand. Our revenue decreased by 8%. Popular tourism areas of Central, Wanchai, and Causeway Bay suffered due to ongoing travel restrictions throughout most of the year. Banking on its unique position in a neighborhood setting, our **Hong Kong East portfolio** was less affected. Given the challenging market conditions, we adopted several measures to maintain comparatively high occupancy levels across our office buildings.

Our **Kowloon portfolio** was more resilient due to the semi-retail positioning of Grand Plaza, Grand Centre, and Gala Place. Revenue remained stable.

Residential & Serviced Apartments

Our residential and serviced apartments segment earned 4% more revenue year-on-year. This was largely due to an improvement in average occupancy at Kornhill Apartments after adopting a competitive pricing strategy.

Property Sales

Revenue of HK$316 million, with a corresponding profit margin of 52%, was recognized during the year for the sale of one house on Blue Pool Road following its completion in 2022. An operating profit of HK$87 million was recorded from property sales in 2022 after expenses for selling new Kowloon Bay development project The Aperture, marketing Heartland Residences in Wuhan, and other operating costs were taken into account.

The Group sold four more residential units at The Aperture during the year. Together with the residential units sold in 2021, the revenue is expected to be recognized in 2023 following the completion of the sale.

We continuously sought opportunities to dispose of non-core investment properties for capital recycling. During 2022, a retail unit at Laichikok Bay Garden in Hong Kong was concluded to be sold with a fair value gain of HK$11 million being recognized in the year's first half. The transaction was subsequently completed in August 2022.

Share of Results of Joint Ventures

Our share of results from joint ventures improved from losses of HK$14 million in 2021 to profits of HK$153 million in the year under review. Apart from the year-on-year reduction in joint venture investment properties' revaluation losses, we recorded a one-off gain of HK$94 million from our acquisition of additional 6.67% interests in Citygate, the mixed-use commercial complex in Tung Chung, Hong Kong, in 2022. Following the acquisition, our interests in Citygate increased to 26.67%.

Property Revaluation

As of December 31, 2022, the total value of our investment properties and those under development amounted to HK$199,084 million, including the mainland China portfolio of HK$135,635 million and the Hong Kong portfolio of HK$63,449 million. These properties were appraised by Savills, an independent valuer, as of December 31, 2022.

A revaluation loss of HK$352 million was recorded (2021: gain of HK$458 million).

The mainland China portfolio recorded a gentle revaluation loss of HK$108 million (2021: gain of HK$1,763 million), representing less than 1% of the portfolio value. The outbreak of the Omicron variant of COVID-19 in 2022 had no material impact on the valuation.

The Hong Kong portfolio had a revaluation loss of HK$244 million (2021: loss of HK$1,305 million). The decrease was smaller than 1% against the value as of December 31, 2021.

Net revaluation loss after tax and non-controlling interests of HK$284 million was reported (2021: net revaluation loss of HK$402 million).

Property Development and Capital Commitment

The aggregated values of our projects under development for leasing and sale were HK$22,703 million and HK$10,734 million, respectively. These comprised mainland China projects in Wuhan, Wuxi, Kunming, Hangzhou, and Shenyang, and redevelopment projects in Hong Kong. As of the reporting date, our capital commitments for the development of investment properties amounted to HK$16 billion.

Mainland China

The impact of COVID-19 across mainland China during the year hampered workforce mobility and the supply chain of construction materials, resulting in adverse impact on the progress of projects under development. We regularly updated the procurement plan and closely monitored staffing requirements to mitigate the impact.

Heartland Residences in Wuhan – the inaugural project of our premium serviced residences brand on the Mainland – is situated in the immediate proximity of Heartland 66 and comprises three towers offering a total of 492 units. The sales gallery and show flats were launched in April 2022. Pre-sale marketing activities commenced in July 2022, and the public launch will be subject to a market assessment. The project is scheduled for completion in phases from the second half of 2023.

Grand Hyatt Residences Kunming and **Grand Hyatt Kunming** are integral components of the remaining Spring City 66 development. The Residences sit above the hotel and house 254 apartment units, including three immaculate penthouses. Grand Hyatt Kunming features more than 330 guestrooms and suites. Site development kick-started following the acquisition of the construction permit in May 2021. The hotel-and-residence tower was topped out in June 2022 marking another milestone in the development. Subject to a market assessment, the pre-sale of the Residences is expected to be launched in the first half of 2023, with completion scheduled in phases from 2024 onwards, while the opening of the Grand Hyatt Kunming is planned for late 2023.

Center Residences in Wuxi and **Curio Collection by Hilton-branded hotel**, a lifestyle boutique hotel, forms the Phase 2 development of Center 66. The Residences comprise two high-rise residential towers housing 573 units. In addition, there will be a seven-story new-build tower and a three-floor heritage building offering a total of 106 hotel rooms. Construction has been progressing as planned, and the project is scheduled for completion in phases from 2024 onwards. Center Residences is expected to be launched for pre-sale in 2023, while the opening of Curio Collection by Hilton is planned for late 2024.

Westlake 66 in Hangzhou is an integrated high-end commercial development comprising a retail podium, five Grade A office towers, and a luxury hotel: Mandarin Oriental Hangzhou. The basement works are making good progress. The project is scheduled for completion in phases from 2024 onwards. **Mandarin Oriental Hangzhou**, featuring more than 190 premium guestrooms and suites, is slated to open in 2025.

The remaining mixed-use development of Forum 66 in Shenyang yields a gross floor area of more than 500,000 square meters, including **Forum Residences** which is planned for pre-sale from 2025 onwards and completion in stages from 2027 onwards.

Hong Kong

The pre-sale of The Aperture was launched in December 2021. Construction is on track and scheduled for completion during the second half of 2023.

Construction is progressing at the Grade A office tower redevelopment on 228 Electric Road in North Point. The project is a joint development with our subsidiary, Hang Lung Properties Limited, and includes a retail area across the lower floors. The project is targeted for completion in 2023.

The land acquisition at 37 Shouson Hill Road in the Southern District of Hong Kong Island was completed in February 2021. The land site will be redeveloped into luxurious detached houses, and the general building plan was approved in August 2022.

Financing Management

We aim to ensure that financial resources are always available to meet operational needs and developments. We have maintained an appropriate capital structure with multiple financing channels. A sufficient level of standby banking facilities and other debt capital funding is sustained to protect the Group from unexpected market dislocations. All financial risk management, including debt refinancing, foreign exchange exposure, and interest rate volatility, is centrally managed and controlled at the corporate level.

We closely monitor and regularly review our funding needs to allow a fair degree of financial flexibility and liquidity while optimizing the cost of funds. Various sources of debt financing are in place to mitigate concentration risks.

For debt portfolio management, we focus on mitigating foreign exchange, interest rate, and refinancing 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 environmental, social and governance (ESG) initiatives, the Group continues to make more use of sustainable finance. During the year, we issued green bonds worth HK$1.2 billion, obtained HK$3.7 billion in green loan facilities, and secured HK$9.1 billion in sustainability-linked loan facilities. These are collectively considered sustainable finance, accounting for 45% of our total debts and available facilities. We have plans to increase that proportion further.

Cash Management

Total cash and bank balances at the reporting date by currency:

	At December 31, 2022		At December 31, 2021	
	HK$ Million	% of Total	HK$ Million	% of Total
Denominated in:				
HKD	**2,124**	37%	5,617	61%
RMB	**3,498**	60%	3,367	37%
USD	**163**	3%	156	2%
Total cash and bank balances	**5,785**	100%	9,140	100%

All deposits are placed with banks carrying strong credit ratings. The counterparty risk is routinely monitored.

Debt Portfolio

At the balance sheet date, total borrowings amounted to HK$45,953 million (December 31, 2021: HK$45,883 million), of which 28% was denominated in RMB to act as a natural hedge to net investments in mainland China.

Our fixed-rate borrowings primarily consist of medium-term notes (MTNs) and bank loans that are converted to fixed-rate through the use of interest rate swaps. The percentage of fixed-rate borrowings fell to 38% of total borrowings as of December 31, 2022 following the redemption of a US$500 million MTN in June 2022.

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

(i) by currency (after currency swap):

	At December 31, 2022		At December 31, 2021	
	HK$ Million	% of Total	HK$ Million	% of Total
Denominated in:				
HKD	**33,152**	72%	33,384	73%
RMB	**12,801**	28%	12,499	27%
Total borrowings	**45,953**	100%	45,883	100%

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

	At December 31, 2022		At December 31, 2021	
	HK$ Million	% of Total	HK$ Million	% of Total
Fixed	**17,376**	38%	21,998	48%
Floating	**28,577**	62%	23,885	52%
Total borrowings	**45,953**	100%	45,883	100%

Gearing Ratios

At the reporting date, the net debt balance amounted to HK$40,168 million (December 31, 2021: HK$36,743 million). The net debt to equity ratio was 25.9% (December 31, 2021: 22.3%), and the debt to equity ratio was 29.6% (December 31, 2021: 27.9%). The net debt to equity ratio increased primarily due to capital expenditures in both mainland China and Hong Kong.

Excluding the balances of Hang Lung Properties Limited and its subsidiaries (collectively known as "Hang Lung Properties"), the Company and its other subsidiaries had a net cash balance of HK$127 million (December 31, 2021: HK$437 million).

Maturity Profile and Refinancing

At the balance sheet date, the average tenure of the entire loan portfolio was 3.1 years (December 31, 2021: 3.0 years). The maturity profile was staggered over more than 10 years. Around 71% of the loans were repayable after two years.

	At December 31, 2022		At December 31, 2021	
	HK$ Million	% of Total	HK$ Million	% of Total
Repayable:				
Within 1 year	4,729	11%	8,079	18%
After 1 but within 2 years	8,345	18%	7,753	17%
After 2 but within 5 years	27,621	60%	23,869	52%
Over 5 years	5,258	11%	6,182	13%
Total borrowings	**45,953**	100%	45,883	100%

As of December 31, 2022, total undrawn committed banking facilities amounted to HK$24,789 million (December 31, 2021: HK$18,295 million). The available balances of the US$4 billion (December 31, 2021: US$4 billion) MTN program amounted to US$2,353 million, equivalent to HK$18,343 million (December 31, 2021: HK$13,722 million).

Excluding the balances of Hang Lung Properties, the undrawn committed banking facilities of the Company and its other subsidiaries amounted to HK$3,415 million (December 31, 2021: HK$3,650 million).

Net Finance Costs and Interest Cover

For the year ended December 31, 2022, gross finance costs increased by 2% to HK$1,537 million. The effect of the increase in total borrowings was partially offset by a decline in the average effective cost of borrowing, which decreased to 3.5% (2021: 3.7%) taking advantage of lower interest rates to refinance maturing debts.

The net amount charged to the statement of profit or loss (after excluding capitalized amounts) increased to HK$537 million accordingly.

Interest cover for 2022 was 5 times (2021: 5 times).

Foreign Exchange Management

RMB fluctuations are our principal exchange rate risk. Our exposure is primarily determined by the currency translation risk from our subsidiaries' net assets in mainland China.

We refrain from speculating on the movement of the RMB against the HKD. Considering the cash inflows from local operations and RMB borrowings, we maintain an appropriate level of RMB resources to meet our capital needs in mainland China. We regularly conduct business reviews to assess the funding required for our mainland China projects, guided by regulatory restrictions, project development schedules, and the market environment. Our funding plan is modified to accommodate any changes in circumstances.

As of December 31, 2022, net assets denominated in RMB accounted for approximately 71% of our total net assets. Compared with December 31, 2021, the RMB depreciated against the HKD by 8.5%. An exchange loss of HK$10,320 million (2021: gain of HK$3,342 million) was recognized in other comprehensive income/exchange reserve following the translation of these assets from RMB into HKD at the exchange rate on the reporting date.

Charge of Assets

The Group's assets were not charged to third parties as of December 31, 2022.

Contingent Liabilities

The Group had no material contingent liabilities as of December 31, 2022.