Financial Review

Consolidated Results

The total revenue of Hang Lung Properties Limited (the Company) and its subsidiaries (collectively known as "Hang Lung Properties") for the year ended December 31, 2022, stayed flat against 2021 at HK$10,347 million, and the operating profit dropped by 2% to HK$7,253 million. Revenue from property leasing decreased by 3% to HK$10,031 million, mainly affected by the Renminbi (RMB) depreciation against the Hong Kong dollar since the second quarter of 2022 and the business suspensions of our malls caused by COVID-19 in Shanghai in April and May. Property sales revenue of HK$316 million was recognized during the year (2021: Nil).

The underlying net profit attributable to shareholders declined by 4% to HK$4,199 million, while the underlying earnings per share dropped correspondingly to HK$0.93.

Hang Lung Properties reported a net profit attributable to shareholders of HK$3,836 million (2021: HK$3,868 million) when including a net revaluation loss on properties attributable to shareholders of HK$363 million (2021: HK$497 million). The corresponding earnings per share was HK$0.85 (2021: HK$0.86).

Revenue and Operating Profit

	Revenue			Operating Profit/(Loss)		
	2022 HK$ Million	2021 HK$ Million	Change	**2022 HK$ Million**	2021 HK$ Million	Change
Property Leasing	**10,031**	10,321	-3%	**7,166**	7,462	-4%
Mainland China	**6,752**	6,939	-3%	**4,554**	4,693	-3%
Hong Kong	**3,279**	3,382	-3%	**2,612**	2,769	-6%
Property Sales	**316**	–	N/A	**87**	(91)	N/A
Total	**10,347**	10,321	–	**7,253**	7,371	-2%

Dividend

The Board of Directors has recommended a final dividend of HK60 cents per share for 2022 (2021: HK60 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 HK18 cents per share (2021: HK18 cents), the full-year dividends for 2022 amounted to HK78 cents per share (2021: HK78 cents).

Property Leasing

For the year ended December 31, 2022, the overall rental revenue of Hang Lung Properties decreased by 3% to HK$10,031 million. Rental revenue of our Mainland portfolio rose by 1% in RMB terms but dropped by 3% in HKD terms because of the depreciation of the RMB since the second quarter of the year. Our Hong Kong portfolio recorded a 3% decline in rental revenue due to the impact of the fifth wave of the COVID-19 pandemic.

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

The operating environment in Hong Kong was fragile, with the fifth wave of COVID-19 early in the year having lingering effects on businesses and consumer sentiment. New round of the government's electronic Consumption Voucher Scheme during the year has boosted consumer sentiment to a certain extent. Less rent relief was needed in the second half of 2022 as we continued to provide support to our tenants during this challenging time. Overall, we continued to narrow the gap against last year as rental revenue was only 3% lower, whereas we reported a 4% drop in the first half. In addition, we managed to keep our tenant sales flat against last year and 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	**1,110**	1,001	11%
Hotel	**73**	94	-22%
Total	**5,790**	5,757	1%
Total in HK$ Million equivalent	**6,752**	6,939	-3%

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

Overall rental revenue edged up by 1% and operating profit was the same as in 2021 in RMB terms. In HKD terms, they both dropped by 3% due to the depreciation of the RMB since the second quarter of the year. Our mall portfolio's performance was relatively stable despite COVID-19-related interruptions in many cities. The business suspensions of our malls caused by COVID-19 in Shanghai and Shenyang were largely compensated by a solid improvement in the performance of our malls outside these two cities. Our quality office portfolio has proven to be a bright spot, with double-digit revenue growth year-on-year, mainly driven by an increase in occupancy rates at our younger office towers in Wuxi, Kunming, and Wuhan. Hotel operations were adversely affected by the various pandemic containment measures that impeded travel across provinces and cities.

Malls

Revenue of our mall portfolio declined by 1% compared with last year amid the challenging operating environment posed by numerous local pandemic containment measures and weak consumer sentiment. The luxury-positioned malls recorded a 1% drop in revenue while the sub-luxury malls recorded a 4% drop 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

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

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

Luxury malls

Revenue and tenant sales of our flagship **Plaza 66** mall in Shanghai receded by 10% and 24% year-on-year, respectively. Despite business interruptions triggered by scattered COVID-19 cases throughout the year, a range of CRM programs and marketing campaigns, including our signature "Home to Luxury" party event, were meticulously developed and rolled out to boost consumer sentiment and footfall. The mall continued to be fully occupied at year-end.

The **Grand Gateway 66** mall in Shanghai recorded a small retreat in revenue compared with last year, despite a 19% fall in tenant sales as a result of business suspension caused by COVID-19 in April and May. After completing its Asset Enhancement Initiative (AEI) in late 2020, the mall benefited from an upgraded trade mix with an influx of high-quality tenants. The mall maintained a 99% occupancy rate at the end of the year.

Despite the temporary closure of the **Forum 66** mall in Shenyang for nearly a month beginning in mid-March, and occasional entry restrictions as a result of the tightened pandemic containment measures, leasing performance was satisfactory in 2022. The year also marked the 10th anniversary of Forum 66, with various marketing initiatives implemented to shore up consumer sentiment and tenant sales. While these campaigns helped alleviate the impact of the mall closure in the first half of the year, the full-year revenue and tenant sales compared with 2021 dropped by 8% and 18%, respectively. Both revenue and tenant sales started to recover as the mall reopened in mid-April. The occupancy rate fell by three points to 87% as of December 31, 2022.

The performance of the **Center 66** mall – the undisputed leader in luxury retail in Wuxi – was relatively solid despite the challenging landscape. To curb the spread of COVID-19, the mall was closed for more than one week from the end of March and business hours were reduced in July as a result of a resurgence in cases. The mall showed signs of recovery following the pandemic situation was gradually improved, and we launched strategic marketing campaigns to boost footfall and consumption. Despite the difficult conditions, revenue and tenant sales grew by 7% and 1%, respectively. The occupancy rate remained high at 99%.

Having reinforced its position as the premium shopping and leisure destination in the city, **Olympia 66** in Dalian benefited from its successful transformation into a luxury-led mall and performed impressively throughout the year. Revenue climbed 40% year-on-year to RMB229 million, with tenant sales rising by 67% due to an improved tenant mix and effective marketing initiatives. The occupancy rate increased by two points to 89%, with a strong line-up of luxury tenants opening stores during the year.

As the city's hub of prime luxury, the **Spring City 66** mall in Kunming generated 6% more revenue through positive rental reversions and strong base rents although tenant sales decreased by 4%. During 2022, numerous international brands made local debut openings and established flagship or pop-up stores in the mall, keeping its offering fresh and engaging for consumers. The occupancy rate dropped by two points to 95%.

Tenant sales and footfall at the **Heartland 66** mall in Wuhan – our first large-scale commercial development in central China – continued building momentum since its opening in March 2021. Located in the bustling Qiaokou District with good connectivity to the commercial and business heart of Wuhan, the mall is home to numerous first-in-town flagship and specialty stores. Despite the mall's closure for three weeks in October and November due to tightened COVID-19 situation, revenue increased by 52% to RMB232 million, with tenant sales rising by 158%. The mall's occupancy rate grew by two points and reached 86% at the end of the year.

Sub-luxury malls

Palace 66 in Shenyang witnessed a drop in revenue and tenant sales by 10% and 24%, respectively. This stemmed from the mall's temporary closure for nearly a month beginning in mid-March and tightened pandemic containment measures. Following the resumption of business in mid-April, consumer sentiment demonstrated a modest recovery. Despite these challenges, Palace 66 seized the opportunity to replace the non-performing tenants with more quality and competitive tenants. The occupancy rate dropped by nine points to 81% as of December 31, 2022.

The revenue of **Parc 66** in Jinan remained stable and tenant sales fell by 20%. The completion of the first phase of its three-year AEI that commenced in June 2021, enabled the opening of a suite of brands at the mall during the year. Multiple beauty and first-in-town brands opened stores at Parc 66, and we enhanced the mall's reputation through sound marketing strategies and CRM programs. The remaining phrases of the AEI will continue to strengthen the mall's long-term competitiveness and profitability. The occupancy rate reduced by three points to 90% as of year end.

Revenue from **Riverside 66** in Tianjin decreased by 5% as business was suspended for more than a week in May and in September 2022 due to resurgence of COVID-19 cases. Tenant sales dropped by 29%. To enhance our competitiveness, we upgraded our tenant mix by replacing non-performing tenants with more attractive brands. The occupancy rate retreated by six points to 80% when compared with the previous year.

Offices

The office portfolio, accounting for 19% of our total Mainland rental revenue, was a bright spot that provided a stable and resilient income stream despite the weak market sentiment. The total revenue grew by 11% to RMB1,110 million year-on-year. The occupancy level of newer projects, such as the office towers in Kunming and Wuhan, continued to increase satisfactorily.

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%
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	**1,110**	1,001	11%		

Our two Grade A office towers at **Plaza 66** in Shanghai continued to record satisfactory rental performance during the year despite the heightened COVID-19 situation from April to May. Revenue increased slightly by 2%, and the occupancy rate remained high at 96%. Plaza 66 demonstrated resilience during the economic downturn as a result of its strong tenant profile, professional management services, and prime location in the city's traditional central business district.

The revenue of the office tower at **Forum 66** in Shenyang decreased slightly by 2%, while the occupancy rate dropped by one point to 91%. The relatively weak demand and increasing supply of office space have put pressure on office rents. Despite the challenging environment, Forum 66 maintained its market-leading position by leveraging its top-grade design, strategic location, and premium management services.

The total revenue of the two office towers at **Center 66** in Wuxi grew by 5% to RMB119 million even the occupancy rate was down 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 performance is expected to be improved afterwards.

Revenue of the office tower at **Spring City 66** in Kunming soared by 56% to RMB126 million, with a surge in the occupancy rate by 17 points to 88%. Spring City 66's prime location, premium facilities, and value-added services gave it a competitive advantage in securing high-quality tenants. The leasing pace was further accelerated with the offering of modular offices and high-standard fit-outs and furnishings.

The **Heartland 66** Office Tower in Wuhan commenced operations in November 2020. Revenue reached RMB96 million in 2022, and the occupancy rate increased by 16 points to 73% by the end of the year. Riding on the success of HANGOUT at Center 66, the HANGOUT workspace concept will be replicated at the office tower in Heartland 66 and is expected to open in the first half of 2023.

Hotel

Business has been adversely affected by the intermittent COVID-19 outbreak in Shenyang that happened at various intervals across the year. Despite this, we proactively launched a number of dining promotions and staycation packages to attract local customers. Conrad Shenyang's performance recovered gradually after the pandemic situation started to alleviate. Full-year revenue declined by 22% to RMB73 million in 2022.

Hong Kong

Both the retail and office markets were weak in 2022 as COVID-19 control measures dampened tourism demand from travelers and office demand from foreign corporations – even when the quarantine requirement for travelers was lifted later in the year. Properties located in Causeway Bay, Central, The Peak, and Mongkok remained under pressure due to their reliance on the tourist market. Tenants of specific trades, such as cinemas, gyms, and restaurants, were more directly affected by social distancing measures and capacity limits imposed by the government in the first quarter of the year.

Nevertheless, with the refinement of the tenant mix at our malls to accommodate local consumption patterns, the launch of marketing campaigns via the "hello Hang Lung Malls Rewards Program", in conjunction with the government's electronic Consumption Voucher Scheme, occupancy was well managed and remained at a satisfactory level.

Rent relief in the second half of the year was significantly reduced compared with the first half, as tenants such as restaurants, cinemas, education centers, gyms, and beauty parlors – which had been subject to complete or partial closure – resumed business after the fifth wave of COVID-19 subsided.

Revenue retreated by 3% to HK$3,279 million and operating profit receded by 6% to HK$2,612 million, with a rental margin of 80%. Tenant sales remained flat against 2021.

Property Leasing – Hong Kong Portfolio

	Revenue			Year-End Occupancy Rate	
	2022 HK$ Million	2021 HK$ Million	Change	**2022**	2021
Retail	**1,931**	1,983	-3%	**98%**	97%
Offices	**1,096**	1,157	-5%	**90%**	87%
Residential & Serviced Apartments	**252**	242	4%	**73%**	72%
Total	**3,279**	3,382	-3%		

Retail

Revenue from our Hong Kong retail portfolio decreased by 3% to HK$1,931 million as a result of negative rental reversions.

With the continuing effects of the pandemic and cross-border travel restrictions, properties located in the central business district or tourist district recorded a 6% drop in revenue due to negative rental reversions and rent relief granted to selected tenants. The tenant mix was refined by introducing brands that focus on local consumption. The occupancy rate increased by one point to 96%.

Our community malls demonstrated more resilience, with overall revenue flat against last year. **Kornhill Plaza** in Hong Kong East and **Amoy Plaza** in Kowloon East were both fully let at the reporting date.

Offices

Revenue declined by 5% to HK$1,096 million due to a weak office market and negative rental reversions.

On the Hong Kong Island side, revenue declined by 8% following increasing office vacancies in Hong Kong and sluggish demand caused by the pandemic. Our **Hong Kong East portfolio** was less impacted due to its unique positioning in a neighborhood setting. The popular tourism areas of Central, Wanchai, and Causeway Bay suffered from the travel restrictions that were in place throughout most of the year. Given the challenging market conditions, we adopted various measures to maintain a relatively high occupancy level in our office buildings.

On the Kowloon side, revenue edged up by 1%. Our **Kowloon portfolio** was more resilient due to the semi-retail positioning of Grand Plaza, Grand Centre, and Gala Place.

Residential & Serviced Apartments

Revenue of our residential and serviced apartments segment increased by 4% year-on-year, mainly attributable to higher average occupancy at Kornhill Apartments after adopting a more competitive pricing strategy.

Property Sales

During the year, revenue of HK$316 million was recognized for the sale of one house on Blue Pool Road upon its completion in 2022. The corresponding profit margin was 52%. Taking into account the selling expenses for The Aperture – a new development project in Kowloon Bay, marketing expenses for Heartland Residences in Wuhan, and other operating expenditures, an operating profit from property sales of HK$87 million was recorded in 2022.

An additional four residential units at The Aperture were sold during the year. Along with the residential units sold in 2021, the revenue is expected to be recognized in 2023 upon sale completion.

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

Property Revaluation

As of December 31, 2022, the total value of our investment properties and those under development amounted to HK$190,564 million, including the mainland China portfolio of HK$128,921 million and the Hong Kong portfolio of HK$61,643 million. These properties were appraised by Savills, an independent valuer, as of December 31, 2022.

A revaluation loss of HK$345 million was recorded (2021: gain of HK$460 million).

The mainland China portfolio recorded a gentle revaluation loss of HK$117 million (2021: gain of HK$1,750 million), representing less than 1% of the portfolio value. The outbreak of the Omicron variant in 2022 had no material impact on the valuation, as the impact was considered to be temporary.

The Hong Kong portfolio had a revaluation loss of HK$228 million (2021: loss of HK$1,290 million), representing a less than 1% decrease against the value as of December 31, 2021.

Net revaluation loss after tax and non-controlling interests of HK$363 million was reported (2021: net revaluation loss of HK$497 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 closely monitored staffing requirements and regularly updated the procurement plan to mitigate the effects.

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 schedule and targeted for completion in 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 parent company, Hang Lung Group Limited (Hang Lung Group), and includes a retail area across the lower floors. The project is scheduled 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 have been maintaining an appropriate capital structure with multiple financing channels to ensure that financial resources are always available to meet operational needs and expansions. A sufficient level of standby banking facilities and other debt capital fundings is in place to cushion Hang Lung Properties from any unexpected external economic shocks. All financial risk management, including debt refinancing, foreign exchange exposure, and interest rate volatility, is centrally managed and controlled at the corporate level.

Funding needs are closely monitored and regularly reviewed to allow a fair degree of financial flexibility and liquidity while optimizing the cost of funds. We also maintain various sources of debt financing 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, Hang Lung Properties 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$8.5 billion in sustainability-linked loan facilities. These are collectively referred to as sustainable finance, which now accounts for 46% 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	2,102	40%	5,484	64%
RMB	2,974	57%	2,885	34%
USD	153	3%	146	2%
Total cash and bank balances	5,229	100%	8,515	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$45,524 million (December 31, 2021: HK$45,695 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	32,723	72%	33,196	73%
RMB	12,801	28%	12,499	27%
Total borrowings	45,524	100%	45,695	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	28,148	62%	23,697	52%
Total borrowings	45,524	100%	45,695	100%

Gearing Ratios

At the reporting date, the net debt balance amounted to HK$40,295 million (December 31, 2021: HK$37,180 million). The net debt to equity ratio was 28.1% (December 31, 2021: 24.4%), and the debt to equity ratio was 31.8% (December 31, 2021: 30.0%). The net debt to equity ratio increase was largely due to capital expenditures in both mainland China and Hong Kong.

Maturity Profile and Refinancing

At the balance sheet date, the average tenure of the entire loan portfolio was 3.2 years (December 31, 2021: 3.0 years). The maturity profile was staggered over more than 10 years. Around 72% 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	**4,533**	10%	8,079	18%
After 1 but within 2 years	**8,112**	18%	7,566	17%
After 2 but within 5 years	**27,621**	61%	23,868	52%
Over 5 years	**5,258**	11%	6,182	13%
Total borrowings	**45,524**	100%	45,695	100%

As of December 31, 2022, total undrawn committed banking facilities amounted to HK$21,374 million (December 31, 2021: HK$14,645 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).

Net Finance Costs and Interest Cover

For the year ended December 31, 2022, gross finance costs increased by 2% to HK$1,512 million. The effect of the rise in total borrowings was partially offset by a drop in the average effective cost of borrowing, which was lowered to 3.5% (2021: 3.7%), benefiting from 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$512 million accordingly.

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

Foreign Exchange Management

The primary exchange rate risk that we are exposed to is RMB fluctuations. Such RMB exposure is mainly derived from the currency translation risk arising from the net assets of our subsidiaries in mainland China.

We practice the strict discipline of not speculating on the movement of the RMB against the HKD and maintain an appropriate level of RMB resources for capital requirements in mainland China, including cash inflows from local operations and RMB borrowings. Regular business reviews are carried out to assess the level of funding needed for our mainland China projects, taking into account factors such as regulatory constraints, project development timelines, and the market environment. Appropriate modifications to our funding plan will be conducted in light of any changes in circumstances.

As of December 31, 2022, net assets denominated in RMB accounted for approximately 74% of our total net assets. The RMB depreciated against the HKD by 8.5% compared with December 31, 2021. The translation of these net assets from RMB into HKD at the exchange rate as of the reporting date resulted in a translation loss of HK$9,770 million (2021: gain of HK$3,173 million), recognized in other comprehensive income/ exchange reserve.

Charge of Assets

Assets of Hang Lung Properties were not charged to any third parties as of December 31, 2022.

Contingent Liabilities

Hang Lung Properties did not have any material contingent liabilities as of December 31, 2022.