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, 2023 was HK$10,316 million, remaining flat against last year despite the depreciation of the Renminbi ("RMB") and the absence of property sales revenue recognition during the year (2022: HK$316 million). Revenue from property leasing increased by 3% to HK$10,316 million as a result of our unique positioning, unwavering customer focus and disciplined execution. The overall operating profit rose by 2% to HK$7,389 million.

The underlying net profit attributable to shareholders declined by 1% to HK$4,137 million with higher net interest expense. The underlying earnings per share dropped correspondingly to HK$0.92.

Including a net revaluation loss on properties attributable to shareholders of HK$167 million (2022: net revaluation loss of HK$363 million), Hang Lung Properties reported a net profit attributable to shareholders of HK$3,970 million (2022: HK$3,836 million). The corresponding earnings per share was HK$0.88 (2022: HK$0.85).

Revenue and Operating Profit

	Revenue			Operating Profit/(Loss)		
	2023 HK$ Million	2022 HK$ Million	Change	**2023 HK$ Million**	2022 HK$ Million	Change
Property Leasing	**10,316**	10,031	3%	**7,441**	7,166	4%
Mainland China	**6,967**	6,752	3%	**4,749**	4,554	4%
Hong Kong	**3,349**	3,279	2%	**2,692**	2,612	3%
Property Sales	**–**	316	-100%	**(52)**	87	N/A
Total	**10,316**	10,347	–	**7,389**	7,253	2%

Dividend

The Board of Directors has recommended a final dividend of HK60 cents per share for 2023 (2022: HK60 cents) to shareholders whose names are listed on the register of members on May 10, 2024. Together with an interim dividend of HK18 cents per share (2022: HK18 cents), the full-year dividends for 2023 amounted to HK78 cents per share (2022: HK78 cents).

The Board of Directors proposes that eligible shareholders be given the option to elect to receive the final dividend in cash, or in the form of new shares in lieu of cash in respect of part or all of such dividend (the "Scrip Dividend Arrangement"). The Scrip Dividend Arrangement is conditional upon: (1) the granting of a general mandate by the shareholders of the Company to the Board of Directors to allot, issue and deal with such additional shares of the Company representing 20% of the number of shares in issue on the date of passing such resolution at the Annual General Meeting to be held on April 26, 2024 (the "AGM"); (2) the approval of the proposed final dividend at the AGM; and (3) The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the new shares to be issued pursuant to the Scrip Dividend Arrangement.

A circular containing details of the Scrip Dividend Arrangement and the form of election for scrip dividend is expected to be despatched to the shareholders on or about May 17, 2024. It is expected that the final dividend warrants and the share certificates to be issued under the Scrip Dividend Arrangement will be despatched to the shareholders on or about June 14, 2024.

Property Leasing

The overall rental revenue increased by 3% to HK$10,316 million for the year ended December 31, 2023. Rental revenue of our Mainland portfolio rose by 8% in RMB terms and 3% in HKD terms after accounting for the RMB depreciation against last year. Our Hong Kong portfolio recorded 2% growth in rental revenue.

On the Mainland, following an initial rebound from a low base – during which our overall tenant sales and rental revenue grew by 42% and 13% in the first half of the year, respectively – the market continues to normalize with full-year tenant sales and rental revenue rising by 23% and 8%, respectively, in RMB terms, against last year. After capturing the initial upsurge in the first quarter of 2023 with an effective marketing push, we launched numerous promotional events and innovative marketing initiatives throughout the year while leveraging HOUSE 66 – our customer relationship management (CRM) program – to solidify our market position and engage loyal customers and new members.

Hong Kong's business environment is gradually recovering after the border reopening with the Mainland, but the city is facing increasing competition from neighboring cities and regions. As Hong Kong evolves in this new environment, we continue to proactively optimize our tenant mix and promote our "hello Hang Lung Malls Rewards Program" to increase footfall and customer loyalty. On account of these efforts, our overall rental revenue increased by 2%, and tenant sales experienced a 14% year-on-year growth.

Mainland China[1]

Property Leasing – Mainland China Portfolio

	Revenue		
	2023 RMB Million	2022 RMB Million	Change
Malls	**4,963**	4,607	8%
Offices	**1,161**	1,110	5%
Hotel	**139**	73	90%
Total	**6,263**	5,790	8%
Total in HK$ Million equivalent	**6,967**	6,752	3%

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

Overall rental revenue and operating profit rose by 8% and 9%, respectively. Due to the depreciation of the RMB, these increases were diluted to 3% and 4%, respectively, in HKD terms. Our malls benefited from improved consumer sentiment and tenant sales, recording a growth in revenue of 8% after a relatively stagnant performance in 2022, characterized by numerous COVID-19-related disruptions, including mall closures. Our premium office portfolio maintained a solid foundation of growth and rose by 5%, driven mainly by higher rentals from our office tower at Plaza 66 in Shanghai, as well as increases in occupancy rates at our younger office towers in Kunming and Wuhan. Our hotel operations experienced a meaningful and solid recovery following the relaxation of travel restrictions, and delivered a remarkable rise in revenue of 90% year-on-year.

Malls

Revenue of our mall portfolio grew by 8%, with our luxury-positioned malls achieving a 9% increase in revenue, while revenue from our sub-luxury malls stayed flat against 2022. With the exception of Forum 66 in Shenyang which was in the face of keen competition in the market, our luxury malls recorded solid growth ranging from 6% at Grand Gateway 66 in Shanghai to 19% at Olympia 66 in Dalian, as the latter becomes the city's leading luxury mall. Revenue from our sub-luxury malls continues to improve with higher occupancy.

Property Leasing – Mainland China Mall Portfolio

	Revenue			Year-End Occupancy Rate	
Name of Mall and City	**2023 RMB Million**	2022 RMB Million	Change	**2023**	2022
Luxury malls					
Plaza 66, Shanghai	**1,755**	1,595	10%	**100%**	100%
Grand Gateway 66, Shanghai	**1,213**	1,146	6%	**99%**	99%
Forum 66, Shenyang	**96**	97	-1%	**81%**	87%
Center 66, Wuxi	**446**	398	12%	**98%**	99%
Olympia 66, Dalian	**272**	229	19%	**90%**	89%
Spring City 66, Kunming	**305**	285	7%	**98%**	95%
Heartland 66, Wuhan	**251**	232	8%	**82%**	86%
	4,338	3,982	9%		
Sub-luxury malls					
Palace 66, Shenyang	**158**	161	-2%	**90%**	81%
Parc 66, Jinan	**315**	304	4%	**93%**	90%
Riverside 66, Tianjin	**152**	160	-5%	**90%**	80%
	625	625	–		
Total	**4,963**	4,607	8%		

For the year under review, the revenue of our luxury malls increased by 9%. While revenue at Forum 66 in Shenyang declined by 1% due to the keen competition in the market, revenue from the remaining luxury malls increased by a range of 6% to 19% year-on-year. Revenue from our sub-luxury malls was the same as last year with a gradual recovery of occupancy. Parc 66 in Jinan reported 4% growth in revenue after multiple beauty and first-in-town brands opened in the second half of 2022 following the completion of the first stage of its Asset Enhancement Initiative (AEI).

Luxury malls

Our flagship **Plaza 66** mall in Shanghai achieved another year of outstanding performance with solid growth in revenue and tenant sales of 10% and 24%, respectively, year-on-year. Our proactive CRM programs and impeccable service deepened engagement with customers and offered extraordinary experiences to shoppers. Our annual signature event, the "HOME TO LUXURY" Party held in November, successfully boosted tenant sales and strengthened customer loyalty. Together with innovative marketing campaigns, including "Game of Wonder", in which took place in April, we captured improved consumer sentiment and further solidify our luxury positioning. The mall continued to be fully occupied at the end of the year. To enhance our offering at this prime location, we have recently obtained approval from local government to utilize an existing landscape area to build a retail structure, with a gross floor area of approximately 3,000 square meters. The development will provide a more comprehensive shopping experience to our customers and further strengthen our leading position in the city.

Our other mall in Shanghai, **Grand Gateway 66**, which carries more lifestyle content than its flagship sister, generated revenue growth of 6% year-on-year, with tenant sales rising by 30%. The "Gateway to Inspiration" anniversary party held in October cemented the mall's position as a regional landmark of lifestyle and retail experiences. We also organized an exclusive in-mall event tied with the May premiere of the Chinese version of "The Phantom of the Opera", which became the talk of the town attracted widespread attention on social media and generated excellent footfall. At year-end, the occupancy rate remained high at 99%.

The revenue of **Forum 66** mall in Shenyang declined by 1% due to the keen competition in the market. Joint marketing initiatives with Conrad Shenyang and Palace 66 in Shenyang continued to create productive synergy and enhance customer experiences. As part of our anniversary celebrations, an eye-opening circus performance by the world-renowned Cirque du Soleil attracted footfall and media attention. The occupancy rate as of December 2023 dropped 6 points to 81%.

Center 66, the leading luxury retail mall in Wuxi, recorded another record year, with revenue and tenant sales rising by 12% and 19%, respectively. The opening of several top-tier luxury brands at the mall strengthened its positioning as a leading luxury location. Our annual three-day "Take Center Stage" event, held in September alongside targeted promotions, significantly boosted consumption and footfall for the third year in a row. As of December 2023, the occupancy rate remained high at 98%.

Revenue and tenant sales of **Olympia 66** in Dalian grew by 19% and 29% year-on-year, respectively, as it transformed into a regional luxury landmark. Effective marketing initiatives such as the mall's signature event held in April, "Shining Olympia", continued to boost consumer sentiment and footfall. The occupancy rate rose by 1 point to 90% as of December 2023.

Revenue and tenant sales of **Spring City 66** mall in Kunming increased by 7% and 8%, respectively, as successful marketing campaigns were rolled out to capitalize on the return of tourists to the city and strengthen relations with customers, including our anniversary event held in November, "Spring into Life". Entering its fourth year of operations, the mall continues to provide strong base rents with positive rental reversions and a high occupancy rate, which stood at 98% at year-end.

Our first large-scale commercial development in central China, **Heartland 66** mall in Wuhan, has been refining its trade mix since the beginning of 2023 to bolster its competitiveness. Occupancy dropped by 4 points to 82% at the year-end but was on a recovery trend. Despite the occupancy rate fall, revenue rose by 8% while tenant sales increased by 20%. Targeted marketing events, such as our second-anniversary campaign, "Cirque du Soleil First-in-Wuhan", held in March, and "Be My Heartland", held in September, boosted tenant sales and strengthened customer loyalty.

Sub-luxury malls

The revenue of **Palace 66** in Shenyang dropped by 2% due to a low occupancy rate inherited at the start of the year from COVID-19 disruptions. During the year under review, we enriched our brand mix to expand our target customer base and offered a broader range of food and beverage outlets to appeal to a variety of tastes. Capturing the local government's commitment to leveraging the historical heritage of the Zhongjie District and transforming it into a placemaking hot spot, a series of weekend happenings and music performances was organized for customers in and out of town. Tenant sales surged by 44% and the occupancy rate recovered 9 points to 90% against the close of December 2022.

Revenue and tenant sales of **Parc 66** in Jinan increased by 4% and 25%, respectively. Multiple beauty and brand stores opened in the second half of 2022 – some of which are exclusive to Parc 66 in the city – following the completion of the first phase of the mall's AEI. The remaining phases of the AEI are expected to conclude between late 2024 and early 2025. The rejuvenated mall will continue to strengthen its desirability to customers and long-term profitability. The occupancy rate as of December 2023 rose by 3 points to 93% at the end of the year.

With a low occupancy rate at the start of the year due to COVID-19 pressures in 2022, revenue of **Riverside 66** in Tianjin dropped by 5%. Through relentless promotion and marketing efforts, and the introduction of indoor play areas and other entertainment facilities, revenue in the second half of the year successfully surpassed that of the first 6 months. Tenant sales for the year under review surged by 41% and the occupancy rate leapt by 10 points to 90% as of the end of December 2023.

Offices

The office portfolio, accounting for 19% of our total Mainland rental revenue, continued to provide a reliable source of growth and income. The total revenue rose by 5% to RMB1,161 million year-on-year, driven primarily by the solid performance of Plaza 66 as well as growth from our newer office towers in Kunming and Wuhan.

Property Leasing – Mainland China Office Portfolio

	Revenue			Year-End Occupancy Rate	
Name of Office and City	**2023 RMB Million**	2022 RMB Million	Change	**2023**	2022
Plaza 66, Shanghai	**668**	639	5%	**96%**	96%
Forum 66, Shenyang	**126**	130	-3%	**89%**	91%
Center 66, Wuxi	**117**	119	-2%	**85%**	85%
Spring City 66, Kunming	**140**	126	11%	**88%**	88%
Heartland 66, Wuhan	**110**	96	15%	**76%**	73%
Total	**1,161**	1,110	5%		

Our 2 Grade A office towers at **Plaza 66** in Shanghai continued to record satisfactory rental performance during the year, with rental growth of 5%, attributed to our strong tenant profile, professional management services and prominent location in the city's traditional central business district. An innovative digital tool is also being introduced to further enhance tenant experiences and service quality. The occupancy rate remained high at 96% at the end of the year.

Revenue of the office tower at **Forum 66** in Shenyang fell 3% as the occupancy rate dropped by 2 points to 89% as of December 2023. Local market conditions remain challenging with a rising supply of office space and continuing soft demand in the market.

The total revenue of the 2 office towers at **Center 66** in Wuxi tumbled by 2%, primarily because of the low occupancy rate at the start of the year that carried over from the end of 2022. Our high-quality offerings enabled us to maintain a steady level of unit rent during the year. The occupancy rate stayed at 85% as of December 2023.

Our office tower at **Spring City 66** in Kunming recorded revenue growth of 11% on the strength of the mall's unrivaled quality of facilities and services. The occupancy rate remained at a healthy 88%.

Revenue of the **Heartland 66** Office Tower in Wuhan increased by 15% and the occupancy rate climbed by 3 points to 76%. The improved occupancy can be attributed to the premium building quality, high specifications, and convenient transport network. Our self-operated multifunctional workspace, HANGOUT, opened in March 2023, offering versatile spaces and amenities for tenants and further strengthening the Grade A office tower's market positioning and competitiveness. HANGOUT has attracted numerous influential corporations, including Fortune 500 pharmaceutical companies and several of China's top 500 insurance companies.

Hotel

Buoyed by the rebound of the tourism industry after the lifting of travel restrictions and the resumption of international travel in early 2023, revenue grew by 90% year-on-year. Both our room and food and beverage businesses performed well following an increase in business and leisure travel, with room revenue contributing 1.1 times growth while food and beverage achieved 68% growth in revenue.

Hong Kong

Hong Kong's market has improved since borders reopened and the city has gradually settled into a new normal. The Hong Kong economy achieved a healthy recovery in 2023, especially in the retail market.

Alongside different campaigns organized by the government, such as "Happy Hong Kong" and "Night Vibes Hong Kong", a series of robust marketing promotions and the launch of the "hello dollar" rewards program during 2023 has proven effective in accelerating sales momentum and local consumption and further elevating our customer shopping experiences.

Revenue and operating profit increased by 2% to HK$3,349 million and by 3% to HK$2,692 million, respectively, with a rental margin of 80%.

Property Leasing – Hong Kong Portfolio

	Revenue			Year-End Occupancy Rate	
	2023 HK$ Million	2022 HK$ Million	Change	**2023**	2022
Retail	**2,007**	1,931	4%	**95%**	98%
Offices	**1,108**	1,096	1%	**89%**	90%
Residential & Serviced Apartments	**234**	252	-7%	**77%**	73%
Total	**3,349**	3,279	2%		

Retail

Revenue from our Hong Kong retail portfolio grew by 4% to HK$2,007 million. Owing to the continual refinement and diversification of our brand mix, the overall occupancy slightly dropped to 95%.

Retail leasing sentiment stayed healthy, and demand from tourist-oriented trades kept improving. Supported by a series of promotional campaigns under the "hello Hang Lung Malls Rewards Program" and another round of government consumption vouchers, total tenant sales and sales rent grew by 14% and 17%, respectively, primarily in the food and beverage, jewelry and watches, and personal care and beauty segments.

Retail properties located in our **Central Business and Tourist District Portfolio** generated a noticeable increase in overall rental growth of 6%. The performance of our retail properties at Mongkok, Causeway Bay and The Peak benefited from improved inbound tourism. Overall occupancy remained high at 95%.

Our **Community Mall Portfolio** continued to record a strong performance, with overall revenue rising by 2% against last year. Occupancy at Kornhill Plaza in Hong Kong East stayed high at 98% while the refinement at Amoy Plaza in Kowloon East has led the occupancy rate to 89% as of the reporting date.

Offices

Our office revenue grew by 1% despite a soft leasing market reflecting high economic uncertainty with subdued demand and increased availability (caused by oversupply and higher vacancies on Hong Kong Island, especially in Central). Proactive measures were implemented to maintain a relatively high occupancy level of 89%.

For our **Hong Kong Island Portfolio**, revenue rose by 1% with the average occupancy climbing to 84% within a challenging market environment. Our newest office tower, 228 Electric Road, generated revenue beginning in May 2023, and leased areas have been handed over to tenants in phases. If excluding the revenue contribution from 228 Electric Road, overall revenue grew by 1% year-on-year.

Revenue at our **Kowloon Portfolio** increased by 1% with the occupancy increased to 95% due to the more resilient semi-retail positioning of Grand Plaza and Gala Place, and medical-focus business offering in Grand Centre.

Residential & Serviced Apartments

Revenue of our residential and serviced apartments segment declined by 7% year-on-year, primarily due to a rental income reduction from The Summit in the Mid-Levels district as it began its renovations from September 2023. If excluding the impacts of The Summit, revenue grew by 8% year-on-year mostly because of improvements in occupancy and room rates at Kornhill Apartments in Hong Kong East.

Property Sales

No property sales revenue was recorded during the reporting year. In 2022, revenue of HK$316 million was recognized for the sale of 1 house on Blue Pool Road upon its sale completion. The operating loss from property sales for the year was HK$52 million, mostly made up of selling expenses for The Aperture in Kowloon Bay, and marketing expenses for the Grand Hyatt Residences Kunming, Center Residences in Wuxi and Heartland Residences in Wuhan.

As of December 31, 2023, 126 residential units at The Aperture had been sold at a total of HK$1,108 million since 2021. The revenue is expected to be recognized in the first half of 2024 upon sale completion.

We continued to seize opportunities to dispose of non-core investment properties for capital recycling. During the reporting year, 11 car parking spaces held as investment properties were disposed of, and a total net gain on disposal of HK$11 million was recognized as other net income.

Property Revaluation

As of December 31, 2023, the total value of our investment properties and those under development amounted to HK$192,656 million, including the mainland China portfolio of HK$130,477 million and the Hong Kong portfolio of HK$62,179 million. These properties were appraised by Savills, an independent valuer, as of December 31, 2023.

A revaluation loss of HK$9 million was recorded (2022: loss of HK$345 million).

The mainland China portfolio recorded a revaluation gain of HK$295 million (2022: loss of HK$117 million), representing less than 1% of the portfolio value.

The Hong Kong portfolio had a revaluation loss of HK$304 million (2022: loss of HK$228 million), representing a less than 1% decrease against the value as of December 31, 2022.

Net revaluation loss after tax and non-controlling interests of HK$167 million was reported (2022: net revaluation loss of HK$363 million).

Property Development and Capital Commitment

The aggregated values of our projects under development for leasing and sale were HK$23,610 million and HK$9,866 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$15 billion.

Mainland China

Heartland Residences (武漢恒隆府) 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 3 towers offering a total of 492 units. Completion certificates of all 3 towers were obtained by the end of October 2023. The sales campaign for Tower 3 is in progress.

Grand Hyatt Residences Kunming (昆明君悅居) 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 3 premium penthouses. Grand Hyatt Kunming features 331 guestrooms and suites. Sales launch for the Residences commenced in October 2023. Completion is scheduled in phases from 2024, and the opening of the Grand Hyatt Kunming is planned for mid-2024.

Center Residences (無錫恒隆府) in Wuxi and **Curio Collection by Hilton**, a lifestyle boutique hotel, form the Phase 2 development of Center 66. The Residences comprise 2 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 combined total of 105 hotel rooms. Construction is progressing on track with the topping-out in December, and the project is scheduled for completion in phases from 2025 onwards. The Center Residences pre-sale is subject to market conditions, while the opening of Curio Collection by Hilton is planned for the first half of 2025.

Westlake 66 in Hangzhou is an integrated high-end commercial development comprising a retail podium, 5 Grade A office towers, and a luxury hotel: **Mandarin Oriental Hangzhou**. Mandarin Oriental Hangzhou, featuring more than 190 premium guestrooms and suites, is slated to open in late 2025. Scheduled for completion by phases from 2024 onwards, Westlake 66 recently won the Gold Award in "Best New Mega Development" Category at MIPIM Asia Awards 2023 in recognition of its ingenious blend of Hangzhou's urban cultural heritage with the intricate details and sophisticated aesthetic of modern architecture.

The remaining mixed-use development of Forum 66 in Shenyang yields a gross floor area of more than 500,000 square meters. Design and planning works are ongoing.

Hong Kong

The pre-sale of The Aperture was launched in December 2021 and construction is targeted for completion in the first half of 2024.

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 HKD/RMB/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$0.4 billion, obtained RMB0.5 billion in green loan facilities, and secured HK$5.2 billion in sustainability-linked loan facilities. These are collectively referred to as sustainable finance, which now accounts for 55% of our total debts and available facilities.

Cash Management

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

	At December 31, 2023		At December 31, 2022	
	HK$ Million	% of Total	HK$ Million	% of Total
Denominated in:				
HKD	**3,311**	62%	2,102	40%
RMB	**1,877**	35%	2,974	57%
USD	**164**	3%	153	3%
Total cash and bank balances	**5,352**	100%	5,229	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$50,704 million (December 31, 2022: HK$45,524 million), of which 29% 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 decreased to 37% of total borrowings as of December 31, 2023. After excluding the onshore floating-rate debts, the percentage of fixed-rate borrowings would be 50% of the total offshore borrowings as of December 31, 2023 (December 31, 2022: 53%).

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

(i) by currency (after currency swap):

	At December 31, 2023		At December 31, 2022	
	HK$ Million	% of Total	HK$ Million	% of Total
Denominated in:				
HKD	**35,920**	71%	32,723	72%
RMB	**14,784**	29%	12,801	28%
Total borrowings	**50,704**	100%	45,524	100%

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

	At December 31, 2023		At December 31, 2022	
	HK$ Million	% of Total	HK$ Million	% of Total
Fixed	**18,576**	37%	17,376	38%
Floating	**32,128**	63%	28,148	62%
Total borrowings	**50,704**	100%	45,524	100%

Gearing Ratios

At the reporting date, the net debt balance amounted to HK$45,352 million (December 31, 2022: HK$40,295 million). The net debt to equity ratio was 31.9% (December 31, 2022: 28.1%), and the debt to equity ratio was 35.7% (December 31, 2022: 31.8%). 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 our debt portfolio was 3.0 years (December 31, 2022: 3.2 years). The maturity profile was staggered over more than 10 years. Around 63% of our outstanding debts would be repayable after 2 years.

	At December 31, 2023		At December 31, 2022	
	HK$ Million	% of Total	HK$ Million	% of Total
Repayable:				
Within 1 year	**4,434**	9%	4,533	10%
After 1 but within 2 years	**14,091**	28%	8,112	18%
After 2 but within 5 years	**27,779**	55%	27,621	61%
Over 5 years	**4,400**	8%	5,258	11%
Total borrowings	**50,704**	100%	45,524	100%

As of December 31, 2023, total undrawn committed banking facilities amounted to HK$15,717 million (December 31, 2022: HK$21,374 million). The available balances of the US$4 billion (December 31, 2022: US$4 billion) MTN program amounted to US$2,251 million, equivalent to HK$17,584 million (December 31, 2022: HK$18,343 million).

Net Finance Costs and Interest Cover

For the year ended December 31, 2023, gross finance costs rose by 30% to HK$1,959 million following the higher average effective cost of borrowing of 4.3% (2022: 3.5%) (attributed to the hike in average interest rates) and the increase in borrowings for capital expenditure.

The net amount charged to the statement of profit or loss (after excluding capitalized amounts) increased to HK$692 million accordingly.

Interest cover for 2023 was 3.6 times (2022: 4.6 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, 2023, net assets denominated in RMB accounted for approximately 73% of our total net assets. The RMB depreciated against the HKD by 1.4% compared with December 31, 2022. 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$1,605 million (2022: loss of HK$9,770 million), recognized in other comprehensive income/exchange reserve.

Charge of Assets

Assets of Hang Lung Properties were not charged to third parties as of December 31, 2023.

Contingent Liabilities

Hang Lung Properties had no material contingent liabilities as of December 31, 2023.