# Financial Review

## Consolidated Results

The total revenue and operating profit of Hang Lung Properties Limited (the Company) and its subsidiaries (collectively known as "Hang Lung Properties") for the year ended December 31, 2021, increased by 15% to HK$10,321 million and 14% to HK$7,371 million, respectively. No property sales revenue was recognized in 2021.

The underlying net profit attributable to shareholders increased by 4% to HK$4,365 million. The underlying earnings per share correspondingly rose to HK$0.97.

Hang Lung Properties reported a net profit attributable to shareholders of HK$3,868 million (2020: net loss of HK$2,571 million) when including a net revaluation loss of properties attributable to shareholders of HK$497 million (2020: net revaluation loss of HK$6,772 million). The corresponding earnings per share was HK$0.86 (2020: loss per share of HK$0.57).

***Revenue and Operating Profit***

| | Revenue | | | Operating Profit | | |
|---|---|---|---|---|---|---|
| | **2021 HK$ Million** | 2020 HK$ Million | Change | **2021 HK$ Million** | 2020 HK$ Million | Change |
| **Property Leasing** | **10,321** | 8,911 | 16% | **7,462** | 6,437 | 16% |
| Mainland China | **6,939** | 5,277 | 31% | **4,693** | 3,468 | 35% |
| Hong Kong | **3,382** | 3,634 | -7% | **2,769** | 2,969 | -7% |
| **Property Sales** | **–** | 62 | -100% | **(91)** | 44 | N/A |
| **Total** | **10,321** | 8,973 | 15% | **7,371** | 6,481 | 14% |

## Dividends

The Board of Directors has recommended a final dividend of HK60 cents per share for 2021 (2020: HK59 cents) to be paid in cash on May 19, 2022, to shareholders whose names are listed on the register of members on May 4, 2022. Together with an interim dividend of HK18 cents per share (2020: HK17 cents), the full year dividends for 2021 amounted to HK78 cents per share (2020: HK76 cents).

## Property Leasing

The overall rental revenue of Hang Lung Properties grew by 16% to HK$10,321 million during the year. Rental revenue of our Mainland portfolio rose by 23% in Renminbi (RMB) terms and 31% in HKD terms, more than offsetting the 7% decline of our Hong Kong portfolio.

On the Mainland, the retail market sentiment continued to improve in 2021 despite sporadic resurgences of COVID-19 cases in certain provinces during the year. On the strength of our luxury malls' strong performance, the rental revenue of the malls jumped 25% in RMB terms year-on-year.

In Hong Kong, COVID-19 continues to cast a shadow over economic recovery with travel restrictions and social distancing measures in effect throughout the reporting year. Prior to recent Omicron outbreak, the retail market had gradually picked up since May 2021. In 2021, our tenant sales rose by 9%, with a much reduced level of rent relief needed as the year progressed.

### Mainland China[1]

***Property Leasing – Mainland China Portfolio***

| | Revenue | | |
|---|---|---|---|
| | **2021 RMB Million** | 2020 RMB Million | Change |
| Malls | **4,662** | 3,731 | 25% |
| Offices | **1,001** | 864 | 16% |
| Hotel | **94** | 80 | 18% |
| **Total** | **5,757** | 4,675 | 23% |
| Total in HK$ Million equivalent | **6,939** | 5,277 | 31% |

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

Overall rental revenue and operating profit surged by 23% and 27% in RMB terms or rose 31% and 35% in HKD terms, respectively. All segments reported double-digit revenue growth year-on-year. The overall rental margin achieved 68%.

When excluding the rental contributions from the Heartland 66 office tower and mall in Wuhan, which opened in November 2020 and March 2021, respectively, revenue increased by 19% compared to a year ago; revenue in the second half of 2021 grew 6% against the first half of 2021.

#### *Malls*

The mall portfolio recorded revenue growth of 25% year-on-year. Revenue of luxury-positioned malls surged by 30%, while revenue of sub-luxury malls rose by 2%.

*Property Leasing – Mainland China Mall Portfolio*

| | Revenue | | | Year-End Occupancy Rate | |
|---|---|---|---|---|---|
| Name of Mall and City | 2021 RMB Million | 2020 RMB Million | Change | 2021 | 2020 |
| **Luxury malls** | | | | | |
| Plaza 66, Shanghai | **1,782** | 1,426 | 25% | **100%** | 99% |
| Grand Gateway 66, Shanghai | **1,163** | 984 | 18% | **100%** | 98% |
| Forum 66, Shenyang | **106** | 95 | 12% | **90%** | 89% |
| Center 66, Wuxi | **373** | 267 | 40% | **98%** | 96% |
| Olympia 66, Dalian | **164** | 136 | 21% | **87%** | 77% |
| Spring City 66, Kunming | **269** | 183 | 47% | **97%** | 91% |
| Heartland 66, Wuhan# | **153** | – | N/A | **84%** | N/A |
| | **4,010** | 3,091 | 30% | | |
| **Sub-luxury malls** | | | | | |
| Palace 66, Shenyang | **179** | 175 | 2% | **90%** | 88% |
| Parc 66, Jinan | **305** | 297 | 3% | **93%** | 94% |
| Riverside 66, Tianjin | **168** | 168 | – | **86%** | 76% |
| | **652** | 640 | 2% | | |
| **Total** | **4,662** | 3,731 | 25% | | |

# Opened in March 2021

The retail market for high-end products remains robust and optimistic. All of our luxury malls enjoyed double-digit revenue growth, with year-on-year tenant sales growth in these malls ranging from 33% to 89%. In particular, the revenue of Olympia 66 in Dalian in the second half of 2021 increased by 45% versus the first half of 2021, following its transformation into a luxury-led mall. Comparing the second half of 2021 against the same period in 2020, the total tenant sales of our luxury malls grew by 21% despite the high base.

Our sub-luxury malls had a relatively moderate performance with year-on-year growth of 2%, reflecting the uneven impact of the pandemic on different market segments. The performance was also affected by resurgences of COVID-19 cases in their respective cities.

### *Luxury malls*

The **Plaza 66** mall in Shanghai achieved another year of outstanding performance. Revenue grew 25% year-on-year, primarily driven by increases in turnover rents and favorable rental reversions. Tenant sales advanced by 37%, and an exciting line-up of promotions and events, including the "Home to Luxury" Party held in November 2021, took place throughout the year to stimulate growth. HOUSE 66, our customer relationship management (CRM) program continued to provide our loyal customers with diverse and personalized services and prestigious offerings. These efforts have offered unparalleled customer experience and successfully captured the upswing in luxury sales and converted them into solid growth in tenant sales and rental revenue and profit.

The **Grand Gateway 66** mall in Shanghai continued to benefit from the Asset Enhancement Initiative (AEI) completed in 2020. A league of premium brands has been introduced to fortify the mall's luxury content making it the regional lifestyle center in Shanghai. Revenue increased by 18% year-on-year with a 56% surge in tenant sales.

Revenue and tenant sales of the **Forum 66** mall in Shenyang increased by 12% and 33%, respectively, against last year despite several COVID-19 resurgences. Effective marketing campaigns, including compelling sales-driven HOUSE 66 events and incentives for loyal customers, were implemented throughout the year. Cross-trade promotions between Forum 66, Palace 66 in Shenyang, and Conrad Shenyang were launched to enhance awareness of the Hang Lung brand.

The **Center 66** mall in Wuxi delivered 40% more revenue against last year, benefiting from the continued migration of luxury brands to the mall from other shopping centers in the city. Tenant sales soared by 77%. The landmark status and luxurious position of the mall have further entrenched with a variety of premium brands and unique experiential offerings. More compelling promotional campaigns and fine-tunning of tenancy profile have been planned for sustainable growth in revenue and profit.

**Olympia 66** in Dalian was successfully transformed into a luxury-led mall during the reporting year. A strategically calibrated tenant mix helped create several well-defined zones housing high-end luxury, trendy lifestyle, sportswear, and food & beverage tenants. Many top-tier brands commenced businesses in the mall during the second half of 2021. The mall's curated shopping experience has appealed to lifestyle-focused and brand-savvy customers. Compared with last year, revenue and tenant sales jumped by 21% and 89%, respectively. In April 2021, a passenger subway connecting the mall to a metro station on Line 2 was opened, adding convenience and bringing another stream of foot traffic.

The **Spring City 66** mall in Kunming generated 47% more revenue by capturing higher turnover rents through strong tenant sales and achieving positive rental reversion. The increasing popularity and success of our marketing campaigns and HOUSE 66 attracted more brands to us during the year. As the year progressed, numerous international brands established flagship or pop-up stores in our mall, including some first-in-Kunming luxury labels. The mall was almost fully let at the end of the year.

Our tenth mall on the Mainland, **Heartland 66** in Wuhan, opened for business in March 2021. Located on Jinghan Avenue in the bustling Qiaokou District—the commercial and business heart of Wuhan with mass transit railway accessibility—the mall's prime location ensures high connectivity and footfall. Performance has already exceeded expectations, with revenue reaching RMB153 million and tenant sales of almost RMB1 billion in less than ten months of operations. More than 250 brands were recruited, comprising a good mix of top-notch brands and tenants. Among them were notable brands making their debut in Wuhan. The mall's occupancy rate reached 84% by the end of the year.

### *Sub-luxury malls*

Despite sluggish retail market sentiment owing to tightened social distancing measures following resurgences of COVID-19 cases in northern China, **Palace 66** in Shenyang recorded a respectable growth of 2% in revenue and 11% in tenant sales. Occupancy rose two points to 90%. We seized the opportunity to refresh and refine the tenant mix of Palace 66 by replacing non-performing tenants with more competitive and unique brands.

**Parc 66** in Jinan recorded mild revenue growth of 3%. In pursuit of revitalizing the mall upon the tenth anniversary of its business operations, a three-year AEI began in June 2021 to uplift its positioning and further enrich its luxury content. Despite the ongoing AEI, tenant sales rose by 20% due to strong local demand for luxury items and the phased scheduling of renovation works during non-operating hours. The affected areas will re-open in stages starting from mid-2022. Leveraging our experience with major AEI programs in Shanghai, the thoroughly planned AEI at Parc 66 will strengthen the mall's long-term competitiveness and profitability.

Revenue from **Riverside 66** in Tianjin stayed flat compared to last year, and tenant sales was 28% higher. The mall expanded its offerings in 2021 by introducing popular brands in a spectrum of products and services, including fashion and accessories, sportswear, and food & beverage.

### *Offices*

The revenue of our office portfolio on the Mainland continued to be a stable and resilient income stream. It accounts for 17% of our total Mainland rental revenue. The total revenue increased by 16% as the occupancy rates of our three new towers that opened in 2019 and 2020 continued to rise. When excluding the effects of these new towers, our office portfolio generated organic revenue growth of 4% in a challenging market environment.

***Property Leasing – Mainland China Office Portfolio***

| | Revenue | | | Year-End Occupancy Rate | |
|---|---|---|---|---|---|
| **Name of Office and City** | **2021 RMB Million** | 2020 RMB Million | Change | **2021** | 2020 |
| Plaza 66, Shanghai | **629** | 606 | 4% | **97%** | 93% |
| Forum 66, Shenyang | **132** | 124 | 6% | **92%** | 90% |
| Center 66, Wuxi [(a)] | **113** | 96 | 18% | **88%** | 72% |
| Spring City 66, Kunming [(b)] | **81** | 37 | 119% | **71%** | 41% |
| Heartland 66, Wuhan [(c)] | **46** | 1 | 45 times | **57%** | 15% |
| | **1,001** | 864 | 16% | | |

(a) Center 66 Office Tower 2 in Wuxi opened in August 2019
(b) Spring City 66 Office Tower in Kunming opened in August 2019
(c) Heartland 66 Office Tower in Wuhan opened in November 2020

Despite increasing market competition, income from the two world-class office towers at **Plaza 66** in Shanghai increased slightly by 4% with a high occupancy rate and positive rental reversions. A wave of relocations and tenant expansions from the technology, media, telecommunications, finance, and pharmaceutical sectors introduced new demand for prime office space.

The office tower at **Forum 66** in Shenyang recorded a revenue growth of 6%, while the occupancy rate climbed to 92%. Despite significant supply of new office spaces in Shenyang, Forum 66 retained its market leadership by leveraging its top-graded design, build quality, prestigious location, and premium management services.

Driven by new tenants relocating from competing buildings and the internal expansions of existing tenants, the total income of the two office towers at **Center 66** in Wuxi advanced by 18%, while the overall occupancy rate rose by 16 points to 88%. Our first branded and self-operated multifunctional workspace, HANGOUT, continued to receive positive feedback from our tenants since its launch in 2020. The enhanced offering of this agile workspace attracted small-sized tenants of excellent caliber and further improved the occupancy rate.

Revenue from the two-year old office tower at **Spring City 66** in Kunming surged by 119% as the occupancy rate jumped 30 points to 71%. We accelerated the leasing pace by offering modular offices with high-standard fit-outs and furnishings. Despite ample office supply in Kunming, top-tier tenants chose Spring City 66 because of its prime location, premium facilities and value-added services.

**Heartland 66** in Wuhan, the seventh office tower in our Mainland portfolio, commenced operations in November 2020. Rental revenue during the year reached RMB46 million with the year-end occupancy rate at 57%. The increasing popularity of Heartland 66 has already gained the property landmark status in Wuhan.

### *Hotel*

Conrad Shenyang demonstrated resilience despite international border restrictions and sporadic resurgences of COVID-19 cases in northern China. Revenue grew 18% to RMB94 million during the year. Room sales and food & beverage income gradually improved after the resumption of domestic travel and business conferences.

## Hong Kong

Market sentiment in Hong Kong was improving throughout much of 2021 until concerns over the recent Omicron outbreak. In 2021, although the border remained closed for the whole year and social distancing measures continued, the government's electronic Consumption Voucher Scheme and various marketing campaigns by businesses, such as our "Go Shopping!" Rewards Program, stimulated the retail activities. Against such backdrop, full-year revenue retreated 7% to HK$3,382 million, with the year-on-year revenue fall in the second half reduced to 1% compared with a 12% decline in the first half. Overall, the operating profit for the year receded by 7% to HK$2,769 million, and the rental margin remained steady at 82%.

We took a more sales-driven approach in supporting our tenants as market sentiment continued to improve over time. The launch of the "hello Hang Lung Malls Rewards Program" along with the Hang Lung Malls App in March 2021 allowed us to better engage our customers and take the shopping experience to new heights. Through the Hang Lung Malls App, the "Go Shopping!" Rewards Program was launched in the second half of 2021 and stimulated tenant sales and footfall. In 2021, we also introduced initiatives worth HK$27 million in support of the government's COVID-19 vaccination drive. The campaign included free e-shopping coupons offered via the Hang Lung Malls App to members who were fully vaccinated by the end of September 2021. The majority of our tenants greatly supported our initiatives to bolster the vaccination drive. Tenant sales in 2021 rose 9% against 2020 with the second half generating year-on-year growth of 16%.

Properties located in Causeway Bay and Mongkok, as well as Peak Galleria, remained under pressure due to their exposure to tourism. Tenants of specific trades, such as cinemas, gyms, and restaurants, were more directly affected by social distancing measures imposed by the government.

***Property Leasing – Hong Kong Portfolio***

| | Revenue | | | Year-End Occupancy Rate | |
|---|---|---|---|---|---|
| | **2021 HK$ Million** | 2020 HK$ Million | Change | **2021** | 2020 |
| Retail | **1,983** | 2,139 | -7% | **97%** | 97% |
| Offices | **1,157** | 1,232 | -6% | **87%** | 88% |
| Residential & Serviced Apartments | **242** | 263 | -8% | **72%** | 56% |
| **Total** | **3,382** | 3,634 | -7% | | |

### *Retail*

Revenue from our Hong Kong retail portfolio decreased by 7% to HK$1,983 million.

The **Causeway Bay portfolio** recorded a 14% drop in revenue due to inevitable negative rental reversions amid the absence of tourists. However, by introducing trades focused on domestic consumption, the occupancy rate reached 100% at the end of 2021, providing a solid foundation for future rental growth.

Our **Mongkok portfolio** posted a 17% rental drop caused by negative rental reversions. Although the former three-story anchor tenant at Gala Place vacated in late 2020, we were able to maintain full occupancy by the opening of the leading global athletic footwear brand Foot Locker, a new AEON STYLE concept store, and a new dining cluster in the basement.

Our community malls, **Kornhill Plaza in Hong Kong East** and **Amoy Plaza in Kowloon East**, were comparatively defensive, both recording a rental decline of 4%.

### *Offices*

Revenue declined by 6% to HK$1,157 million due to a drop in the average occupancy rate by three points to 87% and the granting of rent relief packages.

Fashion wholesalers and travel agencies, which are major segments of our tenant mix, have suffered during the pandemic. A high proportion of business closures in these two segments resulted in a 21% drop in revenue from our offices in Causeway Bay in 2021. The rental revenue generated from our offices in Mongkok declined mildly by 1% due to negative rental reversions. The revenue of our Central portfolio fell 4% with the occupancy rate at 82% at the end of the year after an anchor tenant downsized upon lease renewal in October 2021. We have diversified the product mix and tenancy profile by offering more refurbished units and sub-divided office spaces to meet changing market demands.

### *Residential & Serviced Apartments*

Due to stringent border restrictions and shrinking demand from expatriates, the revenue of our residential and serviced apartments segment retreated 8% from the preceding year to HK$242 million. With a more agile leasing strategy being adopted in the second half of 2021, the occupancy rate gradually improved by 16 points to 72% at the end of the year.

## Property Sales

In June 2021, one house at Blue Pool Road was sold. The sales revenue and profit from this transaction will be recognized upon completion of legal assignment in the first quarter of 2022.

Pre-sale of The Aperture, a development project in Kowloon Bay located close to the MTR Kowloon Bay Station and the future East Kowloon Cultural Centre, commenced in December 2021. The project comprises 294 residential units with additional commercial areas on the podium floors. Up to December 31, 2021, 123 residential units were pre-sold at a total of HK$1,083 million. This revenue is expected to be recognized in 2023 upon sale completion.

As such, no property sales revenue was recorded during the reporting year. The operating loss from property sales for 2021 was HK$91 million, mainly representing the selling expenses for The Aperture, marketing expenses for Heartland Residences in Wuhan, and other operating expenditures.

We continued to seize opportunities to dispose of non-core investment properties for capital recycling. 34 car parking spaces were sold during the year, delivering total disposal gains of HK$17 million, recognized as Other Net Income.

## Property Revaluation

As of December 31, 2021, the total value of our investment properties and those under development amounted to HK$199,855 million, including the mainland China portfolio of HK$138,548 million and the Hong Kong portfolio of HK$61,307 million. These properties were appraised by Savills, an independent valuer, as of December 31, 2021.

A revaluation gain of HK$460 million was recorded (2020: loss of HK$6,664 million).

The mainland China portfolio recorded a revaluation gain of HK$1,750 million (2020: loss of HK$2,529 million), a 1% increase since the valuation at the end of 2020, largely reflecting the expected growth in the luxury malls. The valuation of offices remained relatively stable.

The Hong Kong portfolio had a revaluation loss of HK$1,290 million (2020: loss of HK$4,135 million), representing a 2% decrease against the value as of December 31, 2020. The decline was smaller compared with the 6% drop in 2020.

After the related deferred tax and non-controlling interests, an attributable net revaluation loss of HK$497 million was reported (2020: net revaluation loss of HK$6,772 million).

## Property Development and Capital Commitment

The aggregated values of our projects under development for leasing and sale were HK$22,399 million and HK$9,765 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$19 billion.

### Mainland China

**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 more than 490 units. The project is scheduled for completion in phases from the second half of 2023. The pre-sale of the first batch of units is expected to commence in the first half of 2022.

**Center Residences** in Wuxi and an adjacent boutique hotel form the Phase 2 development of Center 66. The Residences comprise of two high-rise residential towers housing around 600 units. In addition, there will be a seven-story new-build tower plus a three-floor heritage building offering a total of 106 hotel rooms. Excavation and piling works are making good progress. The project is scheduled for completion in phases from 2024 onwards. Center Residences is expected to be launched for pre-sale from the end of 2022.

**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 apartments and three immaculate penthouses. Grand Hyatt Kunming features more than 330 guestrooms and suites. Site development kick-started following possession of the construction permit in May 2021. The pre-sale of the Residences is expected to be launched in the first half of 2023 with expected completion in phases from 2024 onwards, while the opening of the Grand Hyatt Kunming is planned for late 2023.

**Westlake 66** in Hangzhou is an integrated high-end commercial development comprising a retail podium, five Grade A office towers, and a luxurious hotel — **Mandarin Oriental Hangzhou**. The piling 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.

**Forum Residences** forms part of the mixed-use Forum 66 development in Shenyang. The remaining developments of Forum 66 yield a gross floor area of more than 500,000 square meters. The master layout plan is presently in the refining stage. The project is planned for pre-sale from 2024 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 2023.

Construction works of the Grade A office tower redevelopment at 228 Electric Road in North Point are in progress. The project is a joint development with our parent company, Hang Lung Group Limited (Hang Lung Group), inclusive of a retail area across the lower floors. Superstructure works are underway, and the project is scheduled for completion in late 2022.

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 re-developed into luxurious detached houses and is now in the planning stage.

## 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 has been 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$3.2 billion, obtained HK$1.5 billion in green loan facilities and HK$7 billion in sustainability-linked loan facilities. These are collectively referred to as sustainable finance, which now accounts for 30% 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, 2021** | | At December 31, 2020 | |
|---|---|---|---|---|
| | **HK$ Million** | % of Total | HK$ Million | % of Total |
| Denominated in: | | | | |
| HKD | **5,484** | 64% | 2,584 | 41% |
| RMB | **2,885** | 34% | 3,602 | 57% |
| USD | **146** | 2% | 133 | 2% |
| **Total cash and bank balances** | **8,515** | 100% | 6,319 | 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$45,695 million (December 31, 2020: HK$37,917 million), of which 27% 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 48% of total borrowings as of December 31, 2021 following the (a) redemption of a USD500 million MTN and an RMB1,000 million Panda Bond in April 2021 and July 2021, respectively; (b) issuance of some MTNs in HKD and USD with an aggregate equivalent amount of HK$3.8 billion during the year.

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

(i) by currency (after currency swap):

| | **At December 31, 2021** | | At December 31, 2020 | |
|---|---|---|---|---|
| | **HK$ Million** | % of Total | HK$ Million | % of Total |
| Denominated in: | | | | |
| HKD | **33,196** | 73% | 25,007 | 66% |
| RMB | **12,499** | 27% | 12,910 | 34% |
| **Total borrowings** | **45,695** | 100% | 37,917 | 100% |

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

| | **At December 31, 2021** | | At December 31, 2020 | |
|---|---|---|---|---|
| | **HK$ Million** | % of Total | HK$ Million | % of Total |
| Fixed | **21,998** | 48% | 23,772 | 63% |
| Floating | **23,697** | 52% | 14,145 | 37% |
| **Total borrowings** | **45,695** | 100% | 37,917 | 100% |

### Gearing Ratios

At the reporting date, the net debt balance amounted to HK$37,180 million (December 31, 2020: HK$31,598 million). The net debt to equity ratio was 24.4% (December 31, 2020: 21.3%), and the debt to equity ratio was 30.0% (December 31, 2020: 25.6%). The increase in both ratios was largely due to capital expenditures in both the Mainland and Hong Kong, as well as the balance payment for the acquisition of 37 Shouson Hill Road in Hong Kong.

### Maturity Profile and Refinancing

At the balance sheet date, the average tenure of the entire loan portfolio was 3.0 years (December 31, 2020: 2.9 years). The maturity profile was staggered over more than 10 years. Around 65% of the loans were repayable after two years.

| | At December 31, 2021 | | At December 31, 2020 | |
|---|---|---|---|---|
| | HK$ Million | % of Total | HK$ Million | % of Total |
| Repayable: | | | | |
| Within 1 year | 8,079 | 18% | 7,464 | 20% |
| After 1 but within 2 years | 7,566 | 17% | 8,585 | 23% |
| After 2 but within 5 years | 23,868 | 52% | 18,645 | 49% |
| Over 5 years | 6,182 | 13% | 3,223 | 8% |
| **Total borrowings** | 45,695 | 100% | 37,917 | 100% |

As of December 31, 2021, the total undrawn committed banking facilities amounted to HK$14,645 million (December 31, 2020: HK$12,563 million). The available balances of the USD4 billion (December 31, 2020: USD4 billion) MTN program amounted to USD1,760 million, equivalent to HK$13,722 million (December 31, 2020: HK$12,945 million).

### Net Finance Costs and Interest Cover

For the year ended December 31, 2021, gross finance costs increased 1% to HK$1,487 million. The effect of the increase in total borrowings was partially offset by a drop in the average effective cost of borrowings which was lowered to 3.7% (2020: 4.4%), benefiting from lower interest rates upon the refinancing of maturing debts.

The net amount charged to the statement of profit or loss increased to HK$487 million partly because of the increase in gross finance costs and also a decrease in finance costs capitalized for projects under development after the completion of the mall and office at Heartland 66 in Wuhan.

Interest cover for 2021 was 5 times (2020: 4 times).

### Foreign Exchange Management

Normal operations in mainland China and MTNs denominated in USD expose our business activities to foreign exchange fluctuations. Appropriate measures have been taken to reduce our risk.

#### (a) RMB Exposure

Our RMB exposure is mainly derived from the currency translation risk arising from the net assets of our subsidiaries in mainland China.

As of December 31, 2021, net assets denominated in RMB accounted for approximately 74% of our total net assets. The RMB appreciated against the HKD by 2.9% compared with December 31, 2020. The translation of these net assets from RMB into HKD at the exchange rate as of the reporting date resulted in a translation gain of HK$3,173 million (2020: HK$6,233 million), recognized in other comprehensive income/exchange reserve.

Our business operations and projects under development in mainland China are funded by a combination of cash inflows from local operations, RMB borrowings, and capital injections from Hong Kong. We have adopted a systematic approach to mitigate currency risks and practice the strict discipline of not speculating on the movement of the RMB against the HKD. Regular business reviews assess the level of funding needed for our mainland China projects based on factors such as regulatory constraints, project development timelines, and the market environment. Appropriate modifications to our funding plan will be conducted in light of any changing circumstances.

### *(b) USD Exposure*

Our USD foreign exchange exposure is related to the USD550 million fixed-rate bonds issued, equivalent to HK$4,289 million at the reporting date. The related currency exchange risk was covered back-to-back by USD/HKD cross-currency swap contracts.

## *Charge of Assets*

Assets of Hang Lung Properties were not charged to any third parties as of December 31, 2021.

## *Contingent Liabilities*

Hang Lung Properties did not have any material contingent liabilities as of December 31, 2021.