Financial Review

Consolidated Results

For the financial year ended December 31, 2021, the total revenue of Hang Lung Group Limited (the Company) and its subsidiaries (collectively known as "the Group") grew by 15% to HK$10,919 million, while the operating profit advanced by 13% to HK$7,807 million. No property sales revenue was recognized in 2021.

The underlying net profit attributable to shareholders increased by 6% to HK$2,991 million. The underlying earnings per share correspondingly rose to HK$2.20.

The Group achieved a net profit attributable to shareholders of HK$2,589 million (2020: net loss of HK$1,541 million) after taking into account the net revaluation loss of properties attributable to shareholders of HK$402 million (2020: net revaluation loss of HK$4,375 million). The earnings per share was HK$1.90 (2020: loss per share of HK$1.13).

Revenue and Operating Profit

	Revenue			Operating Profit		
	2021 HK$ Million	2020 HK$ Million	Change	**2021 HK$ Million**	2020 HK$ Million	Change
Property Leasing	**10,919**	9,464	15%	**7,898**	6,836	16%
Mainland China	**7,402**	5,694	30%	**5,020**	3,757	34%
Hong Kong	**3,517**	3,770	-7%	**2,878**	3,079	-7%
Property Sales	**–**	62	-100%	**(91)**	44	N/A
Total	**10,919**	9,526	15%	**7,807**	6,880	13%

Dividends

The Board of Directors has recommended a final dividend of HK65 cents per share for 2021 (2020: HK63 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 HK21 cents per share (2020: HK19 cents), the full year dividends for 2021 amounted to HK86 cents per share (2020: HK82 cents).

Property Leasing

During the year, the Group's total rental revenue surged by 15% to HK$10,919 million. Our Mainland portfolio achieved rental revenue growth of 22% in Renminbi (RMB) terms and 30% in HKD terms, outweighing the 7% decline of our Hong Kong portfolio.

On the Mainland, the retail market sentiment remained upbeat in 2021 despite sporadic resurgences of COVID-19 cases reported in some cities during the year. The rental revenue of our malls climbed by 25% in RMB terms year-on-year, owing to the particularly strong performance of our luxury malls.

In Hong Kong, the pandemic continues to hamper economic recovery with travel restrictions and social distancing measures in effect throughout the reporting year. However, the Hong Kong retail market had shown recovery since May 2021 prior to the recent Omicron outbreak. In 2021, our tenant sales improved by 8% overall, 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	**1,248**	1,107	13%
Residential & Serviced Apartments	**137**	127	8%
Hotel	**94**	80	18%
Total	**6,141**	5,045	22%
Total in HK$ Million equivalent	**7,402**	5,694	30%

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

The total rental revenue and operating profit jumped by 22% and 25% in RMB terms or rose 30% and 34% in HKD terms, respectively. The overall rental margin was 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 18% against last year, while revenue in the second half of 2021 edged up by 6% when compared with the first half of 2021.

Malls

The mall portfolio collected 25% more rents year-on-year. Significant revenue growth of 30% was captured by our luxury-positioned malls, while the increase for the sub-luxury malls was more moderate at 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

All of our luxury malls enjoyed double-digit revenue growth due to a robust retail market for high-end products throughout the year. The tenant sales growth of our luxury malls ranged from 33% to 89% year-on-year. In particular, Olympia 66 in Dalian, which was recently transformed into a luxury-led mall, delivered revenue growth of 45% in the second half of 2021, compared with the first half of 2021. The overall tenant sales of our luxury malls in the second half of 2021 grew by 21% against the same period in 2020 despite the high base.

The performance of our sub-luxury malls was affected by resurgences of COVID-19 cases in the respective cities. Moderate growth in year-on-year rental revenue of 2% was reported, reflecting the uneven impact of the pandemic on different market segments.

Luxury malls

Revenue of the **Plaza 66** mall in Shanghai indicated another year of solid growth and rose by 25% against last year, driven by increases in turnover rents and favorable rental reversions. Tenant sales grew by 37%, and an exciting line-up of promotions and events took place throughout the year, including the "Home to Luxury" Party held in November 2021. Our loyal customers enjoyed diverse and personalized services as well as prestigious offerings under HOUSE 66, our customer relationship management (CRM) program. These efforts offered unparalleled customer experience and successfully captured the upward trend in luxury sales, resulting in solid growth in tenant sales, rental revenue, and profit.

The **Grand Gateway 66** mall in Shanghai generated 18% more revenue with a 56% rise in tenant sales, benefiting from the Asset Enhancement Initiative (AEI) completed in 2020. The mall has introduced a league of premium brands to enrich its luxury content and position it as a regional lifestyle center in Shanghai.

Despite intermittent COVID-19 resurgences during the year, revenue and tenant sales of the **Forum 66** mall in Shenyang were up by 12% and 33%, respectively. Compelling marketing campaigns were implemented throughout the year, such as sales-driven HOUSE 66 events and incentives for loyal customers. We also launched cross-trade promotions between Forum 66, Palace 66 in Shenyang, and Conrad Shenyang to promote awareness of the Hang Lung brand.

The **Center 66** mall in Wuxi recorded revenue growth of 40% and tenant sales growth of 77% year-on-year following the continued migration of luxury brands from other shopping centers in the city. We rolled out a number of compelling promotional campaigns and refined the tenancy profile to sustain the growth in revenue and profit. With a variety of premium brands and innovative offerings in place, the mall has further established its luxurious image and landmark status.

During the reporting year, **Olympia 66** in Dalian was successfully transformed into a luxury-led mall, with multiple top-tier brands commencing business there during the second half of 2021. Several well-defined zones were created under the strategically calibrated tenant mix, housing high-end luxury, trendy lifestyle, sportswear, and food & beverage tenants, attracting lifestyle-focused and brand-savvy customers to the mall. Revenue and tenant sales were 21% and 89% higher than last year, respectively. An underground passenger tunnel connecting the mall to a metro station on Line 2 opened in April 2021, adding convenience and another stream of foot traffic.

By tapping into strong luxury tenant sales through turnover rents and achieving positive rental reversion, the **Spring City 66** mall in Kunming delivered 47% more revenue against last year. Its location, design and build quality, together with our successful marketing campaigns and HOUSE 66 endeavors attracted more brands to the mall. Numerous international brands, including some first-in-Kunming luxury labels, established flagship or pop-up stores in the mall, and by the end of the year, the mall was almost fully let.

Heartland 66 in Wuhan, our tenth mall on the Mainland, commenced business in March 2021 and outperformed expectations. The mall is located on Jinghan Avenue in the bustling Qiaokou District—the commercial and business heart of Wuhan with mass transit railway accessibility—a prime location that guarantees high connectivity and footfall. It's rental revenue achieved RMB153 million, and tenant sales was almost RMB1 billion in less than ten months of operations. The mall introduced more than 250 brands, consisting of a favorable combination of top-tier brands and high-quality tenants. Among them were well-known brands making their debut in Wuhan. The mall's occupancy rate reached 84% by the end of the year.

Sub-luxury malls

Palace 66 in Shenyang reported an increase of 2% in revenue and 11% in tenant sales. This was despite sluggish retail market sentiment against the backdrop of tightened social distancing measures following resurgences of COVID-19 cases in northern China. We took this opportunity to refresh and refine our tenant mix by replacing non-performing tenants with more competitive and unique brands. Occupancy rose by two points to 90%.

The revenue growth of **Parc 66** in Jinan was moderate at 3%. A three-year AEI began in June 2021 with the aim of revitalizing the mall after the tenth anniversary of its business operations. The strategically planned AEI will strengthen the mall's long-term competitiveness and profitability by leveraging our experience with major AEI programs in Shanghai. The mall is expected to further enhance its positioning and enrich its luxury content. Tenant sales soared by 20% due to strong local demand for luxury items and the phased scheduling of renovation works during non-operating hours to minimize the disturbances to our tenants. The renovated areas will re-open in phases from mid-2022.

Revenue of **Riverside 66** in Tianjin stayed flat compared to last year and tenant sales increased by 28%. Popular brands in a spectrum of products and services, including fashion and accessories, sportswear, and food & beverage, were introduced to strengthen the mall's offerings.

Offices

Our office portfolio on the Mainland continued to provide a steady income stream, accounting for 20% of our total Mainland rental revenue. The total revenue grew by 13% as the occupancy rates of our three new towers that opened in 2019 and 2020 continued to rise. When excluding the impacts of these new towers, our office portfolio generated organic revenue growth of 3% 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%
Grand Gateway 66, Shanghai	**247**	243	2%	**98%**	99%
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%
	1,248	1,107	13%		

(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, the two world-class office towers at **Plaza 66** in Shanghai recorded mild revenue growth of 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 **Grand Gateway 66** in Shanghai continued to perform well for the reporting year. Revenue remained stable despite highly competitive market conditions. Occupancy was consistently high at 98% as the premium office space remained the preferred choice of many multinational corporations and large domestic enterprises.

Income from the office tower at **Forum 66** in Shenyang grew by 6% while the occupancy rate rose to 92%. Despite ample supply of new office spaces in Shenyang, Forum 66 maintained its market-leading position by leveraging its top-graded design, build quality, prestigious location, and premium management services.

The total revenue of the two office towers at **Center 66** in Wuxi climbed by 18%, while the overall occupancy rate increased by 16 points to 88%, driven by relocations of new tenants from competing buildings and the internal expansions of existing tenants. Our first branded and self-operated multifunctional workspace that launched in 2020, HANGOUT, received consistently positive feedback from our tenants. 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 soared by 119%, while the occupancy rate jumped 30 points to 71%. Modular offices with high-standard fit-outs and furnishings were offered to speed up the leasing of the office tower. Top-tier tenants opted for Spring City 66 over other properties in Kunming in consideration of its prime location, premium facilities, and value-added services.

Heartland 66 in Wuhan, the eighth office tower in our Mainland portfolio, commenced operations in November 2020. Rental revenue recognized during the reporting year reached RMB46 million. The occupancy rate was 57% at the end of the year. Heartland 66 has already established a landmark status in Wuhan after one year of operation.

Residential & Serviced Apartments

Income from residential and serviced apartments at **Grand Gateway 66** in Shanghai grew by 8% against last year. The occupancy rate increased by five points to 91% driven by higher domestic demand.

Hotel

Facing international border restrictions and intermittent lockdowns amid sporadic resurgences of COVID-19 cases in northern China, Conrad Shenyang demonstrated strong resilience and earned 18% more revenue at a total of RMB94 million during the year. Room sales and food & beverage income gradually improved upon 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, while the border remained closed for the whole year and social distancing measures continued, retail activities were stimulated by the government's electronic Consumption Voucher Scheme and various marketing campaigns by businesses, such as our "Go Shopping!" Rewards Program. Against such backdrop, the total revenue in 2021 decreased by 7% to HK$3,517 million year-on-year. The revenue drop in the second half of 2021 versus the same period last year narrowed to 1%, compared with a 12% decline in the first half of the year. Overall, the operating profit for the year receded by 7% to HK$2,878 million, and the rental margin remained steady at 82%.

Under the improved market sentiment, we adopted a more sales-driven approach to support our tenants. The launch of the "hello Hang Lung Malls Rewards Program" and the Hang Lung Malls App in March 2021 enhanced our customer engagement and elevated our shopping experiences. The "Go Shopping!" Rewards Program was launched through the Hang Lung Malls App in the second half of the year to stimulate tenant sales and footfall. We also introduced initiatives worth HK$27 million to support the government's COVID-19 vaccination drive in 2021. 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. Most of our tenants greatly supported our initiatives to push the vaccination drive. Tenant sales in 2021 improved by 8% 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 traditional reliance on tourism. Tenants of specific trades like cinemas, gyms, and restaurants were more severely 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	**2,002**	2,158	-7%	**97%**	96%
Offices and Industrial/Office	**1,273**	1,349	-6%	**87%**	87%
Residential & Serviced Apartments	**242**	263	-8%	**72%**	56%
Total	**3,517**	3,770	-7%		

Retail

Our Hong Kong retail portfolio recorded a 7% revenue drop to HK$2,002 million.

Having suffered from inevitable negative rental reversions amid the absence of tourists, the revenue of the **Causeway Bay portfolio** declined by 14%. However, the occupancy rate at the end of 2021 reached 100% after efforts were introduced with a domestic consumption focus, providing a solid foundation for future rental growth.

The revenue of our **Mongkok portfolio** decreased by 17% as a result of negative rental reversions. We were able to maintain full occupancy despite the former three-story anchor tenant at Gala Place vacating in late 2020. The successor tenants are Foot Locker, a leading global athletic footwear brand, a new AEON STYLE concept store, and food and beverage tenants in a new dining cluster in the basement.

Our community malls, **Kornhill Plaza in Hong Kong East** and **Amoy Plaza in Kowloon East** were relatively defensive. Both revenue declined by 4%.

Offices and Industrial/Office

Revenue of our office portfolio declined by 6% to HK$1,273 million due to a lower average occupancy rate which dropped by three points to 87% and the granting of rent relief packages.

Revenue from our offices in Causeway Bay fell by 21% in 2021 as our fashion wholesale and travel agency tenants suffered during the pandemic, leading to a higher portion of business terminations during the year. Due to negative rental reversions, the rental revenue generated from our offices in Mongkok retreated gently by 1%. After an anchor tenant downsized its lease in October 2021, the revenue of our Central portfolio decreased by 4% with the occupancy rate at 82% at the end of the year. To meet changing market demands, we have diversified the product mix by offering more refurbished units and sub-divided office spaces.

Residential & Serviced Apartments

The revenue of our residential and serviced apartments segment declined by 8% against last year to HK$242 million due to stringent border restrictions and shrinking demand from expatriates. The occupancy rate improved gradually by 16 points to 72% at the end of 2021 as a more flexible leasing strategy was adopted in the second half 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.

Consequently, no property sales revenue was recorded during the reporting year. Taking into account the selling expenses for The Aperture, marketing expenses for Heartland Residences in Wuhan, and other operating expenditures, an operating loss of HK$91 million was posted from property sales for the year.

We continued to seize opportunities to dispose of non-core investment properties for capital recycling. In 2021, 34 car parking spaces were sold with total disposal gains of HK$17 million, recognized as Other Net Income.

Property Revaluation

The total value of our investment properties and those under development amounted to HK$208,981 million as of December 31, 2021, including the mainland China portfolio of HK$145,861 million and the Hong Kong portfolio of HK$63,120 million. These properties were appraised by Savills, an independent valuer, as of December 31, 2021.

A revaluation gain of HK$458 million was recorded (2020: loss of HK$6,856 million).

The mainland China portfolio recorded a revaluation gain of HK$1,763 million (2020: loss of HK$2,627 million), a 1% increase since the valuation at the end of 2020 that primarily reflects the expected growth in our luxury malls. The valuation of our offices remained relatively stable.

The Hong Kong portfolio had a revaluation loss of HK$1,305 million (2020: loss of HK$4,229 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$402 million was reported (2020: net revaluation loss of HK$4,375 million).

Property Development and Capital Commitment

The total values of our development projects for leasing and sale were HK$22,399 million and HK$9,765 million, respectively. These represent 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 our 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 and a three-floor heritage building offering a total of 106 hotel rooms. Excavation and piling works are making good progress, and 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 progressing well, and 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 subsidiary, Hang Lung Properties Limited (Hang Lung Properties), and includes 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

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

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

For debt portfolio management, we focus on mitigating foreign exchange, interest rate, and refinancing risks through an appropriate mix of RMB/HKD/USD borrowings, fixed/floating-rate debts, a staggered debt repayment profile, and a diversified source of funding.

As part of our environmental, social and governance (ESG) initiatives, the Group continues to make 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 28% 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	**5,617**	61%	2,631	39%
RMB	**3,367**	37%	4,021	59%
USD	**156**	2%	141	2%
Total cash and bank balances	**9,140**	100%	6,793	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$45,883 million (December 31, 2020: HK$38,770 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	**33,384**	73%	25,860	67%
RMB	**12,499**	27%	12,910	33%
Total borrowings	**45,883**	100%	38,770	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	61%
Floating	**23,885**	52%	14,998	39%
Total borrowings	**45,883**	100%	38,770	100%

Gearing Ratios

At the reporting date, the net debt balance amounted to HK$36,743 million (December 31, 2020: HK$31,977 million). The net debt to equity ratio was 22.3% (December 31, 2020: 20.1%), and the debt to equity ratio was 27.9% (December 31, 2020: 24.3%). 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.

Excluding the balances of Hang Lung Properties and its subsidiaries (HLP Group), the Company and its other subsidiaries had a net cash balance amounted to HK$437 million (December 31, 2020: net debt balance of HK$379 million).

Maturity Profile and Refinancing

At the balance sheet date, the average tenure of the entire loan portfolio was 3.0 years (December 31, 2020: 2.8 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%	7,863	20%
After 1 but within 2 years	**7,753**	17%	8,582	22%
After 2 but within 5 years	**23,869**	52%	19,102	50%
Over 5 years	**6,182**	13%	3,223	8%
Total borrowings	**45,883**	100%	38,770	100%

As of December 31, 2021, the total undrawn committed banking facilities amounted to HK$18,295 million (December 31, 2020: HK$16,538 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).

Excluding the balances of HLP Group, the undrawn committed banking facilities of the Company and its other subsidiaries amounted to HK$3,650 million (December 31, 2020: HK$3,975 million).

Net Finance Costs and Interest Cover

For the year ended December 31, 2021, gross finance costs decreased 1% to HK$1,509 million. The effect of the 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, was partially offset by the increase in total borrowings.

The net amount charged to the statement of profit or loss increased to HK$509 million mainly because of the 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 72% 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$3,342 million (2020: HK$6,604 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 the Group were not charged to any third parties as of December 31, 2021.

Contingent Liabilities

The Group did not have any material contingent liabilities as of December 31, 2021.