
2

Business Performance

Management's Discussion and Analysis

Strategy

Hysan continues to curate and expand its investment portfolio, which is predominantly located in Causeway Bay, one of Hong Kong's prime commercial districts. We also seek to complement our core business by investing in several strategic growth "pillars", with the aim of delivering a more balanced and diversified portfolio.

Review of Results

In HK$ million	**2022**	2021	Change
Turnover	**3,460**	3,608	-4.1%
– Office	**1,578**	1,728	-8.7%
– Retail	**1,643**	1,620	+1.4%
– Residential	**239**	260	-8.1%
Recurring Underlying Profit	**2,063**	2,330	-11.5%
Underlying Profit	**2,129**	2,330	-8.6%

Hysan's Hong Kong investment property portfolio comprises three sectors – office, retail and residential – covering a floor area of approximately 4.5 million square feet. As at 31 December 2022, office properties accounted for around 55% of the Group's investment portfolio by gross floor area, while retail properties made up around 30%. Our office and retail properties are located in Causeway Bay's Lee Gardens precinct. Approximately 15% of the Group's investment portfolio by gross floor area is residential, mainly comprising its Bamboo Grove apartments in Hong Kong's Mid-Levels. Lee Gardens Shanghai will add 0.7 million square feet commercial space when it commences operation in the first quarter of 2023.

Turnover, Recurring Underlying Profit and Underlying Profit saw year-on-year declines of 4.1%, 11.5% and 8.6% respectively. Structural changes, accelerated by COVID-19 related issues, continued to put pressure on the office sector. The retail sector improved in the second half of 2022 after a difficult first quarter, which was seriously affected by the pandemic.

Included in Underlying Profit, there is a one-off exchange gain of HK$66 million that resulted from the settlement of a subsidiary acquired during the year.

The Board of Directors has declared a second interim dividend of HK117 cents per share (2021: HK117 cents) which will be payable in cash.

The reconciliation of Recurring Underlying Profit, Underlying Profit and Reported (Loss) Profit is as follows:

	2022 HK$ million	2021 HK$ million
Reported (loss) profit	(1,157)	1,383
Change in fair value of properties	2,858	493
Investment properties	3,213	720
Less: Effect of other non-controlling interests	(344)	(55)
Share of associates (net of tax)	(11)	(172)
Imputed interest income on interest-free loan to a joint venture	(24)	(13)
Other gains and losses	2	8
Profit attributable to perpetual capital securities holders	450	459
Underlying Profit	2,129	2,330
One-off exchange gain	(66)	–
Recurring Underlying Profit	2,063	2,330

KEY PERFORMANCE INDICATORS

The Group's turnover growth and occupancy rates are the key measurements used for the assessment of our core leasing business performance. Cost effectiveness is assessed by the Group's management using the property expenses ratio (as a percentage of turnover).

		Business Performance		
Key Performance Indicators	Definition	Sector	2022	2021
Turnover Growth	Rental revenue in current year vs that in last year	Office Retail Residential	-8.7% +1.4% -8.1%	-4.7 % +1.3 % -12.2 %
Occupancy Rate	Percentage of total lettable area leased / total lettable area of each portfolio at year-end	Office Retail Residential	90% 99% 61%	94 % 99 % 71 %
Property Expenses Ratio	Property expenses divided by turnover	N/A	16.4%	13.8 %

Review of Operations

OFFICE

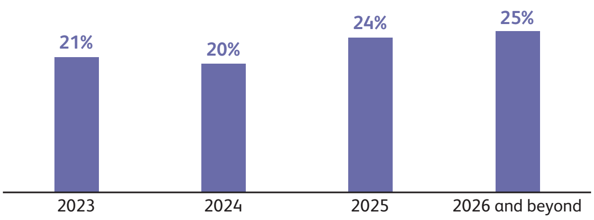
Turnover of the Group's office portfolio saw a decline of 8.7% to HK$1,578 million (2021: HK$1,728 million), including an improved turnover rent of HK$11 million (2021: HK$5 million).

Hong Kong's office market remained weak, with a city-wide vacancy rate of more than 12% as at the end of 2022. There was limited new demand for office space and an abundance of supply throughout the year. Global economic uncertainties, interest rate hikes and COVID-19 related travel restrictions were among the factors suppressing demand. Looking ahead, the relaxing of restrictions and the re-opening of the border with Mainland China will generally benefit the market.

The average rental reversion rate on renewals, rent review and new lettings for Hysan's Lee Gardens portfolio remained negative. Occupancy was at 90% as at 31 December 2022 (2021: 94%).

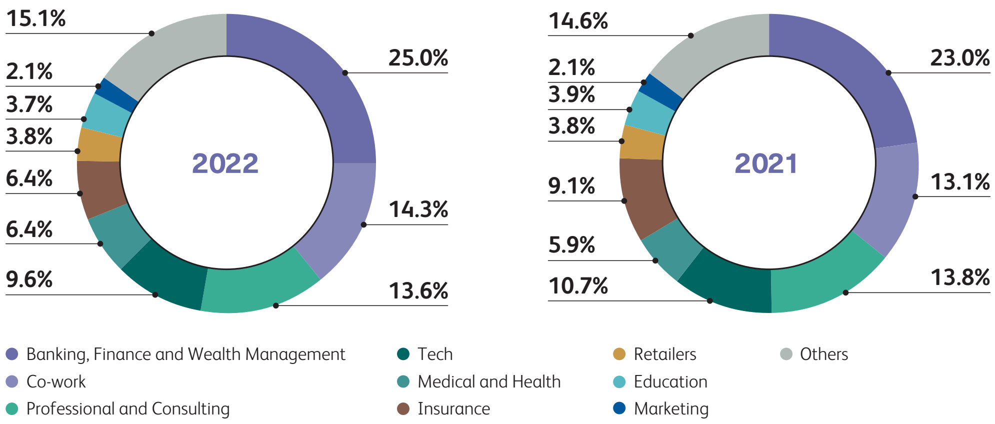
Hysan's office portfolio continued to offer top-quality facilities, exceptional nearby retail amenities and a well-connected location that appeal to both multinational and local businesses alike. Wealth management firms, flexible workspace operators and new economy businesses are among those reaping the advantages of being based in Lee Gardens. Our fully-furnished office units, perfect for tenants who value efficiency in selecting office space, are also attracting significant attention.

**Office Lease Expiry Profile by Area Occupied
(As at 31 December 2022)**



As at the end of 2022, the Banking, Finance and Wealth Management sector continued to occupy the largest share 25.0% of our tenant portfolio by floor area. Co-Work surged to second 14.3%, while Professional and Consulting placed third 13.6%.

Office Tenant Profile by Area Occupied as at Year-end



RETAIL

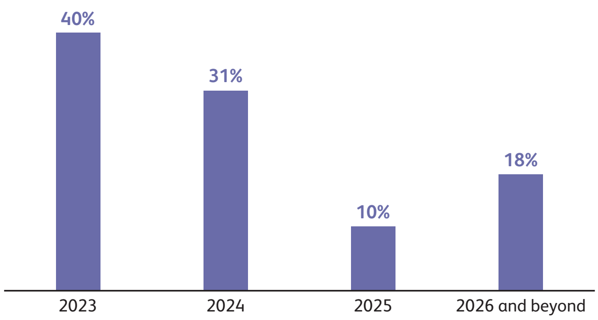
The Group's retail portfolio turnover increased by 1.4% to HK$1,643 million (2021: HK$1,620 million). This included turnover rent of $106 million (2021: HK$112 million). Retail occupancy stood at a robust 99% as at 31 December 2022 (2021: 99%). The average rental reversion rate on renewals, rent review and new lettings was negative during 2022.

After a weak first quarter followed by a stronger summer, Hong Kong retail sales saw a slight upward trend towards the end of 2022. Overall consumption demand was supported by a generally stable pandemic situation and a strong labour market. However, these positives were offset by a weakening wealth effect from residential property assets and the stock market.

Hysan's Lee Gardens retail portfolio continued to add new food and beverage outlets, as well as sports and children's concept stores. Several existing tenants also expanded their shops. Projects to further enhance Lee Gardens' reputation as a luxury retail destination kicked off in the second half of 2022. A number of our luxury retail anchor tenants also planned to start their expansion and enhancement programmes in 2023, with an aim to strengthen their presence and exposure in Lee Gardens. These improvement programmes are expected to reinforce Lee Gardens as the city's home of luxury retail. In the meantime, Hysan Place began its trend-setting transformation, starting with the unveiling of Urban Park and its hip skateboarding theme. Rejuvenation plans for Hysan's retail core were well received when unveiled to the media in December.

The easing of cross-border travel restrictions between Hong Kong and Mainland China is expected to attract more retail activity to the city. Hysan anticipates increased spending by both visitors and locals as Hong Kong moves along the path to economic recovery.

Retail Lease Expiry Profile by Area Occupied (As at 31 December 2022)



MARKETING INITIATIVES AND LOYALTY PROGRAMMES

In 2022, Lee Gardens' thematic marketing campaigns focused on promoting food and beverage as well as beauty and personal care outlets. A diverse range of rewards attracted Club Avenue and Lee Gardens Club members with varied interests, with both membership channels generating significant tenant sales.

The iconic Power Up campaign, for example, has offered Lee Gardens Club members discounted merchant e-vouchers from more than 100 tenant businesses in recent years. This year, those who purchased vouchers were treated to a superior O2O experience from the hy!@Lee Gardens e-shop. More than 52,000 e-vouchers, including special 50%-off vouchers made exclusively for Hang Seng Bank Credit Card holders, sold out in just a few days.

Both the "Happy, Be!" summer campaign and the Christmas "Gnomes Orchestra" brought bold installations to the area. These were complemented by online games and family activities which attracted significant footfall and spending.

Hysan's new Relationship Management team, which caters to Club Avenue's top VIP tiers, has been providing a more personalized service to members than ever before. Their excellent work was part of a Group-wide drive that saw improvements in overall member spending in the second half of the year, due in large part to the more relaxed COVID-19 situation.

Hysan has also leveraged its resources to support the activities of other business units, such as curated events to introduce its quality VILLA LUCCA residential project to top VIPs, who responded with highly positive feedback.

HARNESSING BUSINESS TECHNOLOGY

Consumers' payment preferences are shifting away from physical methods as online transactions become ever easier. In 2022, Hysan increased and diversified the digital payment options on its eCommerce hy! platform, which is gaining traction in its efforts to digitally promote tenants' offerings. The platform not only offers products for sale, but also provides experiences and workshops hosted by neighbouring businesses that can be purchased with loyalty club points as well as cash.

Hysan's office workflow automation system was unveiled in 2022, which has significantly improved property case management tools, increased work efficiency and realised operational cost savings. In addition, the Group enhanced the functions of its invoice submission and verification systems and facilitated the full digitalisation of Hysan's Shanghai office. An e-procurement system was also launched to simplify our property management processes and operations.

RESIDENTIAL

Hysan's residential leasing portfolio turnover experienced a decrease of 8.1% to HK$239 million (2021: HK$260 million). Occupancy was at 61% as at 31 December 2022 (2021: 71%). The average rental reversion in the sector was negative for renewals, rent review and new lettings.

The luxury residential leasing market remained quiet in 2022 due to macroeconomic conditions and travel restrictions, dampening demand from the expatriate population. Hysan offered rental agents enhanced incentives to help attract more interest in its Bamboo Grove units in Mid-Levels.

Hong Kong's luxury residential sales market also slowed significantly in the second half of the year, mainly due to rising interest rates and a fluctuating stock market. Despite poor market sentiment, however, 12 units were sold during the year at VILLA LUCCA, our luxury residential project in Tai Po, with buyers impressed by the high quality and reasonable pricing. Highlights of the latest developments are outlined below.

Core Expansion and Strategic Pillars

COMMERCIAL PROPERTY DEVELOPMENT – CAROLINE HILL ROAD PROJECT

Foundation works for the Caroline Hill Road project, a joint venture with Chinachem Group, commenced in September 2022 and are targeted for completion at the end of 2023. The overall project is progressing on schedule for completion in 2026. It aims to set a new standard for premium Grade A office space with regard to spatial efficiency, flexibility, sustainability and amenities.

The Caroline Hill Road Project is included under "investment properties" in our consolidated statement of financial position.

RESIDENTIAL PROPERTY DEVELOPMENT – VILLA LUCCA IN TAI PO AND TO KWA WAN RESIDENTIAL PROJECT

The construction of VILLA LUCCA, Hysan's luxury residential project in Tai Po, was completed during the year. Its occupation permit was issued in May 2022, and sales programme was rolled out in the third quarter. This development of 262 garden houses and apartments is the first luxury residential project in Tai Po's prestigious Lo Fai Road in recent years. We anticipate attracting more interest from local and cross-border buyers when COVID-19 restrictions are lifted further.

Hysan acquired a 25% stake in a joint venture to develop the Urban Renewal Authority's residential project at Bailey Street/Wing Kwong Street in Kowloon's To Kwa Wan district. The quality site is adjacent to the blossoming commercial and residential hub of Kai Tak and within a 5-minute walk to To Kwa Wan MTR station. Hysan will leverage its skillsets by overseeing the design and operations of the retail portion of the project.

The VILLA LUCCA Project and To Kwa Wan Residential Project are included under "investments in joint ventures" in our consolidated statement of financial position.

SHANGHAI INVESTMENT PROPERTY – LEE GARDENS SHANGHAI

Pre-leasing activities for Lee Gardens Shanghai started in early 2022, but had to be suspended during the pandemic wave in the second quarter that curtailed social and economic activities. Activities resumed immediately after the lifting of restrictions, with the first tenant making a commitment in the fourth quarter of 2022. The project's gross floor area for commercial activities is around 0.7 million square feet, with 375 parking spaces available.

The investment is included under "investment properties" in our consolidated statement of financial position.

SHANGHAI INVESTMENT PROPERTY – GRAND GATEWAY 66

This investment property, in which Hysan owns a 26% stake, demonstrated resilient performance despite the impact of COVID-19 measures in Shanghai. The investment is included under "investments in associates" under our consolidated statement of financial position.

GREATER BAY AREA FLEX – JOINT VENTURE WITH IWG PLC

All of IWG's flexible workspace brands in Hong Kong and the Greater Bay Area are exclusively operated by a Hysan-IWG joint venture.

During the pandemic, flexible workspaces generally outperformed traditional offices in Mainland China, both in terms of rental yields and occupancy rates. Advantages include "hybrid working" applications, unparalleled flexibility in lease terms, locations and services, as well as reduced capital expenditure for clients.

Through our partnership with one of the world's largest flexible workspace platforms, we are confident that our Greater Bay Area Flex business will remain on a positive and sustainable trend as demand grows in the future.

The investment is included under "investments in joint ventures" in our consolidated statement of financial position.

MEDICAL AND HEALTH – NEW FRONTIER GROUP

New Frontier Group is a leading private healthcare services provider based in China which operates a system of acute hospitals, an online hospital, rehabilitation and geriatric hospitals, oncology centres, ambulatory centres, outpatient clinics, a home health network, doctor groups, training centres and health insurance services across the country.

Hysan's minority stake investment in New Frontier Group provides strategic exposure for the Group in Mainland China's fast-growing healthcare sector where demand for premium healthcare services is on the rise.

Opened in May 2022, Shenzhen New Frontier United Family Hospital is a comprehensive hospital dedicated to serving affluent and middle-class families in Shenzhen and the Greater Bay Area. With a gross floor area of 65,000 sqm., the hospital provides inpatient as well as outpatient care in family medicine, internal medicine, surgery, OB-GYN, paediatrics, ophthalmology, ENT, dentistry and more.

The investment is included as part of the "other financial investments" in our consolidated statement of financial position.

Financial Review

A review of the Group's results and operations is featured in the preceding sections. This section deals with other significant financial matters.

OPERATING COSTS

The Group's operating costs are generally classified as property expenses (direct costs and front-line staff wages and benefits) and administrative expenses (indirect costs, largely comprising payroll related costs of management and head office staff).

The Group's operating costs to turnover ratio was 26.0% (2021: 21.4%), mainly due to pre-operating expenses of Lee Gardens Shanghai as well as increased marketing, leasing and epidemic related property management expenses to mitigate the COVID-19 fifth wave impact of our operations.

FINANCE COSTS

Finance costs increased to HK$423 million, as compared with HK$393 million in 2021, contributed by the interest rate hike during the year. The Group raised approximately HK$7 billion from new issuance via its medium term note programme in 2020, taking advantage of ample market liquidity and a low interest rate environment. During 2022, finance costs related to such funding exercises amounted to HK$346 million (2021: HK$394 million). The effective interest rate for the year was 2.8%, as compared with 2.9% in 2021.

Further explanation of the Group's treasury activities and policy, including debt and interest rate management, is set out in the "Treasury Policy" section.

REVALUATION OF INVESTMENT PROPERTIES

As at 31 December 2022, the Group's investment real estate portfolio was valued at HK$96,787 million, an increase of 1.8% from the HK$95,107 million recorded at the prior year-end.

The valuation was carried out by Knight Frank Petty Limited, an independent professional valuer, on the basis of market value. A fair value loss on investment properties (after considering capital expenditure spent on the Group's investment properties) of HK$3,213 million (2021: fair value loss of HK$720 million) was recognized in the Group's consolidated statement of profit or loss for the year. The loss mainly reflects heightened market risk in a challenged retail sector, coupled with an office sector weakened by continued global economic uncertainty.

The following shows the property valuation of each portfolio at year-end.

	2022 HK$ million	2021 HK$ million	Change
Office	**36,906**	34,707	+6.3%
Retail	**31,517**	31,868	-1.1%
Residential	**8,724**	8,712	+0.1%
Property under development	**19,640**	19,820	-0.9%
	96,787	95,107	+1.8%

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The Group's investments in associates are primarily represented by its interest in Grand Gateway 66, a retail, office and residential complex in Shanghai, China. The share of results of associates decreased to HK$274 million (2021: HK$458 million), mainly due to the Group's share of the revaluation gain (net of deferred tax) amounting to HK$11 million (2021: revaluation gain of HK$172 million). The properties at Grand Gateway 66 were revalued at fair value by an independent professional valuer for both years ended 31 December 2021 and 2022.

The Group's investment in joint ventures comprises interests in a Tai Po residential project, To Kwa Wan residential project and the IWG Flex business.

OTHER FINANCIAL INVESTMENTS

During the year, the Group extended its geographical and business reach through certain strategic minority stake investments. Investment in New Frontier Group was one of the key initiatives which provides strategic exposure for the Group in the fast-growing healthcare sector in Mainland China. As at 31 December 2022, other financial investments totalled HK$2,035 million (2021: HK$1,780 million).

BANK DEPOSITS

In addition to placing surplus funds as time deposits in banks with strong credit ratings, the Group also invested in investment grade debt securities.

Excluding imputed interest income recognized on an interest-free loan of HK$24 million (2021: HK$13 million) to a joint venture company for a residential site development in Tai Po, like-for-like interest income increased to HK$121 million (2021: HK$79 million) resulting from higher deposit rate on the bank deposits placed.

CASH FLOW

Cash flow of the Group during the year is summarized below. Cash includes liquid cash and bank deposits with less than 3 months' tenor.

	2022 **HK$ million**	2021 HK$ million
Cash generated from operations	**2,591**	2,845
Net investment and advance to joint ventures and other financial investments	**(2,530)**	(1,126)
Net borrowings	**5,516**	7,507
Repurchase and distribution of perpetual capital securities	**(857)**	(459)
Bank deposits	**(3,100)**	8,340
Interest and taxation	**(833)**	(861)
Dividends paid	**(1,593)**	(1,617)
Considerations for share repurchase	**(162)**	(146)
Capital expenditure	**(3,081)**	(22,334)
Net cash outflow	**(4,049)**	(7,851)

The Group's cash generated from operations was HK$2,591 million (2021: HK$2,845 million), HK$254 million lower than that in 2021, reflecting lower Recurring Underlying Profit from our core leasing business.

Net investment and advance to joint ventures and other financial investments, amounted to HK$2,530 million (2021: HK$1,126 million) in 2022 related to the investment in the To Kwa Wan residential project, an advance to the residential site development in Tai Po and investment in New Frontier Group.

Net borrowings amounted to HK$5,516 million, reflecting issuance and repayment of fixed rate notes, drawdown and repayment of bank loans and repayment to loan from non-controlling interest. In 2021, total net borrowings were HK$7,507 million.

In 2020, the Group through a wholly owned subsidiary of the Company (the "Issuer") issued US$850 million (equivalent to approximately HK$6,604 million) 4.10% subordinated perpetual capital securities, which are unconditionally and irrevocably guaranteed by the Company. Further, the Issuer issued US$500 million (equivalent to approximately HK$3,875 million) 4.85% senior perpetual capital securities, which are unconditionally and irrevocably guaranteed by the Company. The proceeds of the capital securities are for general corporate purposes and the capital securities are listed on The Stock Exchange of Hong Kong Limited. In 2022, the distribution paid to perpetual capital securities holders amounted to HK$458 million.

In 2022, the Group repurchased perpetual capital securities with principal amount of HK$425 million with cash consideration at HK$399 million.

Cash placed in bank deposits was HK$3,100 million (2021: cash from bank deposits: HK$8,340 million), which was mainly attributable to additional deposits with a longer tenor.

The Group paid dividends of HK$1,486 million (2021: HK$1,497 million), via a 2021 second interim dividend of HK117 cents per share (2021: HK117 cents) and a 2022 first interim dividend of HK27 cents per share (2021: HK27 cents).

During the year, the Group repurchased 7.3 million of its own shares as part of its capital management programme for an aggregate consideration of approximately HK$162 million.

CAPITAL EXPENDITURE AND MANAGEMENT

Total cash outlay of capital expenditure decreased to HK$3,081 million during the year (2021: HK$22,334 million), mainly contributed by the completion of acquisition of a commercial complex located at Nos. 668 and 688 Xinzha Road, Shanghai, the PRC in January 2022 at consideration of approximately RMB3,500 million (equivalent to approximately HK$4,235 million). The Group is committed to enhancing the asset value of its investment property portfolio through selective enhancement and redevelopment.

Treasury Policy

CAPITAL STRUCTURE MANAGEMENT

To ensure a healthy financial position and a suitable capital structure servicing its financing needs and sustainable growth, the Group always strives to diversify its funding sources, and to maintain an appropriate debt maturity profile relative to the overall use of funds. The Group also aims to maintain adequate liquidity, keep a low borrowing margin relative to market conditions, and adopt suitable hedging and forex management strategies.

Funding Sources

The Group's total Gross Debt[1] level as at 31 December 2022 increased to HK$27,487 million (31 December 2021: HK$18,807 million), mainly result from the bank loans drawn down for our Caroline Hill Road project financing.

As at 31 December 2022, bank loans accounted for approximately 39% of the Group's total Gross Debt with the remaining 61% from capital market financing (31 December 2021: 8% : 92%).

The following table shows the Group's sources of debt financing as at 31 December 2022 (in HK$ million):

	Available	Drawn	Undrawn
Secured term loans[2]	12,951	7,912	5,039
Unsecured term loans	2,717	2,717	–
Committed revolving loans	4,900	–	4,900
Capital market issuances	16,858	16,858	–
Total committed facilities	**37,426**	**27,487**	**9,939**
Uncommitted revolving loans	2,680	–	2,680
Total source of debts financing	**40,106**	**27,487**	**12,619**

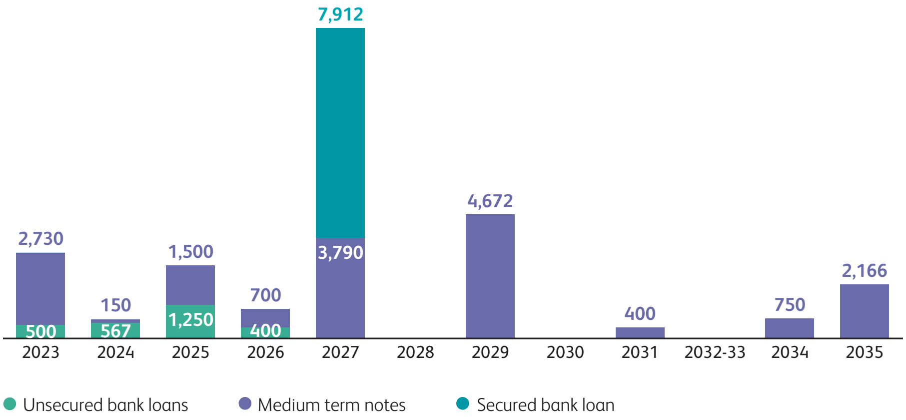
Maturity Profile

The Group maintains a well-staggered debt maturities in the coming 12 years to match with the nature of our assets and operations. As at 31 December 2022, the average maturity of debt portfolio was about 4.8 years (2021: 6.1 years) and have approximately HK$3,230 million debts maturing in 2023.

1 The Gross Debt represents the contractual principal payment obligations as at 31 December 2022. However, in accordance with the Group's accounting policies, the debt is measured at amortized costs, using the effective interest method. As disclosed in the Group's consolidated statement of financial position as at 31 December 2022, the book value of the outstanding debt of the Group was HK$27,277 million (31 December 2021: HK$18,657 million).

2 Secured term loans represent the contractual principal payment obligations of the project financing of Caroline Hill Road project.

Debt Maturity Profile of the Group at the end of 2022 (HK$ million)



Gearing ratio and net interest coverage

The Group's gearing ratio, as measured by Net Debt to Equity ratio[3], was 23.4% at year-end 2022 (31 December 2021: 11.7%). The Group's Net Interest Coverage[4] increased to 13.1 times for 2022 (2021: 9.1 times).

Credit Rating

The Group keeps an active dialogue with credit rating agencies and aims at maintaining investment-grade credit ratings. As at 31 December 2022, the Group's credit ratings[5] were maintained at A3 from Moody's and A- from Fitch, reflecting the Group's strong financial position and prudent capital management strategy.

3 Net Debt to Equity is defined as borrowings less time deposits, cash and cash equivalents divided by total equity.
4 Net Interest Coverage is defined as gross profit less administrative expenses before depreciation divided by net interest expenses.
5 On 24 February 2023, Moody's adjusted the Group's credit rating to Baa1 with stable outlook.

LIQUIDITY MANAGEMENT

As at 31 December 2022, the Group has cash and bank deposits totalling about HK$7,771 million (31 December 2021: HK$8,404 million). In order to preserve liquidity and for yields enhancement, the Group invested HK$992 million (2021: HK$1,014 million) in investment-grade debts securities.

Further liquidity, if needed, is available from the undrawn committed facilities offered by the Group's relationship banks. These facilities, amounted to HK$4,900 million at the year-end of 2022 (31 December 2021: HK$5,550 million), essentially allowing the Group to obtain additional liquidity as the need arose.

INTEREST RATE MANAGEMENT

Interest expenses represent one of the key cost drivers of the Group's business. The Group monitors its interest rate exposure closely and adopts an appropriate hedging strategy in light of market conditions. The fixed rate debt ratio (after taking into account interest rate swap) as at 31 December 2022 was 61% (31 December 2021: 75%). The effective interest rate decreased slightly to 2.8% at year-end 2022 from 2.9% at year-end 2021.

FOREIGN EXCHANGE MANAGEMENT

The Group aims to achieve minimal currency exposure and does not speculate in currency movements for asset and liability management. The Group monitors and manages its foreign currency exposure, including USD and RMB, where appropriate, by applying systematic measures to mitigate foreign currency risks.

All USD fixed rate notes were hedged by entering cross-currency swaps to effectively converted the debts into HKD. A USD bank loan has also been drawn down as a natural hedge against the Group's outstanding foreign currency balances in the investment in debts securities.

USE OF DERIVATIVES

As at 31 December 2022, outstanding derivatives were all related to the hedging of foreign exchange exposures and interest rates. Strict internal guidelines have been established to ensure derivatives are used to manage volatility or to adjust the appropriate risk profile of the Group's treasury assets and liabilities.

COUNTERPARTY CREDIT RISK

All deposits are placed with banks with strong credit ratings and counterparty risk is monitored on a regular basis.

Before entering into any hedging transaction, the Group will ensure that its counterparty possesses strong investment-grade ratings to control credit risk. As part of our risk management, a limit on maximum risk-adjusted credit exposure is assigned to each counterparty, which basically reflects the credit quality of the counterparty.

SUSTAINABLE FINANCE INITIATIVES

The Group continued to expand its sustainable finance activities in 2022. On 25 January 2022, the Group has executed a HK$12,951 million 5-year green loan facility with six leading banks for our Caroline Hill Road project financing, the largest ever green loan in Hong Kong. The facility has received a Green Finance Certificate (pre-issuance stage) from the Hong Kong Quality Assurance Agency in December 2021.

During the year, the Group has executed HK$2,500 million sustainability-linked loans with several financial institutions, with financing arrangements directly linked to Hysan's sustainability targets. Upon achieving mutually agreed sustainability performance targets, Hysan will receive an interest savings on the loan interest rate per year.

The sustainable finance transactions at year-end were approximately HK$19,300 million, representing around 49% of the Group's total debts and facilities. We aim to increase gradually of the sustainable finance portion of the Group's total debts and facilities portfolio.