Business and Financial Review

BUSINESS REVIEW

Wheelock Properties Limited
("WPL", a 100%-owned subsidiary)

WPL, previously a listed subsidiary, became wholly owned by the Group in July 2010 by way of a scheme of arrangement.

Hong Kong

In March 2010, WPL acquired the development right of two land parcels atop the MTR Austin Station through a 50:50 joint venture with New World Development. The combined site has an area of 295,000 square feet, with 641,000 square feet of GFA attributable to the Group. The master layout plan and general building plan have been submitted for approval. Piling work is underway.

One Island South, the redevelopment at 2 Heung Yip Road in Aberdeen of a high-rise commercial building, has been certified for completion subsequently. Of the total GFA of 812,800 square feet, 275,200 square feet were pre-sold in prior years, with another 417,600 square feet sold in early 2011 at an average selling price of over HK$6,300 per square foot. The retail podium of 91,000 square feet will be held for investment.

Superstructure work for the residential development at 211-215C Prince Edward Road West, Homantin is on schedule. The development envisages a total GFA of 91,700 square feet. Premium for the lease modification has been agreed and execution of the relevant document is underway.

Wheelock House
Pedder Street, Hong Kong

Foundation work for the residential development at 46 Belcher's Street, Western District is underway. The development offers a total GFA of 89,000 square feet.

90% of The Babington in the Mid-Levels, with a total GFA of 51,900 square feet, had been sold to realise proceeds of HK$616 million.

On property investment, both properties in Central continued to perform well. Wheelock House was 99% leased. Crawford House was 99% and 95% leased for the office and retail areas respectively.

Southern China

WPL has four residential projects in Foshan in Guangdong Province undertaken through 50:50 joint ventures with China Merchants.

During 2010, more units were launched for Evian Town in Xincheng District (新城區), with 93% sold by year end at an average price of RMB13,000 per square metre of GFA for total attributable proceeds of RMB585 million. Pre-sales of some townhouses in early 2011 generated attributable proceeds of RMB164 million at an average price of over RMB59,000 per square metre of GFA. Phases One and Two of the development, with an attributable GFA of 126,400 square metres, have been completed, while construction of other phases, with an attributable GFA of 103,300 square metres, is underway. The entire development is scheduled for completion in 2013.

Evian Uptown in Chancheng District (禪城區) launched five residential towers during 2010, with 99% sold by year end for total attributable proceeds of RMB225 million at an average price of RMB9,200 per square metre of GFA. Construction is underway with full completion in 2014.

During 2010, three sites were acquired for the development of two projects by the 50:50 joint ventures with China Merchants. The first project, located in the centre of Shishan Town (獅山鎮) and offering an attributable GFA of 155,000 square metres, was a site acquired in January for RMB680 million. It is planned for an upscale residential development with full completion in 2015.

The other development comprises two sites located at the western side of Nanhai (南海區) and offers a combined attributable GFA of 112,200 square metres. They were acquired by the joint venture in July for RMB1.1 billion. Construction has commenced with full completion scheduled in 2015.

Wheelock Properties (Singapore) Limited ("WPSL", a 75.8%-owned listed subsidiary)

In accordance with Hong Kong Financial Reporting Standards, WPSL's profit contribution to the Group was HK$1,569 million (2009: HK$736 million).

Wheelock Place, the prime commercial development in Orchard Road, continues to produce steady recurrent income. It was fully leased and occupied at the end of 2010.

Ardmore II, a prime residential development, was completed in June 2010. All 118 apartments had been sold at an average price of over S$2,300 per square foot.

Orchard View, a luxury residential development comprising 30 four-bedroom apartments with private lift lobbies, was completed in May 2010. Nine units were sold by 31 December 2010 at an average price of over S$3,200 per square foot.

Scotts Square is a prime residential development atop a retail complex located near Orchard Road. Over 76% of the apartments had been pre-sold at an average price of close to S$4,000 per square foot as at 31 December 2010. The retail podium will be held for long term investment and pre-leasing has commenced, with a few key tenants including Hermès, already secured and others under negotiation. Main construction is underway with scheduled completion in 2011.

Ardmore Three, a luxury project along Ardmore Park, is planned for redevelopment and sale. It will be an international-standard luxury residential development. Design has been finalised and construction will commence in 2011. A show flat will be completed on site in late 2011.

In February 2011, WPSL acquired five sites for the development of one project in Fuyang District (富陽市), 22 kilometres from the city centre of Hangzhou, China, for RMB1.4 billion. It is developable into 358,000 square metres of GFA of high-end residences with a nice mountain view. Design planning will commence.

Wheelock Place
Orchard Road, Singapore

The Wharf (Holdings) Limited ("Wharf", a 50.02%-owned listed subsidiary)

Wharf's profit attributable to shareholders for the year ended 31 December 2010 increased by 86% to HK$35,750 million. Earnings per share were HK$12.98.

Hong Kong

Harbour City

Harbour City (excluding hotels) turned over HK$4,756 million in 2010, 6% higher than 2009. Operating profit grew by 7% to HK$4,104 million. Excluding the three hotels which are stated at cost less accumulated depreciation, Harbour City was valued at HK$80 billion at the end of 2010 and represented 37% of the business assets of Wharf.

Total retail sales at Harbour City increased by 30% to reach HK$20.3 billion in 2010, with average sales per square foot in December surging to a record high of close to HK$3,000. The sales growth at Harbour City was 12 percentage points higher than general Hong Kong retail sales, increasing its market share to an exceptional 6.3%. Turnover of Harbour City's retail sector grew by 15% to HK$2,928 million in 2010. Occupancy was maintained at virtually 100%.

Office occupancy at Harbour City climbed to 94% at the end of 2010 and spot rents saw an upward trend throughout 2010. Turnover in 2010, however, registered a decrease of 7% to HK$1,553 million, reflecting the earlier market softness since the second half of 2008. Lease renewal retention held up well at 68%.

Turnover for the serviced apartments sector grew by 8% to HK$275 million. Occupancy at Gateway Apartments stood at 92% at year end.

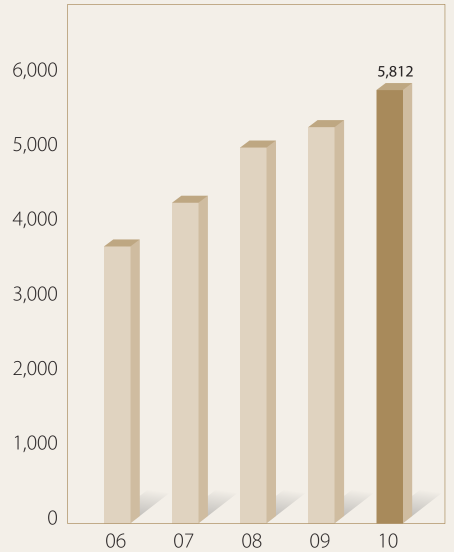
Times Square

Turnover of Times Square increased by 8% to HK$1,533 million, and operating profit grew by 8% to HK$1,345 million. Times Square was valued at HK$30 billion at the end of 2010 and represented 14% of the business assets of Wharf.

Total retail sales at Times Square grew by over 20% in 2010, outperforming the market by two percentage points. Retail revenue rose by 13% to HK$1,076 million, with occupancy maintained at virtually 100% and favourable rental growth.

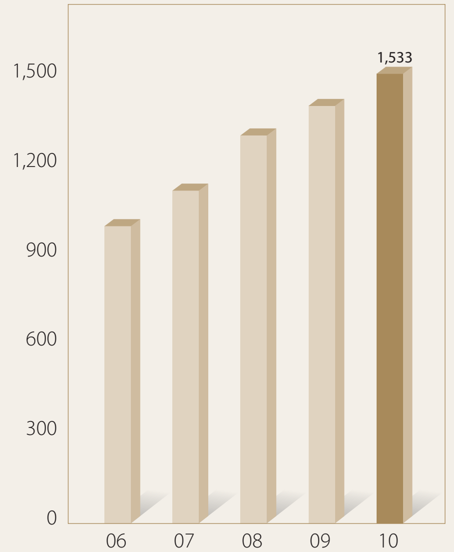
Harbour City

Revenue (HK$ Million)



Times Square

Revenue (HK$ Million)



Office occupancy at Times Square increased to 96% at year end with a continuous pick-up in spot rents. However, reflecting the earlier softness of the market, 2010 turnover dropped by 3% to HK$457 million. Lease renewal retention stood high at 74%.

Property Development

In July 2010, a 50:50 joint venture with Nan Fung group acquired the exclusive Mount Nicholson site for HK$10.4 billion. Mount Nicholson is itself a "location brand name" synonymous with the ultimate top social status and recognition, and its private half-mile road access provides the ultimate privacy. It is developable into a total GFA of 325,000 square feet of super deluxe residences. Construction will commence in 2011.

Cable TV Tower South in Tsuen Wan is being re-developed into a high-rise industrial/loft building, with a total GFA of 585,000 square feet. Superstructure works are underway.

Kowloon Godown in Kowloon Bay, with a site area of 166,000 square feet, was given approval for a residential and commercial development with a GFA of 829,000 square feet. Lease modification application is underway.

China

Wharf's strategy to increase Mainland assets to 50% of its business assets is progressing well. At the end of 2010, 34% of Wharf's business assets were in the Mainland. Including acquisitions in early 2011, its attributable land bank has increased to 12 million square metres, moving closer to the next milestone of 15 million square metres. This land bank was acquired at a combined cost of RMB61 billion, of which about RMB15 billion is not yet due for payment.

Turnover for China property development grew by 18% to HK$3,608 million in 2010. Operating profit increased by 22% to HK$1,234 million. Profits recognised during the year primarily included contributions from Chengdu Times Residences, Chengdu Crystal Park, Dalian Times No. 1 & 8, Wuxi Times City and No. 1 Xin Hua Road.

In 2010, turnover and operating profit of the China property investment segment decreased as a result of the sale of Beijing Capital Times Square in 2009 and the renovation of Chongqing Times Square during 2010. The investment properties were in aggregate valued at HK$18.1 billion at the end of 2010.

Property Development

Wharf's property sales in China continued to gain pace, with nearly 540,000 square metres of properties sold in 2010 that generated attributable sales proceeds of RMB8.8 billion, 91% higher than 2009. Five new projects were launched during 2010 and all met with solid response.

Changzhou Times Palace was launched in March 2010. In total, 98% of the 904 units offered in 2010 were sold by year end for total proceeds of RMB889 million.

Hangzhou Golf Landmark, a 50:50 joint venture development with Jindu, launched its first phase in April. 40% of the units offered in 2010 were sold for total attributable proceeds of RMB231 million.

Shanghai Xiyuan was launched in July 2010. 97% of the 264 units launched in 2010 were sold at an average selling price of RMB45,500 per square metre for total proceeds of RMB2.3 billion.

Suzhou Ambassador Villa was launched in August 2010, and 101 villas, or 91% of the units offered were sold by year end at an average selling price of over RMB41,000 per square metre of GFA for total proceeds of RMB1.5 billion. Wuxi Glory of Time was also launched in August 2010, with 70% of the units offered were sold for total proceeds of RMB248 million.

For projects previously launched, more phases were released for sales during 2010, including units at Chengdu Crystal Park, Chengdu Tian Fu Times Square and Wuxi Times City. All were met with good response.

Business and Financial Review

Acquisitions
Wharf continued to expand its land bank during 2010 with acquisition of 11 sites for the development of 10 projects, with a total attributable GFA of 1.48 million square metres for RMB14.6 billion. Total land bank increased to 10.6 million square metres by year end.

Wharf further acquired five sites in early 2011 for the development of four projects, with an attributable GFA of 1.43 million square metres for RMB10 billion. This increased the land bank to 12 million square metres, moving closer to the next milestone of 15 million square metres.

In 2010, Wharf acquired wholly-owned sites in Chenghua District (成華區) in Chengdu, Xiacheng District (下城區) in Hangzhou, a site in Wuhan on the southern side of Han River (漢江), sites in Xinbei District (新北區) in Changzhou, and two sites in Shanghai, one in Songjiang District (松江區) and another in Pudong District (浦東新區).

Wharf also acquired a site in Hebei District (河北區) in Tianjin through a 50:50 joint venture with COLI, a site in Jiangbei District (江北區) in Ningbo through a 50:50 joint venture with Youngor group of Ningbo and a site in Nanchang District (南長區) in Wuxi through a 40%-owned joint venture with Shanghai Forte and Shanghai Greenland.

In early 2011, Wharf acquired two sites in Wuzhong District (吳中區) in Suzhou, a site in Changsha, Hunan, and two sites in Hangzhou, one in Fuyang District (富陽市) and another in Yuhang District (余杭區).

Properties under Development
Wharf continues building a localised and sustainable organisation in the Mainland to manage the expanding property businesses. The Eastern China team has been fully localised and many of the successful projects launched in 2010 were handled by this team. Localisation of the Western China team continues. Wharf's strategy is to run its entire China property business locally in the Mainland in the medium term.

All projects under development are progressing according to plan.

Property Investment
Shanghai Wheelock Square, the tallest office building in Puxi overlooking Jing'an Park with a GFA of 114,000 square metres, was completed in May 2010. Over 60% of the space has been committed, and rental rates have increased strongly with the latest commitments at over RMB340 per square metre per month.

Unit retail sales at Dalian Times Square grew by 41% in 2010, with full occupancy at year end. Chongqing Times Square started to undergo substantial premises improvement work in July 2010 and will re-open in May 2011. This will transform the previous department store into a modern shopping mall in a bid to stay ahead of competition. Shanghai Times Square continued to perform satisfactorily.

Wharf has a pipeline of International Finance Centre (IFC) projects under development in the cities of Chengdu, Chongqing, Wuxi, Suzhou and Changsha, with a combined attributable GFA of two million square metres, to be rolled out between 2013 and 2016. This will multiply Wharf's recurrent income base in China.

Wheelock Square
Nanjing Xi Road, Shanghai, China

Business and Financial Review

Chengdu IFC, with a GFA of 439,000 square metres, comprises retail, Grade A offices, a five-star hotel and luxury residences. Construction of Phase One, which includes a retail complex and an office tower, is underway with scheduled completion in 2013.

Chongqing IFC, a 50:50 joint venture development with China Overseas Land & Investment ("COLI"), offers an attributable GFA of 223,000 square metres. The development will have an iconic tower of 300 metres in height and four other towers atop a retail podium, comprising up-market retail, Grade A offices, a five-star hotel and serviced apartments. Construction is underway with full completion scheduled in 2015.

Wuxi IFC, with a GFA of 280,000 square metres, will comprise a tower of 340 metres in height, the tallest in Wuxi, and two other towers, offering Grade A offices, a five-star hotel and luxurious residences. Construction is underway with scheduled completion in 2015.

Suzhou IFC, a joint venture 80%-owned by Wharf, is a 450-metre high skyscraper landmark development with an attributable GFA of 351,000 square metres. It comprises Grade A offices, a five-star hotel and luxury apartments, and will be the tallest building in Suzhou. The development is scheduled for completion in 2016.

In January 2011, Wharf acquired a prime site in Changsha for the development of Changsha IFC. The development will have two towers in excess of 300 metres tall and another tower atop a 250,000 square metres retail podium, offering upscale retail, Grade A offices, a five-star hotel and luxury apartments, with a combined GFA of 700,000 square metres. The development is scheduled for completion in 2016.

Marco Polo Hotels

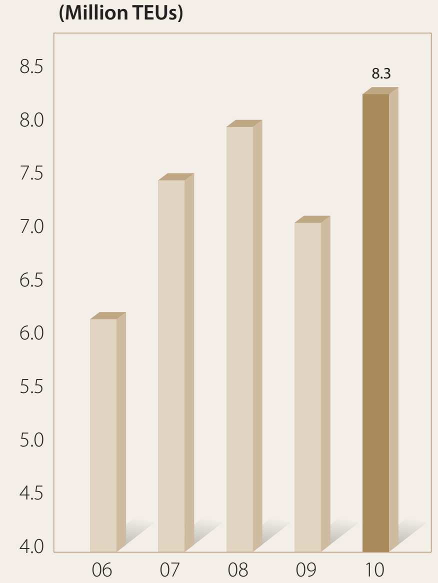
Wharf owns or manages 10 Marco Polo hotels in the Asia Pacific region. Total revenue for the hotels and club grew by 20% to HK$1,156 million in 2010. Consolidated occupancy of the three Marco Polo hotels in Hong Kong improved to 85%, with a 26% increase in average room rates. Marco Polo Hotels was awarded the "Best International Hotel Management Group of China" by China Hotel Starlight Awards in March 2011.

Other Businesses

Modern Terminals (a 68%-owned subsidiary of Wharf)

Modern Terminals' consolidated revenue and operating profit increased by 15% to HK$3,252 million and 31% to HK$1,712 million respectively.

Modern Terminals: Throughput (attributable total)



Modern Terminals' throughput in Hong Kong grew by 6% to 5.4 million TEUs. Container volume at Taicang International Gateway in Suzhou posted a robust growth of 44% to over 1.3 million TEUs. Da Chan Terminal One in Shenzhen put up a strong performance with a throughput growth of 189% to reach 671,000 TEUs.

i-CABLE

Turnover increased by 14% to HK$2,002 million. However, net loss rose to HK$267 million as a result of substantial non-recurrent content expenses incurred during 2010. Net cash at year end amounted to HK$447 million. The exclusive content offerings, including Barclays Premier League, 2010 FIFA World Cup, 2010 Winter Olympics, together with the High Definition initiatives, attracted a 10% growth in pay TV subscribers to a record-breaking 1,100,000 at the end of 2010.

Wharf T&T

Year 2010 was a busy but exciting year for Wharf T&T, as the first key milestone for Wharf T&T's +EN was achieved. The Company aims to bring 'Fibre-To-The-Desk' (FTTD) to 95% of the business customers in the territory by 2013. Total revenue rose by 2% to HK$1,680 million and a net profit of HK$201 million was reported, together with stable net cash inflow.

FINANCIAL REVIEW

(I) Review of 2010 Results

Group profit attributable to Shareholders increased by 93% over 2009 to an unprecedented level of HK$20,194 million, resulting from sustained rental revenue growth, higher property sales recognised in the Mainland and Singapore and a substantial surplus on revaluation of the investment property portfolio. Group profit excluding the revaluation surplus also set a new record of HK$4,974 million, for an increase of 13% over 2009.

Turnover and Operating Profit

Group turnover increased by 28% to a record of HK$24,186 million (2009: HK$18,957 million) as higher property sales were recognised on completion of development properties in the Mainland and Singapore. All other segments also reported increase in revenue.

Group operating profit increased by 20% to a record of HK$11,384 million (2009: HK$9,507 million), with HK$9,372 million (2009: HK$8,554 million) contributed by Wharf and HK$1,477 million (2009: HK$204 million) by WPSL.

Property Investment

Revenue and operating profit both increased by 5% to HK$9,206 million (2009: HK$8,744 million) and HK$6,970 million (2009: HK$6,627 million) respectively. This reflects the underlying solid rental reversion and high occupancy for the retail areas. Hotels also recorded favourable results with both occupancy and average room rate much improved from a depressed 2009.

Property Development

Revenue and operating profit increased by 103% and 88% to HK$7,676 million (2009: HK$3,782 million) and HK$2,740 million (2009: HK$1,454 million) respectively. In Singapore, the Ardmore II and Orchard View projects were completed to enable revenue of HK$3,629 million and operating profit of HK$1,279 million to be recognised. Revenue and operating profit from the Mainland increased by 18% and 22% to HK$3,608 million and HK$1,234 million respectively, with major completions including Chengdu Times Residences at Tian Fu Times Square, No. 1 Xin Hua Road in Shanghai, Wuxi Times City, Chengdu Crystal Park and Dalian Times No. 1 & 8.

Logistics

Revenue and operating profit increased by 11% and 26% to HK$3,426 million (2009: HK$3,091 million) and HK$1,792 million (2009: HK$1,418 million) respectively. This mainly reflected a 21% increase in consolidated volume throughput handled by Modern Terminals due partly to the global market recovery and partly to the building up of its developing port business in the Mainland.

Communications, Media and Entertainment ("CME")

Revenue increased by 8% to HK$3,682 million (2009: HK$3,404 million) but an operating loss of HK$62 million (2009: profit of HK$163 million) was reported. Wharf T&T's operating profit decreased by 6% to HK$201 million while i-CABLE's loss widened due to the substantial cost of mega sports events in 2010 including 2010 FIFA World Cup, 2010 Winter Olympics and 2010 Asian Games, as well as Barclays Premier League.

Investment and Others

Investment and other operating profit increased to HK$362 million (2009: HK$231 million), mainly due to an increase in dividend and interest income.

Increase in Fair Value of Investment Properties

The book value of the Group's investment property portfolio as at 31 December 2010 totaled HK$162.0 billion, with HK$156.0 billion thereof stated at fair value based on independent valuation as at that date. That resulted in a revaluation surplus of HK$30,839 million (2009: HK$13,072 million), reflecting the strong performance and improving quality of the portfolio against the back drop of a low interest rate and stronger economic environment. The attributable net revaluation surplus of HK$15,220 million (2009: HK$6,051 million), after deducting related deferred tax and non-controlling interests in total of HK$15,619 million (2009: HK$7,021 million), was credited to the consolidated income statement.

Investment properties in the amount of HK$6.0 billion which were not revalued were all under development and not carried at fair value until at the earlier of when their fair values first become reliably measurable and the dates of their respective completion.

Other Net Income

Other net income for the year amounted to HK$805 million (2009: HK$154 million), including a one-off surplus of HK$437 million from revaluation of the interests in Hong Kong Air Cargo Terminals Limited ("Hactl") on its becoming an associate of Wharf. Others mainly included profit on disposal of available-for-sale investments and write back of certain property provisions.

Finance Costs

Finance costs charged to the consolidated income statement were HK$1,089 million (2009: HK$395 million). That included an unrealised mark-to-market loss of HK$447 million (2009: unrealised gain of HK$45 million) on the cross currency/interest rate swaps as measured in compliance with the prevailing accounting standard.

Excluding the unrealised mark-to-market impact on the swaps, finance costs, after capitalisation of HK$299 million (2009: HK$233 million), were HK$642 million (2009: HK$440 million).

Share of Results after Tax of Associates and Jointly Controlled Entities

Share of profits of associates increased by 65% to HK$387 million (2009: HK$235 million), mainly attributable to the contribution from Hactl which became an associate during the year under review and profit recognised by an associate for property units sold in Foshan. Contribution from jointly controlled entities ("JCEs") was HK$9 million (2009: HK$75 million).

Income Tax

Taxation charge was HK$2,630 million (2009: HK$2,307 million), which included deferred taxation of HK$1,158 million (2009: HK$683 million) provided for the revaluation surplus of investment properties located in the Mainland.

Excluding the above deferred tax, the tax charge was HK$1,472 million (2009: HK$1,624 million), which was after a tax write back of HK$809 million by Wharf upon reaching a settlement with the Inland Revenue Department on various former tax disagreements.

Non-controlling Interests
Profit attributable to non-controlling interests was HK$19,511 million (2009: HK$11,072 million), which was mainly attributable to profit of Wharf and WPSL.

Profit Attributable to Equity Shareholders
Group profit attributable to equity shareholders increased by 93% to HK$20,194 million (2009: HK$10,459 million). Earnings per share were HK$9.94 (2009: HK$5.15).

Excluding the net investment property revaluation surplus after the associated deferred tax of HK$15,220 million (2009: HK$6,051 million), the Group's profit attributable to shareholders for the year was HK$4,974 million (2009: HK$4,408 million), an increase of 13% over 2009.

Set out below is an analysis of the Group's profit before investment property surplus attributable to the equity shareholders as contributed by each of Wharf, WPSL and the Company together with its other subsidiaries.

Profit attributable to	2010 HK$ Million	2009 HK$ Million (restated)
Wharf group	3,878	3,769
WPSL group	737	29
Wheelock and other subsidiaries	359	610
Profit before investment property surplus	4,974	4,408
Investment property surplus (after deferred tax)	15,220	6,051
Profit attributable to equity shareholders	20,194	10,459

Wharf's profit for the year ended 31 December 2010 was HK$35,750 million (2009: HK$19,256 million). Excluding the net investment property surplus and related deferred tax, Wharf's net profit was HK$7,905 million (2009: HK$7,817 million), an increase of 1% over 2009.

WPSL's reported profit for the year ended 31 December 2010 was S$316.2 million (2009: S$262.3 million), based on the accounting standards accepted in Singapore. In accordance with Hong Kong Financial Reporting Standards, WPSL's contributed profit to the Group was HK$1,569 million (2009: HK$736 million), including the profits on pre-sales of Ardmore II and Orchard View recognised on their completion during the year under review.

Early Adoption of the Amendments to HKAS 12, Income Taxes
The Group has early adopted the amendments to HKAS 12, Income taxes, as detailed in note 34 to the financial statements. As a result of this change in accounting policy, deferred tax of HK$4,777 million on revaluation gain was not required in the current year's results. Apart from this, the relevant accumulated deferred tax in the amount of HK$14,402 million, including HK$1,782 million provided for in 2009, was written back as prior year adjustments with certain comparatives restated. Shareholders' equity as at 31 December 2009 has also been adjusted and restated with an increase of HK$7,207 million or HK$3.55 per share.

(II) Liquidity, Financial Resources and Capital Commitments

Shareholders' and Total Equity
The Group's shareholders' equity increased by HK$23.5 billion or 31% to HK$100.4 billion (2009: HK$76.9 billion), or HK$49.40 per share (2009: HK$37.85 per share) as at 31 December 2010.

Including the non-controlling interests, the Group's total equity increased by 22% to HK$193.1 billion (2009: HK$158.6 billion).

Total Assets
The Group's total assets increased by 27% to HK$285.1 billion (2009: HK$224.8 billion). Total business assets, excluding bank deposits and cash, held-to-maturity investments, available-for-sale investments, deferred tax assets and other derivative financial assets, increased by 29% to HK$245.0 billion (2009: HK$189.8 billion).

The Group's Investment Property portfolio was HK$162.0 billion, representing 66% of total business assets, which included Harbour City (excluding the three hotels) and Times Square in Hong Kong. Together, they valued at HK$110.1 billion, representing 68% of the value of the portfolio.

Other major business assets included other properties and fixed assets of HK$18.4 billion, interest in JCEs and associates (mainly for the Mainland property development and port projects) of HK$23.1 billion and properties under development and held for sale of HK$37.2 billion.

Geographically, the Group's business assets in the Mainland, mainly properties and terminals, increased to HK$76.6 billion (2009: HK$55.0 billion), representing 31% of the Group's total business assets.

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Debts and Gearing

The Group's net debt increased by HK$19.2 billion to HK$38.1 billion (2009: HK$18.9 billion) as at 31 December 2010, which was made up of HK$65.7 billion in debts and HK$27.6 billion in bank deposits and cash. Excluding Wharf's net debt of HK$32.7 billion, which is non-recourse to the Company and its other subsidiaries, and WPSL's net cash of HK$4.6 billion, Wheelock's net debt was HK$10.0 billion (2009: HK$0.3 billion). Analysis of the net debt by group is as below:

Net debt/(cash)	2010 HK$ Million	2009 HK$ Million
Wharf (excludes below subsidiaries)	23,376	9,392
Modern Terminals	9,932	10,742
Harbour Centre Development Ltd.	(172)	1,829
i-CABLE	(447)	(531)
Wharf group	32,689	21,432
WPSL group	(4,571)	(2,902)
Wheelock and other subsidiaries	10,024	348
Group	38,142	18,878

The ratio of net debt to total equity was 19.8% (2009: 11.9%) as at 31 December 2010.

In March 2011, Wharf completed a rights issue and received net proceeds of HK$10.0 billion, of which HK$5.0 billion was paid by Wheelock for its subscription.

Finance and Availability of Facilities

The Group's available loan facilities and debt securities amounting to HK$87.0 billion (2009: HK$67.7 billion), of which HK$65.7 billion were drawn, as at 31 December 2010 are analysed as below:

	Available Facility HK$ Billion	Total Debts HK$ Billion	Undrawn Facility HK$ Billion
Wharf (excludes below subsidiaries)	48.3	36.1	12.2
Modern Terminals	14.9	10.1	4.8
Harbour Centre Development Ltd.	4.1	3.4	0.7
i-CABLE	0.3	–	0.3
Wharf group	67.6	49.6	18.0
WPSL group	1.3	0.6	0.7
Wheelock and other subsidiaries	18.1	15.5	2.6
Group	87.0	65.7	21.3

Of the above debts, HK$24.3 billion (2009: HK$15.8 billion) was secured by mortgage over certain properties under development, fixed assets and investments with total carrying value of HK$80.7 billion (2009: HK$72.6 billion).

The Group's debts were primarily denominated in Hong Kong dollars ("HKD"), United States dollars ("USD"), Renminbi ("RMB") and Singapore dollars ('SGD"). RMB and SGD borrowings were used to fund the Group's property development and port investments in the Mainland, and the properties in Singapore respectively.

The use of derivative financial instruments was strictly monitored and controlled. The majority of the derivative financial instruments entered into by the Group were primarily used for management of the Group's interest rate and currency exposures.

The Group maintained a strong financial position with ample surplus cash denominated principally in HKD, RMB and SGD and undrawn committed facilities to facilitate the Group's business and investment activities. The Group also maintained a portfolio of available-for-sale investments, primarily in blue-chip securities, with an aggregate market value as at 31 December 2010 of HK$10.7 billion (2009: HK$4.9 billion), which is immediately available for liquidation for the Group's use.

Cash Flows for the Group's Operating and Investing Activities

For the year under review, the Group's operating cash inflow before changes in working capital increased to HK$12.3 billion (2009: HK$10.5 billion). The changes in working capital resulted in net cash outflow of HK$7.1 billion (2009: HK$1.1 billion), primarily due to Wharf's payment for land and construction cost for trading properties under development in the Mainland. For investing activities, the Group reported a net cash outflow of HK$16.6 billion (2009: HK$6.0 billion), comprising HK$6.9 billion used for privatisation of WPL, HK$8.9 billion for investments in JCEs and associates and HK$5.0 billion for purchase of financial investments but offset by balance of proceeds from disposal of Beijing Capital Times Square received in 2010.

Major Expenditure and Commitments

The major expenditure, substantially incurred by Wharf's core businesses, during the year under review and related commitments as at 31 December 2010 are analysed as follows:

Business Unit/Company	Expenditure for 2010 HK$ Million	Commitments as at 31 December 2010 Authorised and Contracted for HK$ Million	Authorised but not Contracted for HK$ Million
a. Capital expenditure			
Wharf group	3,693	6,790	16,981
Property Investments	2,830	6,071	15,352
Wharf T&T	352	237	173
i-CABLE (73.8%-owned)	251	8	112
Modern Terminals (67.6%-owned)	260	474	1,344
WPSL group	212	51	–
Wheelock and other subsidiaries	53	2	–
Total	3,958	6,843	16,981
b. Programming and others	93	1,761	142
c. Trading properties under development			
Wharf group	21,130	15,571	54,062
Subsidiaries (Mainland/Hong Kong)	13,394	10,980	37,060
JCEs and associates (Mainland/Hong Kong)	7,736	4,591	17,002
WPSL group			
Subsidiaries (Singapore)	1,269	221	–
Wheelock and other subsidiaries	2,657	1,105	4,819
Subsidiaries (Hong Kong)	784	333	1,042
JCEs and associates (Mainland/Hong Kong)	1,873	772	3,777
Total	25,056	16,897	58,881

The capital expenditure incurred for Wharf's Property Investment segment was mainly for the construction of its Shanghai Wheelock Square and Chengdu International Finance Centre. For i-CABLE and Wharf T&T, the capital expenditures were incurred substantially for procurement of production and broadcasting equipment, network rollout and internet service equipment while those for Modern Terminals were mainly for construction of the Dachan Bay project in the Mainland.

In addition to the capital expenditure, the Group also incurred HK$25.1 billion of expenditures for the development of properties, of which HK$21.1 billion was incurred by Wharf.

As at 31 December 2010, Wharf's total commitments for the development of properties for investment or trading purposes was about HK$91.1 billion, including attributable land cost of HK$15.2 billion payable by installment mainly from 2011 to 2013. These developments will be executed in stages in the forthcoming years. Excluding Wharf's, the Group's commitments to properties under development was about HK$6.2 billion, mainly related to property development projects in Singapore, Hong Kong and the Mainland.

The above commitments will be funded by the respective groups' own internal financial resources including surplus cash, cash flow from operation as well as bank and other financings. Other available resources include available-for-sale investments and proceeds from sales and pre-sales of properties.

Subsequent to year end 2010, Wharf acquired another five sites for development of four projects in Changsha, Suzhou and Hangzhou in the Mainland for a total attributable land cost of HK$12.2 billion. WPSL also acquired five sites for development of one project in Hangzhou for a total attributable land cost of HK$1.7 billion.

(III) Privatisation of WPL

The privatisation of WPL, at a cancellation price of HK$13 per share by way of a scheme of arrangement under Section 166 of the Companies Ordinance, became effective on 22 July 2010 and the total consideration of HK$6,905 million was paid. Gain arising from the privatisation of HK$1,088 million was recognised in equity in accordance with prevailing accounting standards.

(IV) Human Resources

The Group had approximately 13,800 employees as at 31 December 2010, including about 2,200 employed by managed operations. Employees are remunerated according to their job responsibilities and the market pay trend with a discretionary annual performance bonus as variable pay for rewarding individual performance and contributions to the respective group's achievement and results.