Business and Financial Review

BUSINESS REVIEW

Wheelock Properties Limited ("WPL", 100% owned)

One Island South in Aberdeen was completed in June. It is located opposite to a South Island Line MTR station which is expected to be opened in 2015. The office floors, with a total GFA of 722,300 square feet, were completely sold for proceeds of HK$3.3 billion and a net profit of HK$1.7 billion. The retail podium of 90,500 square feet is held for investment and being leased.

The Austin MTR Station project in Kowloon West, a prime residential development by a 50:50 joint venture with New World Development, has an attributable GFA of 641,000 square feet. It is located on top of an MTR station and next to the future terminus for the High Speed Rail to the Mainland (target opening in 2015). It also guards the main entrance to the West Kowloon Cultural District under development. Master layout plan and general building plan have been approved. Foundation work is underway.

Superstructure work is underway for the residential development Kadoorie Hill (211-215C Prince Edward Road West) in Homantin, with a GFA of 91,700 square feet. The premium for lease modification was paid in March. The project is targeted for pre-sales in mid-2012 subject to the pre-sale consent application process.

Construction for the residential development Lexington Hill (46 Belcher's Street) in Western District, with a GFA of 102,900 square feet, is underway. Pre-sales were launched in February 2012, with 101 out of 104 units promptly sold at an average price of HK$11,700 per square foot for total proceeds of HK$1.1 billion.

In July, WPL acquired a 76,200-square-foot commercial site at the junction of Wai Yip Street, Shun Yip Street and Hoi Bun Road along the Kwun Tong waterfront for HK$3.5 billion. The development, with a GFA of 914,900 square feet, will comprise two Grade A office buildings overlooking Victoria Harbour and the future Kai Tak Cruise Terminal, with easy access to the Ngau Tau Kok MTR station. General building plan has been submitted for approval.

In August, WPL acquired a 147,500-square-foot commercial site at the junction of Hung Luen Road and Kin Wan Street within the core commercial hub of Hung Hom for HK$4.0 billion. The development, with a GFA of 590,000 square feet, will comprise two Grade A office buildings and two low-rise retail buildings overlooking Victoria Harbour and is in close proximity to MTR East and West Rails, through-train services to Guangzhou, the future Shatin-to-Central cross-harbour MTR service (target opening in 2020) and the future MTR Whampoa Station, part of the Kwun Tong Line Extension (target opening in 2015). Master layout plan has been submitted for approval.

In January 2012, WPL won a tender for an 88,800-square-foot residential site in Tseung Kwan O for HK$1.9 billion. The development, with a GFA of 488,200 square feet, is near the Tseung Kwan O MTR station to provide convenient connectivity. Design planning will commence.

In June, WPL sold its 50% stakes in the joint ventures of four residential projects in Foshan, Guangdong to Wharf for HK$3.4 billion based on a property valuation of HK$5.1 billion.

One Island South
Heung Yip Road, Hong Kong

Wheelock Properties (Singapore) Limited ("WPSL", 75.8% owned)

In accordance with Hong Kong Financial Reporting Standards, WPSL's profit contribution to the Group for 2011 was HK$3,855 million (2010: HK$1,569 million).

Scotts Square, a prime residential development atop a retail complex located in the heart of the Orchard Road shopping belt, was completed in August. 84% of the apartments have been sold at an average price of S$4,000 per square foot to generate an attributable net profit of HK$2.3 billion for the Group. The retail podium was 92% leased at year end with internationally celebrated brands including Anne Fontaine, Hermès, Michael Kors, On Pedder and Sincere Fine Watches.

Wheelock Place, a prime commercial development on Orchard Road, continued to generate steady recurrent income with an average occupancy of 97% throughout 2011. Lease renewal retention held up well at over 75%. Marks & Spencer will open its flagship store at Wheelock Place in the second quarter of 2012.

Orchard View, a luxury residential development comprising 30 four-bedroom apartments with private lift lobbies, was completed in 2010. 43% of the units were sold by year end at an average price of over S$3,200 per square foot.

Construction for Ardmore Three, a 36-storey luxury development along Ardmore Park, is underway with full completion scheduled for 2014. A show flat was completed in preparation for a sales launch in 2012.

In February 2011, WPSL acquired five sites for a high-end residential development in Fuyang District, 22 kilometres from the city centre of Hangzhou, China. The project is developable into 358,000 square metres of GFA of high-end residences. Design planning is underway and construction will commence in 2012.

The Wharf (Holdings) Limited ("Wharf", 50.39% owned)

Excluding investment property revaluation surplus and exceptional items, Wharf's profit attributable to its shareholders for the year of 2011 increased by 14% to HK$8,083 million. Core earnings per share were HK$2.70 (2010: HK$2.51).

Exceptional items declined by HK$2,173 million due to one-off profit items in 2010 and a larger mark-to-market charge of HK$1,356 million in 2011, primarily against long term interest rate swaps.

Including investment property revaluation surplus and exceptional items, Wharf's profit attributable to shareholders amounted to HK$30,568 million (2010: HK$35,750 million). Basic earnings per share were HK$10.22 (2010: HK$12.64 as restated).

Harbour City

Turnover (excluding hotels) increased by 15% to HK$5,485 million and operating profit by 15% to HK$4,734 million. Excluding the three hotels, Harbour City was valued at HK$93.6 billion at the end of 2011, which represented 34% of the business assets of Wharf.

Harbour City achieved a record year with retail sales growing by 34% to HK$27.1 billion. This was nine percentage points higher than the overall retail sales growth in Hong Kong, and increased Harbour City's market share to 6.7% of total Hong Kong retail sales. Average sales per square foot in December set a record at over HK$3,600. Turnover from Harbour City's retail sector increased by 22% to HK$3,571 million in 2011. Occupancy was maintained at virtually 100%.

Office occupancy at Harbour City climbed to 96% at year end. Turnover increased by 4% to HK$1,614 million. Lease retention held up solidly at 69%. Turnover from the serviced apartments increased by 9% to HK$300 million and occupancy stood at 89% at year end.

Wheelock Place
Orchard Road, Singapore

Times Square

Turnover increased by 13% to HK$1,732 million and operating profit by 13% to HK$1,522 million. Times Square was valued at HK$37.0 billion at the end of 2011 and represented 13% of the business assets of Wharf.

Times Square remains the most successful vertical shopping mall in Hong Kong. Retail sales grew by over 24% during 2011. Retail revenue increased by 17% to HK$1,258 million with occupancy maintained at virtually 100%. To further enhance the retail offering, the cinema at Times Square will be relocated to higher floors, while the vacated space on the ground and lower floors will be refurbished to house new retail brands.

Turnover from the office sector grew by 4% to HK$474 million, with occupancy increasing to close to 99% by year end.

The Peak Portfolio and Other Hong Kong Properties

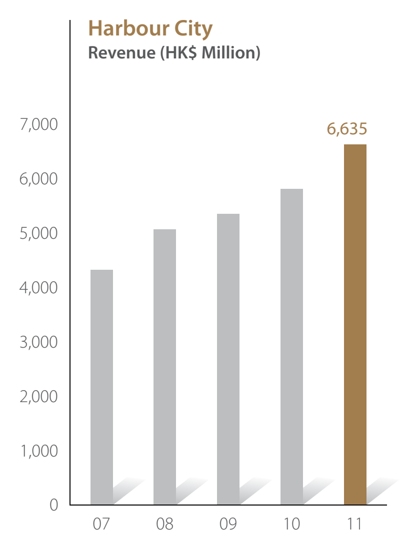
Redevelopment of 77 Peak Road, 1 Plantation Road and Mountain Court is scheduled to commence in the second half of 2012.

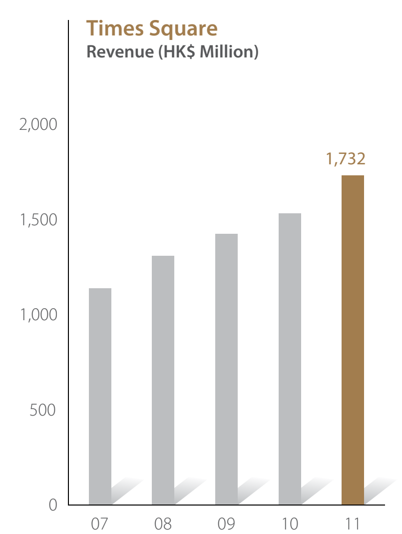
Plaza Hollywood posted a 8% growth in revenue to HK$380 million in 2011. Average occupancy stood at over 99%.

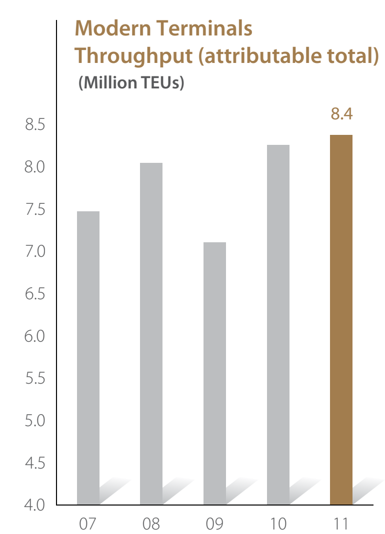
By mid–March 2012, close to 80% of One Midtown in Tsuen Wan have been pre-sold at an average price of HK$3,700 for proceeds of HK$1.9 billion. The development will be completed in the second half of 2012.

In early March 2012, Wharf entered into an agreement for the sale of Delta House, a 349,000-square-foot commercial development in Shatin, at a consideration of HK$1.3 billion. The sale is expected to be completed in May 2012.

Master layout plan and general building plan for the exclusive Mount Nicholson residential development have been approved. Lease modification for the redevelopment of Kowloon Godown is underway. The redevelopment of Wharf T&T Square into a high-rise Grade A commercial building has been approved.







China Properties

Property Development

Property completion accelerated in 2011 with 546,000 square metres completed and recognised. Completion from subsidiary projects generated a turnover of HK$6,343 million, 76% higher than 2010. Operating profit grew by 84% to HK$2,274 million. Profit recognised during the year included significant contributions from Tian Fu Times Square and Crystal Park in Chengdu, Suzhou Ambassador Villa and Changzhou Times Palace.

Sales

Nine new projects were launched for pre-sales during 2011. Together with projects previously launched, Wharf has 23 projects on sale across 11 cities in China.

A total of 854,000 square metres of properties were sold during the year to generate attributable sales proceeds of RMB12.7 billion, 44% higher than 2010. The net order book (net of business tax) increased to RMB13.5 billion for 903,000 square metres at the end of 2011.

In Eastern China, total attributable proceeds of RMB1.5 billion were generated from projects newly launched in 2011. The largest contributor was Suzhou Times City, with RMB1.1 billion. Others included Wuxi Xiyuan, launched in July, and Kingsville in Suzhou launched in September.

In Western China, total attributable proceeds of RMB1.2 billion were generated from projects newly launched in 2011. The largest contributor was The U World in Chongqing, with RMB977 million. Others included The Throne in Chongqing, The Orion and Le Palais in Chengdu.

In Tianjin, total attributable proceeds of RMB1.4 billion were generated, principally from Peaceland Cove and The Magnificent.

For projects previously launched, more units were released for sales during 2011 and met with good demand including Tian Fu Times Square in Chengdu and Xiyuan in Shanghai which generated sales proceeds of RMB1.4 billion and RMB1.3 billion respectively.

Acquisitions and Development Progress

In 2011, Wharf acquired 11 sites in the cities of Changsha, Foshan, Guangzhou, Hangzhou and Suzhou for development of nine projects with an attributable GFA of 2.1 million square metres for RMB13.5 billion.

The China land bank stood at 12.2 million square metres at year end, spanning across 14 cities.

Since the beginning of 2012, a residential project in Beijing with an attributable GFA of 91,000 square metres was added through a 50:50 joint venture with China Merchants Property at an attributable cost of RMB1.2 billion.

All projects under development are progressing in accordance with plan.

Property Investment

Wharf continues to develop its investment property portfolio in China for long-term recurrent incomes. Turnover of the China property investment segment increased by 69% to HK$796 million. Operating profit grew by 121% to HK$493 million. The completed investment properties were valued at HK$14.5 billion at the end of 2011.

Over 80% of the office space at Shanghai Wheelock Square was committed by year end. Average spot rent achieved in 2011 was close to RMB360 per square metre, with the highest headline rent at RMB480 per square metre, among the highest office rental rates in Shanghai. Chongqing Times

Square completed its refurbishment and re-opened in July. The renewed shopping mall has attracted Louis Vuitton to open its debut and only flagship store in Chongqing, together with other international celebrated brands. At the end of 2011, 93% of the retail space has been committed.

Dalian Times Square posted a 28% growth in retail sales in 2011. The retail podium of Shanghai Times Square will undergo substantial refurbishment scheduled to commence in mid-2012.

Wharf is developing a series of International Finance Centres in the cities of Changsha, Chengdu, Chongqing, Suzhou and Wuxi. Upon their completions between 2013 and 2016, the recurrent rental incomes in China will multiply.

Retail pre-leasing at Chengdu IFC has progressed exceptionally well, with over 30% of the areas already committed, and another 30% under final negotiation. Rental rates contracted were above budget. The retail mall and one office tower are scheduled for completion in the second half of 2013.

Marco Polo Hotels

Marco Polo operates 13 owned or managed hotels in the Asia Pacific region. The Panwa Beach Resort in Phuket, Thailand was added in 2011 and Marco Polo Lingnan Tiandi in Foshan and Marco Polo Suzhou in early 2012. A confirmed pipeline of nine new hotels are being rolled out in the Mainland and the Philippines by 2016 and others will be added to significantly expand Marco Polo's network.

Revenue from the Marco Polo hotels and club grew by 10% to HK$1,277 million in 2011. Operating profit increased by 13% to HK$374 million.

All Marco Polo hotels performed strongly during 2011, with each hotel achieving top tier Revpar (revenue per available room) position in their respective competitive sets. Consolidated occupancy of the three Marco Polo hotels in Hong Kong reached 85%, with a 20% increase in average room rates. The room renovation at the Marco Polo Hongkong Hotel was completed during the year, while Prince and Gateway hotels will complete their renovations in 2012 and 2013 respectively.

Modern Terminals

(a 68%-owned subsidiary of Wharf)

Modern Terminals' consolidated revenue increased by 5% to HK$3,416 million, but operating profit dropped by 10% to HK$1,546 million due to one-off gains in 2010 and higher operating costs. Throughput in Hong Kong dropped marginally to 5.3 million TEUs. In the Mainland, throughput at Taicang International Gateway in Suzhou grew by 12% to 1.5 million TEUs, while Da Chan Bay Terminal One in Shenzhen increased by 5% to 707,000 TEUs.

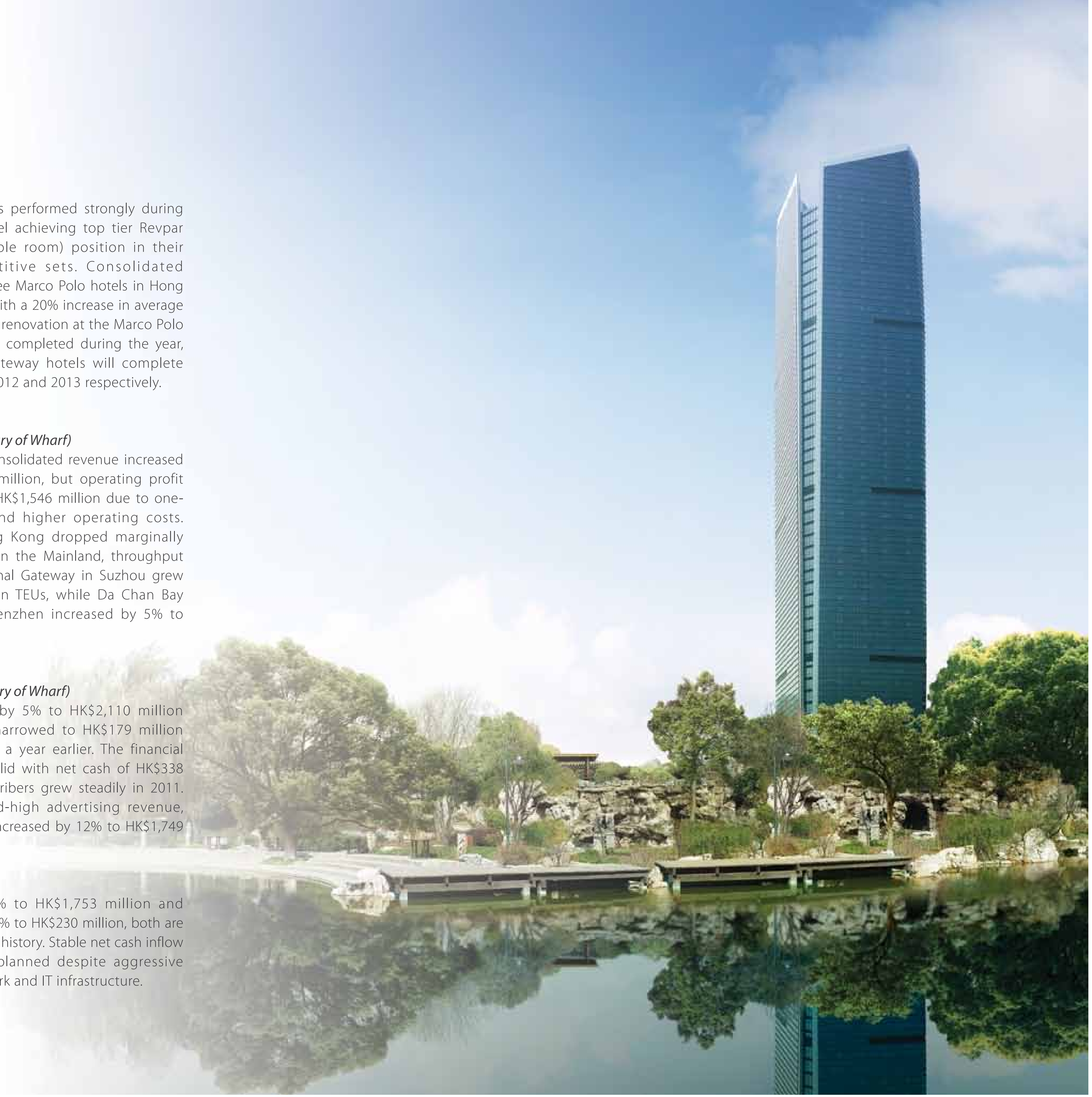
i-CABLE

(a 74%-owned subsidiary of Wharf)

Turnover increased by 5% to HK$2,110 million while the net loss narrowed to HK$179 million from HK$267 million a year earlier. The financial position remained solid with net cash of HK$338 million. Pay TV subscribers grew steadily in 2011. Coupled with record-high advertising revenue, turnover for Pay TV increased by 12% to HK$1,749 million.

Wharf T&T

Revenue rose by 4% to HK$1,753 million and operating profit by 14% to HK$230 million, both are records in Wharf T&T's history. Stable net cash inflow was maintained as planned despite aggressive investments in network and IT infrastructure.



Wheelock Square
Nanjing Xi Road, Shanghai, China

FINANCIAL REVIEW

(I) Review of 2011 Results

The Group delivered robust financial results with record high turnover, operating profit and net profit achieved in 2011. The respectable results were not only driven by the continuous strong rental revenue but also benefited from the successful property sales realised in Hong Kong, Singapore and the Mainland by the Group's major subsidiaries, WPL, WPSL and Wharf, respectively.

Group profit attributable to Shareholders increased by 13% to another record high of HK$22,866 million (2010: HK$20,194 million). Excluding the net investment property revaluation surplus and exceptional items, core profit was HK$9,038 million (2010: HK$4,582 million), representing an increase of 97% over 2010.

Turnover and Operating Profit

Group turnover increased by 43% to a record of HK$34,558 million (2010: HK$24,186 million) as higher property sales were recognised. All other business segments also reported increase in revenue.

Group operating profit increased by 56% to another new height of HK$17,730 million (2010: HK$11,384 million) with HK$11,388 million (2010: HK$9,372 million) contributed by Wharf, HK$3,880 million (2010: HK$1,477 million) by WPSL, and HK$2,462 million (2010: HK$535 million) by Wheelock and its other subsidiaries, primarily WPL.

Property Investment

Revenue and operating profit both increased by 16% to HK$10,670 million (2010: HK$9,206 million) and HK$8,108 million (2010: HK$6,970 million) respectively, reflecting the retail rental growth accelerated by the remarkable sales achieved by the retail tenants and the continuous positive rental reversions for the office areas. Revenue from the Mainland increased by 69% to HK$796 million as benefited from the brand new Shanghai Wheelock Square and the reopened Chongqing Times Square, and solid rental reversions for other properties. Hotels also recorded favourable results as sustained by increase in room rates with occupancy remained at high level.

Property Development

Revenue and operating profit increased by 109% and 194% to HK$16,021 million (2010: HK$7,676 million) and HK$8,058 million (2010: HK$2,740 million) respectively.

In Hong Kong, One Island South was completed with all the office units sold enabling the recognition of revenue of HK$3,335 million and operating profit of HK$2,070 million.

In Singapore, Scotts Square was completed with 84% residential units pre-sold and contributed revenue of HK$6,083 million and operating profit of HK$3,599 million.

In the Mainland, recognised property sales and operating profit increased by 76% and 84% to HK$6,343 million and HK$2,274 million respectively, with phased completions at Chengdu Tian Fu Times Square, Crystal Park, Suzhou Ambassador Villa, Changzhou Times Palace and Wuxi Glory of Time.

During the year, inclusive of joint ventures on an attributable basis, the Group recorded contracted property sales of HK$19.9 billion (2010: HK$12.1 billion), increasing its net order book to HK$17.2 billion by year end 2011, mostly in the Mainland, pending recognition on completion of the respective properties in stages.

Logistics

Revenue increased by 3% to HK$3,520 million (2010: HK$3,426 million), reflecting higher throughput handled by Modern Terminals. Operating profit however decreased by 13% to HK$1,563 million (2010: HK$1,792 million) mainly due to higher operating expenses and the lack of one-off gains that exceeded the increased revenue of Modern Terminals.

Communications, Media and Entertainment ("CME")

Revenue increased by 5% to HK$3,863 million (2010: HK$3,682 million) and CME returned to profitability with an operating profit of HK$45 million (2010: loss of HK$62 million). Wharf T&T's operating profit increased by 14% to HK$230 million, while i-CABLE's operating loss reduced by 26% to HK$186 million.

Investment and Others

Investment and other operating profit increased to HK$525 million (2010: HK$362 million), mainly due to 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 2011 increased to HK$200.5 billion (2010: HK$162.0 billion), with HK$184.4 billion thereof stated at fair value based on an independent valuation as at that date. That resulted in a revaluation surplus of HK$27,651 million (2010: HK$30,839 million). The attributable net revaluation surplus of HK$14,507 million (2010: HK$15,220 million), after deducting related deferred tax and non-controlling interests in total of HK$13,144 million (2010: HK$15,619 million), was credited to the consolidated income statement.

Investment properties in the amount of HK$16.1 billion, which had not been revalued were all under development and will not be carried at fair value until the earlier of their fair values first becoming reliably measurable or the dates of their respective completion.

Other Net Income

Other net income amounted to HK$629 million (2010: HK$805 million), comprising mainly profit on disposal of available-for-sale investments of HK$184 million (2010: HK$178 million) and net foreign exchange gain of HK$417 million (2010: loss of HK$63 million). The decrease in other net income was mainly due to the inclusion in 2010 a one-off surplus of HK$437 million from revaluation of the interests in Hong Kong Air Cargo Terminals Limited on its becoming an associate of Wharf.

Finance Costs

Finance costs charged to the consolidated income statement were HK$2,747 million (2010: HK$1,089 million), which included an unrealised mark-to-market loss of HK$1,387 million (2010: HK$447 million) on the cross currency/interest rate swaps as measured in compliance with the prevailing accounting standard. Net of non-controlling interests, the attributable loss was HK$679 million (2010: HK$209 million).

Excluding the unrealised mark-to-market loss, finance cost after capitalisation of HK$510 million (2010: HK$299 million) was HK$1,360 million (2010: HK$642 million), representing an increase of HK$718 million mainly as a result of increase in gross borrowings and rise in effective borrowing rates.

Share of Results after Tax of Associates and Jointly Controlled Entities

Share of profits of associates increased by HK$438 million to HK$825 million (2010: HK$387 million), mainly due to the recognition of part of the unrealised profit arising from disposal of the four Foshan property joint ventures to Wharf. Share of profit of jointly controlled entities ("JCEs") increased by HK$25 million to HK$34 million (2010: HK$9 million), reflecting the increased profit contributions from Modern Terminals' port investment in the Mainland.

Income Tax

Taxation charge was HK$4,338 million (2010: HK$2,630 million), which included deferred taxation of HK$901 million (2010: HK$1,158 million) provided for the revaluation surplus of investment properties located in the Mainland.

Excluding the above deferred tax, the tax charge increased to HK$3,437 million (2010: HK$1,472 million) mainly due to profit recognition from One Island South and Scotts Square and in the absence of a tax write back of HK$809 million in 2010 upon reaching a settlement with the Inland Revenue Department on various tax disagreements.

Non-controlling Interests

Profit attributable to non-controlling interests was HK$16,918 million (2010: HK$19,511 million), which was mainly attributable to profit of Wharf and WPSL.

Profit Attributable to Equity Shareholders

Group profit attributable to equity shareholders increased by 13% to HK$22,866 million (2010: HK$20,194 million). Earnings per share were HK$11.25 (2010: HK$9.94).

Excluding the net investment property revaluation surplus after the associated deferred tax of HK$14,507 million (2010: HK$15,220 million), Group's profit attributable to Shareholders for the year was HK$8,359 million (2010: HK$4,974 million), representing an increase of 68% over 2010.

Further stripping out the exceptional attributable tax write back and surplus from revaluation of an associate in 2010 and the attributable mark-to-market loss of HK$679 million on swaps, Group's core profit attributable to equity shareholders would rise by 97% to HK$9,038 million (2010: HK$4,582 million). Core earnings per share were HK$4.45 (2010: HK$2.26).

Set out below is an analysis of the Group's profit before exceptionals and 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	2011 HK$ Million	2010 HK$ Million
Wharf group	4,053	3,486
WPSL group	2,457	737
Wheelock and other subsidiaries	2,528	359
Core profit	9,038	4,582
Attributable mark-to-market loss on swaps	(679)	(209)
Attributable tax write back	–	390
Attributable surplus on revaluation of an associate	–	211
Profit before investment property surplus	8,359	4,974
Investment property surplus (after deferred tax)	14,507	15,220
Profit attributable to equity shareholders	22,866	20,194

Wharf's profit for the year ended 31 December 2011 decreased by 14% to HK$30,568 million (2010: HK$35,750 million). Excluding the net investment property surplus, Wharf's net profit was HK$6,727 million (2010: HK$7,905 million). Before investment property surplus and the abovementioned exceptionals, Wharf's core profit increased by 14% to HK$8,083 million (2010: HK$7,088 million).

WPSL's reported profit for the year ended 31 December 2011 was S$291.2 million (2010: S$325.6 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$3,855 million (2010: HK$1,569 million) including the profits on pre-sales of Scotts Square recognised on completion during the year under review.

(II) Liquidity, Financial Resources and Capital Commitments

Shareholders' and Total Equity

The Group's Shareholders' equity increased by 22% to HK$122.6 billion (2010: HK$100.4 billion), or HK$60.32 per share (2010: HK$49.40 per share) as at 31 December 2011.

Including the non-controlling interests, the Group's total equity increased by 22% to HK$235.2 billion (2010: HK$193.1 billion).

Total Assets

The Group's total assets increased by 27% to HK$364.1 billion (2010: HK$286.2 billion). Total business assets, excluding bank deposits and cash, financial investments, deferred tax assets and other derivative financial assets, increased by 27% to HK$312.3 billion (2010: HK$246.1 billion).

The Group's Investment Property portfolio was HK$200.5 billion, representing 64% of total business assets. Together, Harbour City (excluding the three hotels) and Times Square in Hong Kong were valued at HK$130.6 billion, representing 65% of the value of the portfolio.

Other major business assets included other properties and fixed assets of HK$19.0 billion, interest in JCEs and associates (mainly for the Mainland property development and port projects) of HK$27.6 billion and properties under development and held for sale of HK$60.9 billion.

Geographically, the Group's business assets in the Mainland, mainly properties and terminals, increased to HK$111.0 billion (2010: HK$77.2 billion), representing 36% of the Group's total business assets.

Debts and Gearing

The Group's net debt increased by HK$14.9 billion to HK$53.0 billion (2010: HK$38.1 billion) as at 31 December 2011, which was made up of HK$95.7 billion in debts and HK$42.7 billion in bank deposits and cash. Excluding Wharf's net debt of HK$43.5 billion, which is non-recourse to the Company and its other subsidiaries, and WPSL's net cash of HK$5.5 billion, Wheelock's net debt was HK$15.0 billion (2010: HK$10.0 billion). Analysis of the net debt by group is as below:

Net debt/(cash)	2011 HK$ Million	2010 HK$ Million
Wharf (excludes below subsidiaries)	**35,348**	23,376
Modern Terminals	**11,155**	9,932
Harbour Centre Development Ltd.	**(2,700)**	(172)
i-CABLE	**(338)**	(447)
Wharf group	**43,465**	32,689
WPSL group	**(5,510)**	(4,571)
Wheelock and other subsidiaries	**15,059**	10,024
Group	**53,014**	38,142

The ratio of net debt to total equity was 22.5% (2010: 19.8%) as at 31 December 2011.

Finance and Availability of Facilities

The Group's available loan facilities and debt securities amounting to HK$115.0 billion (2010: HK$87.0 billion), of which HK$95.7 billion were drawn, as at 31 December 2011 are analysed as below:

	Available Facility HK$ Billion	Total Debts HK$ Billion	Undrawn Facility HK$ Billion
Wharf (excludes below subsidiaries)	74.0	60.0	14.0
Modern Terminals	14.0	12.8	1.2
Harbour Centre Development Ltd.	4.6	3.2	1.4
i-CABLE	0.3	–	0.3
Wharf group	92.9	76.0	16.9
WPSL group	2.4	1.0	1.4
Wheelock and other subsidiaries	19.7	18.7	1.0
Group	**115.0**	**95.7**	**19.3**

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.

In June 2011, Wharf issued guaranteed convertible bonds with a term of 3 years for an aggregate principal amount of HK$6.2 billion at an initial conversion price of HK$90 per share.

Of the above debts, HK$26.8 billion (2010: HK$24.3 billion) was secured by mortgage over certain properties under development, fixed assets and investments with total carrying value of HK$64.5 billion (2010: HK$80.7 billion).

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

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 continued to maintain a strong financial position with ample surplus cash denominated principally in HKD, RMB and SGD and undrawn committed facilities to facilitate the Group's expanding business and investment activities. The Group also maintained a portfolio of financial investments, primarily in blue-chip securities, with an aggregate market value as at 31 December 2011 of HK$7.1 billion (2010: HK$10.7 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$18.6 billion (2010: HK$12.3 billion). The changes in working capital resulted in a net cash outflow from operating activities of HK$3.4 billion (2010: inflow of HK$3.4 billion), primarily due to payments of land and construction cost for trading properties under development which was partly compensated by proceeds from sale of properties. For investing activities, the Group reported a net cash outflow of HK$15.3 billion (2010: HK$16.6 billion), mainly for additions to investment properties and investments in JCEs involved in property development projects in the Mainland.

Major Expenditure and Commitments

The major expenditure incurred by the Group's core businesses during the year and related commitments as at 31 December 2011 are analysed as follows:

Business Unit/Company	Expenditure for 2011 HK$ Million	Commitments as at 31 December 2011 Authorised and Contracted for HK$ Million	Authorised but not Contracted for HK$ Million
(a) Capital expenditure			
Wharf group	11,934	11,449	23,562
Property Investments	10,930	10,353	22,502
Wharf T&T	467	245	165
i-CABLE	187	31	175
Modern Terminals	350	820	720
WPSL group	120	4	–
Wheelock and other subsidiaries	30	2	–
	12,084	**11,455**	**23,562**
(b) Trading properties under development			
Wharf group	21,584	10,135	55,975
Subsidiaries	18,442	5,897	41,074
JCEs and associates	3,142	4,238	14,901
WPSL group			
Subsidiaries	1,214	1,412	3,325
Wheelock and other subsidiaries	8,527	2,765	4,118
Subsidiaries	8,299	673	4,118
JCEs and associates	228	2,092	–
	31,325	**14,312**	**63,418**
(c) Programming and others	**80**	**1,077**	**80**

The capital expenditure incurred during the year for Wharf's Property Investment segment was mainly for the land and construction costs of Chengdu IFC and Changsha IFC. 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 port project in the Mainland and addition of other fixed assets.

In addition to the capital expenditure, the Group also incurred HK$31.3 billion of expenditures for the development of its trading properties in the Mainland, Hong Kong and Singapore, including Wharf's expenditure of HK$21.6 billion that has excluded the intra-group acquisition of the four Foshan joint venture projects by Wharf from Wheelock during the year.

As at 31 December 2011, the Group's authorised and contracted commitments were mainly for development properties for investment of HK$11.5 billion and for trading of HK$14.3 billion, respectively, among these including attributable land costs of HK$6.2 billion payable by installments from 2012 to 2013. Apart from that, the Group intends to invest HK$23.6 billion in investment properties and HK$63.4 billion in trading properties in the Mainland, Hong Kong and Singapore, mainly on construction cost, for their completions in stages in the forthcoming years.

The above commitments and planned expenditures will be funded by the respective groups' own internal financial resources including surplus cash, cash flow from operations as well as bank and other financings with the construction costs self-financed mainly by pre-sale proceeds and project loans. Other available resources include financial investments.

(III) Transfer of Foshan Property Projects to Wharf

Wheelock disposed of its 50% interests in four Foshan property joint ventures to Wharf for a total consideration of HK$3,388 million in June 2011 with an unrealised profit of about HK$1,300 million. The major assets that the four joint ventures hold are the four residential property development projects in Chancheng, Guicheng, Shishan and Xincheng, Foshan in the Mainland. Being a disposal to its subsidiary, Wheelock has deferred the recognition of the relevant profit until the completion and sale of the property units by Wharf. Out of the total unrealised profit, HK$447 million was recognised during the year.

(IV) Human Resources

The Group had approximately 14,700 employees as at 31 December 2011, including about 2,400 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.