

Consolidated cash flow statement

| for the year ended 31 December in HK\$ million | Note | 2005 | 2004 (Restated) |
|---|------|----------------|--------------------|
| Cash flows from operating activities | | | |
| Operating profit from railway and related operations before depreciation | | 5,101 | 4,529 |
| Adjustments for: | | | |
| Decrease in provision for obsolete stock | | – | (3) |
| Loss on disposal of fixed assets | | 40 | 19 |
| Write-back of revaluation deficit of self-occupied office land and buildings | | – | (69) |
| Deferred project study costs written off | | – | 64 |
| Amortisation of deferred income from lease transaction | | (6) | (5) |
| Amortisation of prepaid land lease payments | | 13 | 13 |
| Reduction in fair value of derivative instruments | | 9 | – |
| Employee share-based payment expenses | | 5 | 4 |
| Exchange (gain)/loss | | (7) | 3 |
| Operating profit from railway and related operations before working capital changes | | 5,155 | 4,555 |
| Increase in debtors, deposits and payments in advance | | (82) | (198) |
| Decrease in stores and spares | | – | 3 |
| Increase in creditors, accrued charges and provisions | | 118 | 129 |
| Cash generated from operations | | 5,191 | 4,489 |
| Overseas tax paid | | (2) | (3) |
| Net cash generated from operating activities | | 5,189 | 4,486 |
| Cash flows from investing activities | | | |
| Capital expenditure | | | |
| – Tseung Kwan O Extension Project | | (114) | (94) |
| – Disneyland Resort Line Project | | (272) | (622) |
| – Tung Chung Cable Car Project | | (413) | (345) |
| – Tseung Kwan O property development projects | | (1,207) | (45) |
| – Other property development projects | | (227) | (138) |
| – Purchase of assets and other capital projects | | (1,221) | (1,645) |
| Merger studies | | (17) | (53) |
| Receipts from property developers | | 1,613 | 1,683 |
| Proceeds from properties sold | | 997 | 893 |
| Payment for purchase of investment in securities | | (114) | (202) |
| Proceeds from sale of investment in securities | | 133 | – |
| Loan to an associate | | (15) | – |
| Principal repayments under Staff Housing Loan Scheme | | 13 | 21 |
| Net cash used in investing activities | | (844) | (547) |
| Cash flows from financing activities | | | |
| Proceeds from shares issued | | 46 | 68 |
| Drawdown of loans | | 3,800 | 2,085 |
| Proceeds from issuance of capital market instruments | | 1,491 | 5,109 |
| Repayment of loans | | (2,721) | (4,372) |
| Repayment of capital market instruments | | (4,168) | (4,415) |
| Reduction in capital element of finance lease | | (121) | (112) |
| (Release)/Collection of refundable deposits and asset replacement reserve funds | | (1) | 19 |
| Interest paid | | (1,416) | (1,301) |
| Interest received | | 16 | 7 |
| Interest element of finance lease rental payments | | (29) | (38) |
| Finance charges paid | | (17) | (16) |
| Dividends paid | | (1,138) | (1,079) |
| Net cash used in financing activities | | (4,258) | (4,045) |
| Net increase/(decrease) in cash and cash equivalents | | 87 | (106) |
| Cash and cash equivalents at 1 January | | 258 | 364 |
| Cash and cash equivalents at 31 December | 32 | 345 | 258 |

The notes on pages 88 to 163 form part of these accounts.