

Consolidated Cash Flow Statement

<i>in HK\$ million</i>	Half year ended 30 June 2008 (Unaudited)	Half year ended 30 June 2007 (Unaudited)
Cash flows from operating activities		
Operating profit from railway and related businesses before depreciation and amortisation	4,796	2,797
Adjustments for:		
Decrease in provision for obsolete stock	(7)	(2)
Loss on disposal of fixed assets	8	14
Amortisation of deferred income from lease transaction	–	(2)
Amortisation of prepaid land lease payments	8	7
(Increase)/decrease in fair value of derivative instruments	(22)	1
Unrealised loss on revaluation of investment in securities	2	1
Employee share-based payment expenses	12	2
Exchange gain	(5)	–
Operating profit from railway and related businesses before working capital changes	4,792	2,818
Decrease in debtors, deposits and payments in advance	140	70
Increase in stores and spares	(34)	(3)
(Decrease)/increase in creditors, accrued charges and provisions	(226)	97
Cash generated from operations	4,672	2,982
Current tax paid	(3)	(1)
Net cash generated from operating activities	4,669	2,981
Cash flows from investing activities		
Capital expenditure		
– Purchase of operational railway assets	(690)	(537)
– Tseung Kwan O South Project	(107)	(104)
– Disneyland Resort Line Project	(6)	(9)
– Tung Chung Cable Car Project	(43)	(10)
– West Island Line Project	(137)	(20)
– Tseung Kwan O property development projects	(81)	(67)
– East Rail/Light Rail/Kowloon Southern Link property development projects	(117)	–
– Property fitting out works and other development projects	(251)	(209)
– Other capital projects	(498)	(106)
Payments in respect of the Rail Merger		
– Staff voluntary separation payments	(145)	–
– Other payments directly attributable to the Rail Merger	(59)	(50)
Receipts in respect of property development	3,222	3,136
Receipts of Government grant for West Island Line Project	400	–
Purchase of investment in securities	(113)	(151)
Proceeds from sale of investment in securities	56	82
Loan repayments from non-controlled subsidiaries and associates	109	–
Investment in an associate	(515)	(103)
Dividend received from a non-controlled subsidiary	23	–
Principal repayments under Staff Housing Loan Scheme	4	7
Net cash generated from investing activities	1,052	1,859
Cash flows from financing activities		
Proceeds from shares issued under share option schemes	21	6
Drawdown of loans	3,891	924
Proceeds from issuance of capital market instruments	1,250	–
Repayment of loans	(8,324)	(4,031)
Repayment of capital market instruments	(1,000)	–
Reduction in capital element of finance lease	–	(69)
Interest paid	(630)	(791)
Interest received	8	15
Interest element of finance lease rental payments	–	(6)
Finance charges paid	(8)	(4)
Dividend paid	(870)	(777)
Net cash used in financing activities	(5,662)	(4,733)
Net increase in cash and cash equivalents	59	107
Cash and cash equivalents at 1 January	574	305
Cash and cash equivalents at 30 June	633	412
Analysis of the balances of cash and cash equivalents		
Cash and cash equivalents	660	413
Bank overdrafts	(27)	(1)
	633	412

The notes on pages 32 to 47 form part of this interim financial report.