

| in HK\$ million | Half year ended 30 June 2010 (Unaudited) | Half year ended 30 June 2009 (Unaudited and restated) |
|--|--|---|
| Cash flows from operating activities | | |
| Operating profit from railway and related businesses before depreciation and amortisation | 5,491 | 4,806 |
| Adjustments for: | | |
| Decrease in provision for obsolete stock | (1) | – |
| Loss on disposal of fixed assets | 10 | 9 |
| Amortisation of deferred income from transfers of assets from customers | (3) | – |
| Decrease/(increase) in fair value of derivative instruments | 9 | (6) |
| Employee share-based payment expenses | 31 | 19 |
| Exchange (gain)/loss | (16) | 9 |
| Operating profit from railway and related businesses before working capital changes | 5,521 | 4,837 |
| (Increase)/decrease in debtors, deposits and payments in advance | (351) | 118 |
| Increase in stores and spares | (46) | (147) |
| Increase/(decrease) in creditors and accrued charges | 810 | (37) |
| Cash generated from operations | 5,934 | 4,771 |
| Current tax paid | | |
| Hong Kong Profits Tax paid | (330) | (192) |
| Overseas tax paid | (4) | (2) |
| Net cash generated from operating activities | 5,600 | 4,577 |
| Cash flows from investing activities | | |
| Capital expenditure | | |
| – Purchase of Hong Kong operational railway assets | (703) | (1,229) |
| – LOHAS Park Station Project | (14) | (66) |
| – West Island Line Project | (1,466) | (163) |
| – South Island Line Project | (176) | (64) |
| – Kwun Tong Line Extension Project | (84) | (44) |
| – Shenzhen Metro Line 4 Project | (939) | (320) |
| – Tseung Kwan O property development projects | (53) | (148) |
| – East Rail/Light Rail/Kowloon Southern Link property development projects | (4,085) | (24) |
| – Property renovation, fitting out works and other development projects | (109) | (133) |
| – Other capital projects | (118) | (19) |
| Net receipts in respect of entrustment works of Shatin to Central Link and Express Rail Link | 75 | 17 |
| Payments in respect of the Rail Merger | – | (12) |
| Receipts in respect of property development | 2,097 | 2,523 |
| Receipt of Government funding support for West Island Line Project | 12,252 | – |
| Increase in bank deposits with more than three months to maturity when placed | (7,406) | – |
| Purchase of investments in securities | (3,346) | (23) |
| Proceeds from sale of investments in securities | 92 | 263 |
| Proceeds from disposal of fixed assets | 3 | – |
| Investment in associates | – | (55) |
| Dividend received from non-controlled subsidiaries | 75 | 40 |
| Principal repayments under Staff Housing Loan Scheme | 2 | 1 |
| Net cash (used in)/generated from investing activities | (3,903) | 544 |
| Cash flows from financing activities | | |
| Proceeds from shares issued under share option schemes | 26 | 3 |
| Drawdown of loans | 1,376 | 6,652 |
| Proceeds from issuance of capital market instruments | – | 500 |
| Repayment of loans | (4,900) | (4,318) |
| Repayment of capital market instruments | (950) | (6,111) |
| Interest paid | (456) | (650) |
| Interest received | 45 | 6 |
| Finance charges paid | (11) | (13) |
| Dividends paid | (1,089) | (962) |
| Net cash used in financing activities | (5,959) | (4,893) |
| Net (decrease)/increase in cash and cash equivalents | (4,262) | 228 |
| Cash and cash equivalents at 1 January | 7,094 | 734 |
| Cash and cash equivalents at 30 June | 2,832 | 962 |
| Analysis of the balances of cash and cash equivalents | | |
| Cash and cash equivalents on the consolidated balance sheet | 10,287 | 997 |
| Bank deposits with more than three months to maturity when placed | (7,406) | – |
| Bank overdrafts | (49) | (35) |
| Cash and cash equivalents in the consolidated cash flow statement | 2,832 | 962 |

The notes on pages 33 to 47 form part of this interim financial report.