

# Consolidated Cash Flow Statement

in HK\$ million	Half year ended 30 June 2011 (Unaudited)	Half year ended 30 June 2010 (Unaudited)
<b>Cash flows from operating activities</b>		
Operating profit from railway and related businesses before depreciation, amortisation and variable annual payment arising from the Rail Merger	6,001	5,491
Adjustments for:		
Decrease in provision for obsolete stock	–	(1)
Loss on disposal of fixed assets	11	10
Amortisation of deferred income from transfers of assets from customers	(3)	(3)
(Increase)/decrease in fair value of derivative instruments	(5)	9
Unrealised gain on revaluation of investment in securities	(5)	–
Employee share-based payment expenses	37	31
Exchange loss/(gain)	2	(16)
Operating profit from railway and related businesses before working capital changes	6,038	5,521
Increase in debtors, deposits and payments in advance	(319)	(351)
Increase in stores and spares	(21)	(46)
Increase in creditors and accrued charges	476	810
Cash generated from operations	6,174	5,934
Current tax paid		
Hong Kong Profits Tax paid	(284)	(330)
Overseas tax paid	(70)	(4)
<b>Net cash generated from operating activities</b>	<b>5,820</b>	<b>5,600</b>
<b>Cash flows from investing activities</b>		
Capital expenditure		
– Purchase of Hong Kong operational railway assets	(1,153)	(703)
– West Island Line Project	(1,625)	(1,466)
– South Island Line (East) Project	(344)	(176)
– Kwun Tong Line Extension Project	(109)	(84)
– Shenzhen Metro Longhua Line Project	(645)	(939)
– Property development projects	(89)	(4,138)
– Property renovation, fitting out works and other development projects	(104)	(109)
– Other capital projects	(135)	(132)
Net (payments)/receipts in respect of entrustment works of Shatin to Central Link and Express Rail Link	(439)	75
Variable annual payment arising from the Rail Merger	(45)	–
Receipts in respect of property development	1,018	2,097
Receipt of repayment relating to loan to a property developer	2,000	–
Receipt of Government grant for West Island Line Project	–	12,252
Increase in bank deposits with more than three months to maturity when placed	(2,378)	(7,406)
Purchase of investments in securities	(91)	(3,346)
Proceeds from sale of investments in securities	48	92
Proceeds from disposal of fixed assets	3	3
Settlement of repayment relating to loan from an associate	(12)	–
Dividend received from non-controlled subsidiaries	63	75
Principal repayments under Staff Housing Loan Scheme	–	2
<b>Net cash used in investing activities</b>	<b>(4,037)</b>	<b>(3,903)</b>
<b>Cash flows from financing activities</b>		
Proceeds from shares issued under share option schemes	20	26
Drawdown of loans	731	1,376
Proceeds from issuance of capital market instruments	1,206	–
Repayment of loans	(417)	(4,900)
Repayment of capital market instruments	–	(950)
Interest paid	(320)	(456)
Interest received	78	45
Finance charges paid	(6)	(11)
Dividends paid to equity shareholders of the Company	(2,308)	(1,089)
Dividends paid to holders of non-controlling interests	(17)	–
<b>Net cash used in financing activities</b>	<b>(1,033)</b>	<b>(5,959)</b>
Net increase/(decrease) in cash and cash equivalents	750	(4,262)
Cash and cash equivalents at 1 January	3,708	7,094
Cash and cash equivalents at 30 June	4,458	2,832
<b>Analysis of the balances of cash and cash equivalents</b>		
Cash, bank balances and deposits on the consolidated balance sheet	16,453	10,287
Bank deposits with more than three months to maturity when placed	(11,988)	(7,406)
Bank overdrafts	(7)	(49)
Cash and cash equivalents in the consolidated cash flow statement	4,458	2,832

The notes on pages 33 to 48 form part of this interim financial report.