

# Consolidated Cash Flow Statement

<i>for the year ended 31 December in HK\$ million</i>	Note	2007	2006
<b>Cash flows from operating activities</b>			
Operating profit from railway and related businesses before depreciation and amortisation		5,912	5,201
Adjustments for:			
Decrease in provision for obsolete stock		(3)	(2)
Loss on disposal of fixed assets		36	37
Deferred project study costs written off		–	26
Amortisation of deferred income from lease transaction		(5)	(6)
Amortisation of prepaid land lease payments		13	14
Decrease/(increase) in fair value of derivative instruments		1	(7)
Unrealised loss/(gain) on revaluation of investment in securities		4	(2)
Employee share-based payment expenses		7	9
Exchange gain		(1)	(1)
Operating profit from railway and related businesses before working capital changes		5,964	5,269
Increase in debtors, deposits and payments in advance		(421)	(53)
Increase in stores and spares		(10)	(17)
Increase in creditors, accrued charges and provisions		433	191
Cash generated from operations		5,966	5,390
Overseas tax paid		(1)	(3)
<b>Net cash generated from operating activities</b>		<b>5,965</b>	<b>5,387</b>
<b>Cash flows from investing activities</b>			
Capital expenditure			
– Purchase of operational railway assets		(944)	(1,334)
– Tseung Kwan O South Project		(203)	(109)
– Disneyland Resort Line Project		(25)	(45)
– Tung Chung Cable Car Project		(82)	(165)
– Tseung Kwan O property development projects		(197)	(134)
– Property fitting out works and other development projects		(643)	(815)
– Other capital projects		(387)	(301)
Payments in respect of the Rail Merger			
– Upfront payment for the service concession		(4,250)	–
– Upfront payment for property package		(7,790)	–
– Cash received for the assumption of assets and liabilities of KCRC		786	–
– Other payments directly attributable to the Rail Merger		(354)	(88)
Receipts in respect of property development		5,824	4,400
Loan to a property developer		–	(4,000)
Purchase of investment in securities		(266)	(194)
Proceeds from sale of investment in securities		202	106
Loans to an associate		(62)	–
Investment in an associate		(103)	(100)
Principal repayments under Staff Housing Loan Scheme		10	9
<b>Net cash used in investing activities</b>		<b>(8,484)</b>	<b>(2,770)</b>
<b>Cash flows from financing activities</b>			
Proceeds from shares issued under share option schemes		23	36
Drawdown of loans		11,391	6,929
Proceeds from issuance of capital market instruments		–	1,499
Repayment of loans		(5,849)	(5,749)
Repayment of capital market instruments		–	(2,450)
Reduction in capital element of finance lease		(141)	(131)
Interest paid		(1,500)	(1,611)
Interest received		50	10
Interest element of finance lease rental payments		(9)	(19)
Finance charges paid		(9)	(16)
Dividends paid		(1,168)	(1,155)
<b>Net cash generated from/(used in) financing activities</b>		<b>2,788</b>	<b>(2,657)</b>
Net increase/(decrease) in cash and cash equivalents		269	(40)
Cash and cash equivalents at 1 January		305	345
Cash and cash equivalents at 31 December	37	574	305

The notes on pages 132 to 214 form part of the accounts