
Government Toll-Tunnels

REVIEW OF THE YEAR 2022-23

ACTIVITIES

- * Tunnels in use :
 - Aberdeen
 - Lion Rock
 - Shing Mun
 - Route 8K

Remarks : Cross Harbour Tunnel (CHT), Eastern Harbour Crossing (EHC) and Tate's Cairn Tunnel (TCT) were "Build-Operate-Transfer" (BOT) projects and taken over by the Government upon the expiry of BOT franchises. As the capital costs of CHT, EHC and TCT were not contributed by the Government, the CHT, EHC and TCT are not included in the Operating Accounts of Government Toll-tunnels which are established for performance measurement on recovery of the cost of running the tunnels including the cost of capital.

Tseung Kwan O Tunnel is not included in the Operating Account from 2022-23 as it has become toll-free since 11 December 2022.

- * Change in annual traffic :
 - Aberdeen increased by 1.9%
 - Lion Rock increased by 0.6%
 - Shing Mun decreased by 0.5%
 - Route 8K decreased by 1.4%

- * Toll charges :

	\$
Aberdeen	5
Lion Rock	8
Shing Mun	5
Route 8K	8

FINANCIAL PERFORMANCE

- * Revenue decreased by 13.7% (See Note)
- * Expenditure decreased by 2.7%
- * Surplus before taxation for 2021-22 is \$62.7 million
- * Deficit before taxation for 2022-23 is \$19.7 million (See Note)
- * Return on Average Net Fixed Assets decreased from 0.8% to -0.3% (See Note)

Note: Income from derecognition of deferred tax liabilities of \$468.2 million in 2022-23 is excluded from calculation

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OPERATING ACCOUNT FOR THE YEAR ENDED 31 MARCH 2023

	Note	2023 \$M	2022 \$M
Revenue	2	1,103.1	735.7
Expenditure	2	<u>654.6</u>	<u>673.0</u>
Surplus before taxation		<u>448.5</u>	62.7
Taxation	1(d) and 3		<u>10.3</u>
Surplus after taxation			<u>52.4</u>

FINANCIAL PERFORMANCE MEASURES

Average net fixed assets (ANFA)	1(g) and 4	5,899.5	6,224.3
Actual return		(19.7)	52.4
Target return		259.6	336.1
Actual return as % of ANFA	1(f)	-0.3%	0.8%
Target return as % of ANFA		4.4%	5.4%

The annexed notes form part of these accounts.

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STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2023

	Note	2023 \$M	2022 \$M
Net assets employed			
Fixed assets	1(b) & (c) and 4	5,875.7	6,169.4
Current assets	5	2,378.2	3,085.6
Current liabilities	6	(5.9)	(6.2)
Net current assets		2,372.3	3,079.4
Deferred tax	1(d), 3 and 7	-	(468.2)
		<u>8,248.0</u>	<u>8,780.6</u>
Financed by			
Public capital account	8	<u>8,248.0</u>	<u>8,780.6</u>

The annexed notes form part of these accounts.

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NOTES TO THE ACCOUNTS

1. Accounting Policies

(a) Basis of Accounting

The Government-built toll-tunnels do not have a separate legal identity. All surpluses are deemed to be distributed to the Government as dividend. The operating accounts are management information to reflect the operating results of the facilities.

The accounts have been prepared on the historical cost basis of accounting modified to include notional receipts and payments.

(b) Fixed Assets

- (i) No cost is included for land except that the cost of resumption is included in the capital cost of tunnel construction and road works for Route 8K.
- (ii) For capital projects, the costs include the actual direct expenditure, staff costs for design, planning and supervision during the construction period.
- (iii) All other fixed assets are stated at costs less accumulated depreciation except capital works/projects in progress which are stated at cost.

(c) Depreciation

Depreciation is provided on a straight-line basis to amortise the cost of fixed assets less residual value over their estimated useful lives. The annual rates of depreciation used are :

Tunnel construction and road works	1% (Route 8K) 2% (Other toll-tunnels)
Buildings	2%
Lighting and ventilation	5%-10%
Equipment	5%-20%
Computer assets	10%
Motor vehicles	11%-13%

No depreciation is provided on assets under construction.

(d) Taxation

Notional profits tax is excluded from reporting with effect from 2022-23. Prior to 2022-23, notional profits tax was reported in the operating accounts in accordance with the following accounting policies -

- (i) Notional profits tax was provided, where necessary, based on the expected taxable surplus for the year, using tax rates prevailing at the reporting period end date, and any adjustment to tax payable in respect of previous years. Provision for deferred tax had been made in the accounts in respect of all material temporary differences attributable to depreciation allowances on fixed assets.
- (ii) The balance of deferred tax liabilities as at 31 March 2022 was derecognised, with corresponding income recognised in the Operating Account for the year ended 31 March 2023 (notes 2, 3 and 7).

(e) Employee Benefits

Employee benefits including salaries, gratuities, pensions, housing benefits and annual leave are accrued and recognised as an expense in the year in which the associated services are rendered by employees.

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NOTES TO THE ACCOUNTS

(f) Actual Return on ANFA

This is calculated as a percentage of surplus/deficit before taxation excluding the effect of derecognition of deferred tax liabilities (2022: after taxation including Tseung Kwan O Tunnel) to average net fixed assets (ANFA).

(g) Average Net Fixed Assets

The average net fixed assets (ANFA) represents the average of the opening and closing value of total fixed assets less accumulated depreciation. Fixed asset balance of Tseung Kwan O Tunnel as at 31 March 2022 (\$246.0M) is excluded from calculating the ANFA for 2022-23 and the ANFA for 2022-23 represents the average of the opening and closing value of total fixed assets of Aberdeen, Lion Rock, Shing Mun Tunnels and Route 8K.

2. Revenue and Expenditure

	Aberdeen	Lion Rock	Shing Mun	Route 8K	2023 Total	2022 Total*
	\$M	\$M	\$M	\$M	\$M	\$M
Revenue						
Toll collections	103.9	245.3	86.5	164.7	600.4	697.9
Toll charges from Government vehicles	0.5	0.6	0.5	0.8	2.4	2.7
Toll charges from people with disabilities	0.2	0.6	0.1	0.3	1.2	1.4
Toll charges from franchised buses waived	5.0	9.0	5.1	3.9	23.0	25.8
Miscellaneous receipts	1.9	1.9	1.7	2.4	7.9	7.9
	<u>111.5</u>	<u>257.4</u>	<u>93.9</u>	<u>172.1</u>	<u>634.9</u>	<u>735.7</u>
Derecognition of deferred tax liabilities					468.2	
					<u>1,103.1</u>	
Expenditure						
Staff costs	4.3	4.5	4.8	6.0	19.6	21.1
Operating and administration expenses	14.4	36.4	25.4	73.1	149.3	124.5
Management fees to contractors	59.6	39.0	62.6	161.3	322.5	350.2
Depreciation	19.1	11.2	31.8	101.1	163.2	177.2
	<u>97.4</u>	<u>91.1</u>	<u>124.6</u>	<u>341.5</u>	<u>654.6</u>	<u>673.0</u>
Surplus / (deficit) before taxation	<u>14.1</u>	<u>166.3</u>	<u>(30.7)</u>	<u>(169.4)</u>	<u>448.5</u>	<u>62.7</u>

* Figures include revenue and expenditure of Tseung Kwan O Tunnel.

3. Taxation

The Government-built toll-tunnels are no longer required to report notional profits tax with effect from 2022-23. Accordingly, no notional profits tax has been provided by the Government-built toll-tunnels for the year ended 31 March 2023.

The taxation charged to the Operating Account for the year ended 31 March 2022 represented -

	\$M
Notional profits tax	-
Deferred taxation for the year	<u>10.3</u>
Taxation for the year	<u>10.3</u>

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NOTES TO THE ACCOUNTS

4. Fixed Assets

	Tunnel Construction and Road Works	Buildings	Lighting and Ventilation	Equipment	Computer Assets	Motor Vehicles	Assets under Construction	Total
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
At Cost								
At 1 April 2022	6,973.1	700.1	1,176.9	1,053.6	-	86.8	35.5	10,026.0
Additions	0.9	0.1	0.1	5.6	15.4	3.1	71.6	96.8
Adjustment*	(449.3)	(31.2)	(78.4)	(172.4)	0.2	(15.3)	15.4	(731.0)
Transfer	-	-	1.3	-	4.1	-	(5.4)	-
Disposals	-	-	-	-	-	(2.0)	-	(2.0)
At 31 March 2023	6,524.7	669.0	1,099.9	886.8	19.7	72.6	117.1	9,389.8
Accumulated Depreciation								
At 1 April 2022	1,882.1	224.8	816.4	879.3	-	54.0	-	3,856.6
Transfer	-	-	-	-	-	-	-	-
Charge for the year	76.9	13.3	49.6	18.7	0.5	4.2	-	163.2
Adjustment*	(283.0)	(20.6)	(77.8)	(116.0)	-	(6.3)	-	(503.7)
Written back on disposals	-	-	-	-	-	(2.0)	-	(2.0)
At 31 March 2023	1,676.0	217.5	788.2	782.0	0.5	49.9	-	3,514.1
Net Book Value								
At 31 March 2023	4,848.7	451.5	311.7	104.8	19.2	22.7	117.1	5,875.7
At 31 March 2022	5,091.0	475.3	360.5	174.3	-	32.8	35.5	6,169.4

* Adjustment includes re-allocation / re-estimation of HKeToll fixed assets, and exclusion of fixed assets balances of Tseung Kwan O Tunnel (\$246.0M) as at 31 March 2022.

5. Current Assets

	2023	2022
	\$M	\$M
Debtors	13.4	17.4
Current account with Treasury	<u>2,364.8</u>	<u>3,068.2</u>
	<u>2,378.2</u>	<u>3,085.6</u>

6. Current Liabilities

	2023	2022
	\$M	\$M
Receipts in advance	5.7	6.1
Creditors	<u>0.2</u>	<u>0.1</u>
	<u>5.9</u>	<u>6.2</u>

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NOTES TO THE ACCOUNTS

7. Deferred Tax

With effect from 2022-23, the Government-built toll-tunnels are no longer required to report notional profits tax (see note 3). Accordingly, the Government-built toll-tunnels no longer have deferred tax. The balance of deferred tax liabilities of \$468.2M as at 31 March 2022 was derecognised, with corresponding income recognised in the Operating Account for the year ended 31 March 2023 (note 2).

The movements of deferred tax for the year ended 31 March 2022 were as follows -

	<i>\$M</i>
Balance as at 1 April	468.2
Transfer to Operating Account	<u>(468.2)</u>
Balance as at 31 March	<u>-</u>

8. Public Capital Account

The Public Capital Account represents Government's investment in this utility.

	2023	2022
	<i>\$M</i>	<i>\$M</i>
Balance as at 1 April	8,780.6	8,760.4
Addition	67.4	20.2
Exclusion of Tseung Kwan O Tunnel	<u>(600.0)</u>	<u>-</u>
Balance as at 31 March	<u>8,248.0</u>	<u>8,780.6</u>

9. Commitments

Outstanding commitments as at 31 March 2023 and 31 March 2022 not provided for in the operating account were as follows:

	2023	2022
	<i>\$M</i>	<i>\$M</i>
Capital works projects, property and plant and equipment	<u>934.2</u>	<u>1,040.0</u>

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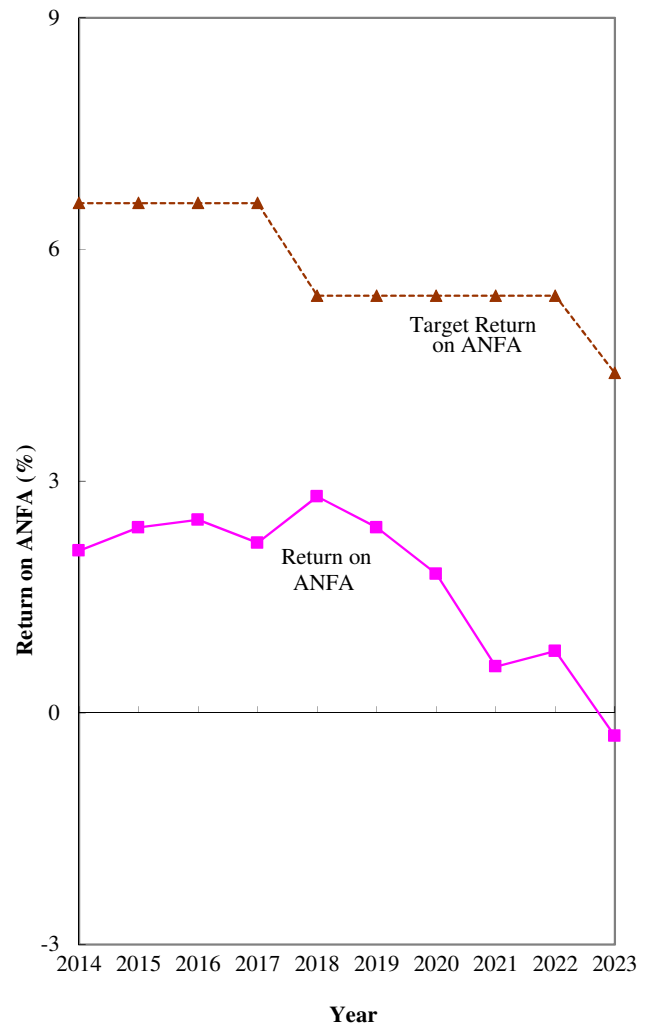
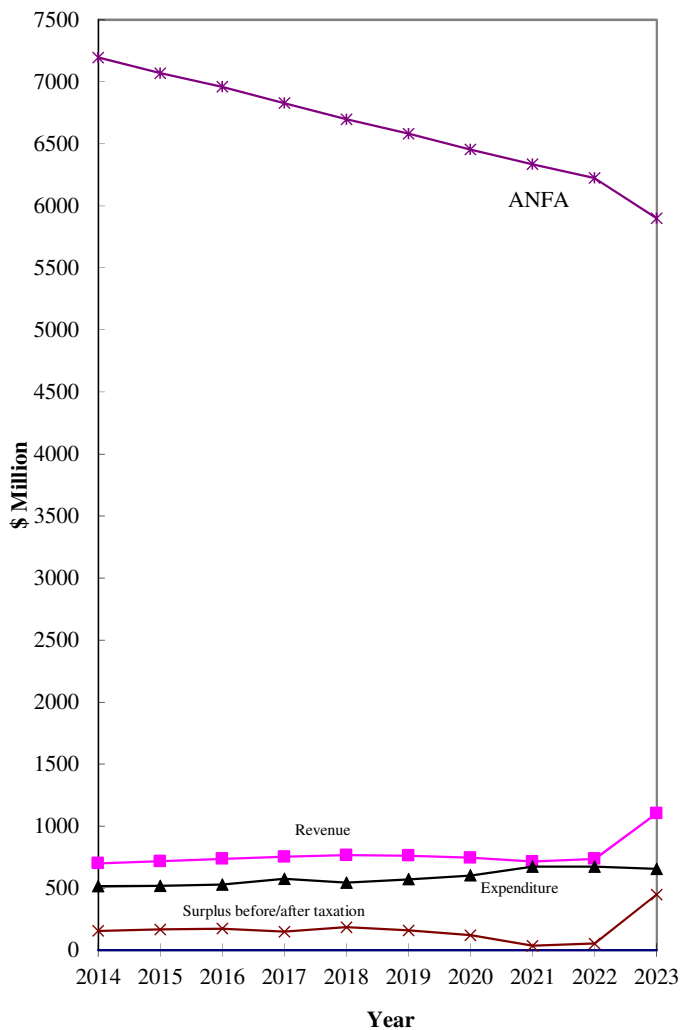
STATISTICAL HIGHLIGHTS

Financial Statistics

	2014	2015	2016	2017	2018	2019	2020	(restated) 2021	2022	** 2023
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Revenue	699.8	716.7	735.4	752.6	765.4	761.3	744.0	713.6	735.7	1,103.1
Expenditure	514.5	516.8	528.5	573.7	543.2	570.4	601.1	671.8	673.0	654.6
Surplus/(Deficit)										
before/after taxation*	154.7	166.9	172.8	149.4	185.5	159.4	119.3	34.9	52.4	448.5
Average net fixed										
assets (ANFA)	7,196.4	7,069.7	6,960.0	6,828.6	6,697.3	6,582.3	6,454.0	6,335.2	6,224.3	5,899.5
Return on ANFA (%)	2.1	2.4	2.5	2.2	2.8	2.4	1.8	0.6	0.8	(0.3)
Target Return on ANFA (%)	6.6	6.6	6.6	6.6	5.4	5.4	5.4	5.4	5.4	4.4

* Surplus/(Deficit) after taxation for 2014 to 2022.
Surplus/(Deficit) before taxation for 2023.

** Tseung Kwan O Tunnel is not included in the Operating Accounts from 2023.



Government Toll-Tunnels

STATISTICAL HIGHLIGHTS

Operating Statistics

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Number of vehicles using tunnels (million)										
Aberdeen	23.7	23.5	23.5	23.0	21.9	22.0	21.4	20.9	21.5	21.9
Lion Rock	33.0	33.2	33.7	33.9	33.5	33.1	31.6	30.9	31.7	31.9
Shing Mun	18.3	18.8	19.3	19.7	19.8	19.7	19.0	18.4	18.5	18.4
Route 8K	15.9	17.4	18.6	20.3	21.2	22.2	21.8	20.2	21.5	21.2
	90.9	92.9	95.1	96.9	96.4	97.0	93.8	90.4	93.2	93.4

