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# Lantau Link

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## ***REVIEW OF THE YEAR 2017-18***

### ACTIVITIES

- \* The Lantau Link, being part of the Tsing Ma Control Area (TMCA), includes the Tsing Ma Bridge, the Ma Wan Viaduct and the Kap Shui Mun Bridge.
- \* The Lantau Link was commissioned on 22 May 1997.
- \* Before 20.8.2017, one-way toll collection arrangement was adopted for vehicles using the Lantau Link. Under such arrangement, no toll charge was collected when vehicles entered the Lantau Island or left Ma Wan whereas toll charge equivalent to double of the toll specified for the single journey was collected when vehicles left the Lantau Island or entered Ma Wan. Started from 20.8.2017, Lantau Link adopted the two-way collection where a single journey toll is collected when vehicles either enter or leave Lantau Island or Man Wan.
- \* Average daily traffic increased by 5.2%

### FINANCIAL PERFORMANCE

- \* Revenue increased by 6.6%
- \* Expenditure increased by 5.5%
- \* Surplus after taxation increased by 7.7%
- \* Return on Average Net Fixed Assets increased from 3.3% to 3.6%

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## OPERATING ACCOUNT FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 \$M	2017 \$M
Revenue	2	636.6	597.4
Expenditure	2	<u>322.1</u>	<u>305.3</u>
Surplus before taxation		314.5	292.1
Taxation	1(d) and 3	<u>51.9</u>	<u>48.2</u>
Surplus after taxation		<u><u>262.6</u></u>	<u><u>243.9</u></u>

## FINANCIAL PERFORMANCE MEASURES

Average net fixed assets (ANFA)	1(g) and 4	7,313.6	7,389.1
Actual return		262.6	243.9
Target return		394.9	487.7
Actual return as % of ANFA	1(f)	3.6%	3.3%
Target return as % of ANFA		5.4%	6.6%

*The annexed notes form part of these accounts.*

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# Lantau Link

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## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

	Note	2018 \$M	2017 \$M
Net assets employed			
Fixed assets	1(b) & (c) and 4	7,281.2	7,346.0
Current assets	5	3,718.2	3,601.5
Current liabilities	6	(4.7)	(4.7)
Net current assets		3,713.5	3,596.8
Deferred tax	1(d) and 7	<u>(194.7)</u>	<u>(142.8)</u>
		<u>10,800.0</u>	<u>10,800.0</u>
Financed by			
Public capital account	8	<u>10,800.0</u>	<u>10,800.0</u>

*The annexed notes form part of these accounts.*

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# Lantau Link

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## NOTES TO THE ACCOUNTS

### 1. Accounting Policies

(a) Basis of Accounting

The Lantau Link does 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 facility.

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 bridge construction/road works and buildings.

(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 :-

Bridge construction and road works	1%
Buildings	2%
Lighting and ventilation	5%
Equipment	4 - 10%
Motor vehicles	11%

No depreciation is provided on assets under construction.

(d) Taxation

(i) Notional profits tax is 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. No provision for notional profits tax has been made in the accounts as there is no taxable surplus for the year.

(ii) Deferred tax is recognised, where appropriate, for all material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the accounts. Deferred tax assets are recognised to the extent that it is probable that taxable surplus will be available against which the temporary differences can be utilised. Provision for deferred tax has been made in the accounts in respect of all material temporary differences attributable to depreciation allowances on fixed assets and unused tax losses.

# Lantau Link

## NOTES TO THE ACCOUNTS

- (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.
- (f) Actual Return on ANFA  
This is calculated as a percentage of surplus/deficit after taxation 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.

### 2. Revenue and Expenditure

	<b>2018</b>	<b>2017</b>
	<b>\$M</b>	<b>\$M</b>
Revenue		
Toll collections	627.2	592.5
Toll charges from Government vehicles	3.1	3.0
Toll charges from tunnel tickets for people with disabilities	0.5	0.5
Miscellaneous receipts	5.8	1.4
	<u>636.6</u>	<u>597.4</u>
Expenditure		
Staff costs	5.1	5.2
Operating and administration expenses	105.6	83.8
Management fees to contractors	113.5	111.0
Depreciation	97.9	105.3
	<u>322.1</u>	<u>305.3</u>
Surplus before taxation	<u>314.5</u>	<u>292.1</u>

### 3. Taxation

	<b>2018</b>	<b>2017</b>
	<b>\$M</b>	<b>\$M</b>
Notional profits tax	-	-
Deferred taxation for the year	<u>51.9</u>	<u>48.2</u>
Taxation for the year	<u>51.9</u>	<u>48.2</u>

No provision for notional profits tax has been made in the accounts as there is no taxable surplus for the year.

# Lantau Link

## NOTES TO THE ACCOUNTS

### 4. Fixed Assets

	Bridge Construction and Road Works \$M	Buildings \$M	Lighting and Ventilation \$M	Equipment \$M	Motor Vehicles \$M	Assets under Construction \$M	Total \$M
At Cost							
<b>At 1 April 2017</b>	9,964.6	118.8	123.1	578.8	49.1	27.8	10,862.2
Addition	-	-	-	0.1	-	36.2	36.3
Transfer	-	-	-	4.5	4.0	(8.5)	-
Adjustment	-	-	-	-	(3.2)	-	(3.2)
Disposals	-	-	-	-	(2.9)	-	(2.9)
<b>At 31 March 2018</b>	<b>9,964.6</b>	<b>118.8</b>	<b>123.1</b>	<b>583.4</b>	<b>47.0</b>	<b>55.5</b>	<b>10,892.4</b>
Accumulated Depreciation							
<b>At 1 April 2017</b>	2,757.8	49.1	122.5	555.3	31.5	-	3,516.2
Charge for the period	89.9	2.3	0.6	2.4	4.6	-	99.8
Adjustment	-	-	-	-	(1.9)	-	(1.9)
Written back	-	-	-	-	(2.9)	-	(2.9)
<b>At 31 March 2018</b>	<b>2,847.7</b>	<b>51.4</b>	<b>123.1</b>	<b>557.7</b>	<b>31.3</b>	<b>-</b>	<b>3,611.2</b>
Net Book Value							
<b>At 31 March 2018</b>	<b>7,116.9</b>	<b>67.4</b>	<b>-</b>	<b>25.7</b>	<b>15.7</b>	<b>55.5</b>	<b>7,281.2</b>
<b>At 31 March 2017</b>	<b>7,206.8</b>	<b>69.7</b>	<b>0.6</b>	<b>23.5</b>	<b>17.6</b>	<b>27.8</b>	<b>7,346.0</b>

\* Adjustment for motor vehicles is the refund of the vehicle cost from Electrical, Mechanical and Services Department.

### 5. Current Assets

	<b>2018</b> <b>\$M</b>	<b>2017</b> <b>\$M</b>
Debtors	31.1	23.2
Current account with Treasury	<u>3,687.1</u>	<u>3,578.3</u>
	<u>3,718.2</u>	<u>3,601.5</u>

### 6. Current Liabilities

	<b>2018</b> <b>\$M</b>	<b>2017</b> <b>\$M</b>
Receipts in advance	<u>4.7</u>	<u>4.7</u>

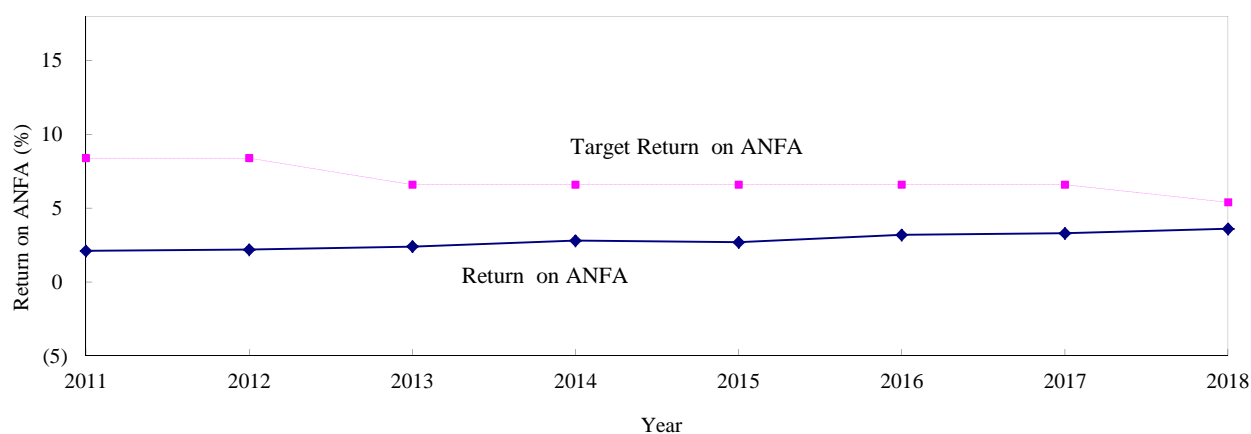
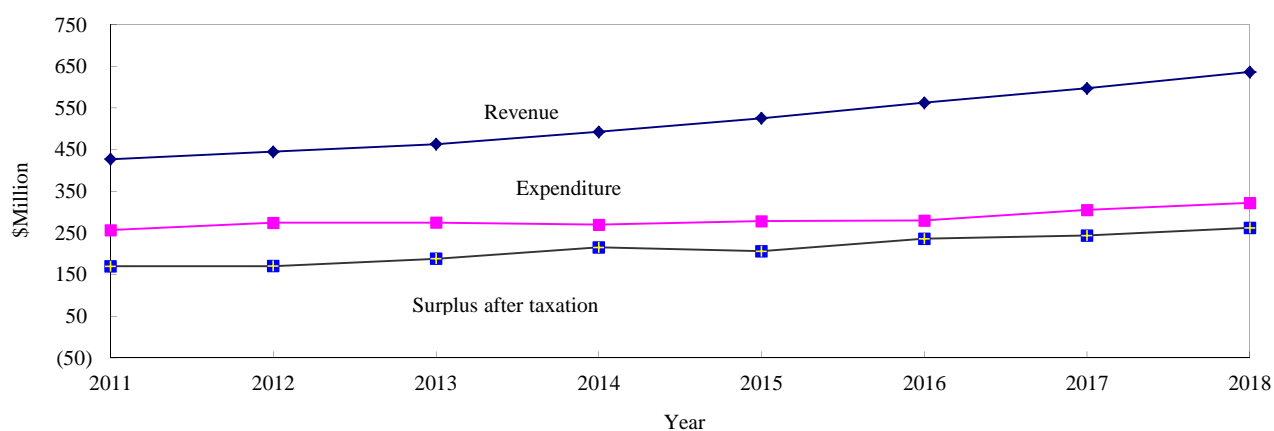
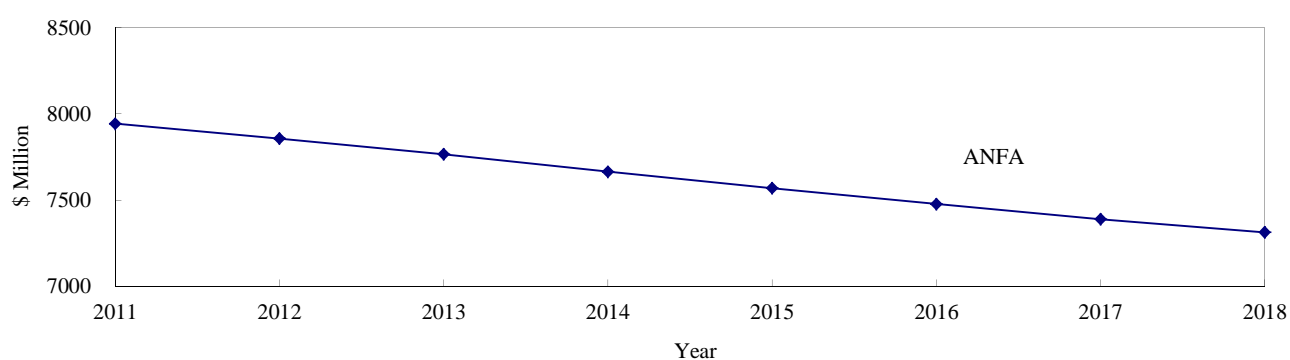
## NOTES TO THE ACCOUNTS

7. Deferred Tax		<b>2018</b>	<b>2017</b>
		\$M	\$M
	Balance as at 1 April	142.8	94.6
	Deferred taxation for the year	<u>51.9</u>	<u>48.2</u>
	Balance as at 31 March	<u>194.7</u>	<u>142.8</u>
8. Public Capital Account	The Public Capital Account represents the Government's investment in this utility.		
		<b>2018</b>	<b>2017</b>
		\$M	\$M
	Balance as at 31 March	<u>10,800.0</u>	<u>10,800.0</u>
9. Commitments	Outstanding commitments as at 31 March 2018 and 31 March 2017 not provided for in the financial statement were as follows:		
		<b>2018</b>	<b>2017</b>
		\$M	\$M
	Capital works projects, property and plant and equipment	<u>177.2</u>	<u>80.8</u>

## STATISTICAL HIGHLIGHTS

### Financial Statistics

	2011	2012	2013	2014	2015	2016	2017	2018
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Revenue	427.3	445.2	463.4	492.7	525.6	562.9	597.4	636.6
Expenditure	257.1	274.7	275.1	270.3	278.5	279.9	305.3	322.1
Surplus after taxation	170.2	170.5	188.3	215.3	206.3	236.3	243.9	262.6
Average net fixed assets (ANFA)	7,943.0	7,857.1	7,766.4	7,665.3	7,569.3	7,477.6	7,389.1	7,313.6
Return on ANFA (%)	2.1	2.2	2.4	2.8	2.7	3.2	3.3	3.6
Target return on ANFA(%)	8.4	8.4	6.6	6.6	6.6	6.6	6.6	5.4



## STATISTICAL HIGHLIGHTS

### Operating Statistics

	2011	2012	2013	2014	2015	2016	2017	2018
Number of vehicles using Lantau Link:								
- between Lantau and Kowloon (in Million)	23.02	24.18	25.34	27.00	28.94	31.08	32.78	34.53
- between Kowloon and Ma Wan (in Million)	0.66	0.68	0.70	0.76	0.82	0.88	0.92	0.93
Total (in Million)	23.68	24.86	26.04	27.76	29.76	31.96	33.70	35.46

# Lantau Link adopted the two-way collection from 20.8.2017, thus the number of vehicles represents every single trip statistics. For comparison purpose, the actual figures in 2011-2017 are restated from one-way statistics to single trip statistics.

