
Government Toll-Tunnels

REVIEW OF THE YEAR 2021-22

ACTIVITIES

- * Tunnels in use :
 - Aberdeen
 - Lion Rock
 - Shing Mun
 - Tseung Kwan O
 - 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.

- * Change in annual traffic :
 - Aberdeen increased by 2.9%
 - Lion Rock increased by 2.6%
 - Shing Mun increased by 0.5%
 - Tseung Kwan O increased by 2.4%
 - Route 8K increased by 6.4%

- * Toll charges :

| | |
|---------------|----|
| | \$ |
| Aberdeen | 5 |
| Lion Rock | 8 |
| Shing Mun | 5 |
| Tseung Kwan O | 3 |
| Route 8K | 8 |

FINANCIAL PERFORMANCE

- * Revenue increased by 3.1%
- * Expenditure increased by 0.2%
- * Surplus after taxation increased by 50.1%
- * Return on Average Net Fixed Assets increased from 0.6% (restated) to 0.8%

Government Toll-Tunnels

OPERATING ACCOUNT FOR THE YEAR ENDED 31 MARCH 2022

| | Note | 2022 \$M | (restated) 2021 \$M |
|-------------------------|------------|--------------------|---------------------------|
| Revenue | 2 | 735.7 | 713.6 |
| Expenditure | 2 | <u>673.0</u> | <u>671.8</u> |
| Surplus before taxation | | 62.7 | 41.8 |
| Taxation | 1(d) and 3 | <u>10.3</u> | <u>6.9</u> |
| Surplus after taxation | | <u><u>52.4</u></u> | <u><u>34.9</u></u> |

FINANCIAL PERFORMANCE MEASURES

| | | | |
|---------------------------------|------------|---------|--------------------|
| Average net fixed assets (ANFA) | 1(g) and 4 | 6,224.3 | 6,335.2 |
| Actual return | | 52.4 | (restated) 34.9 |
| Target return | | 336.1 | 342.1 |
| Actual return as % of ANFA | 1(f) | 0.8% | (restated) 0.6% |
| Target return as % of ANFA | | 5.4% | 5.4% |

The annexed notes form part of these accounts.

Government Toll-Tunnels

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2022

| | Note | 2022 \$M | (restated) 2021 \$M |
|------------------------|------------------|----------------|---------------------------|
| Net assets employed | | | |
| Fixed assets | 1(b) & (c) and 4 | 6,169.4 | 6,279.3 |
| Current assets | 5 | 3,085.6 | 2,945.1 |
| Current liabilities | 6 | (6.2) | (6.1) |
| Net current assets | | 3,079.4 | 2,939.0 |
| Deferred tax | 1(d), 3 and 7 | <u>(468.2)</u> | <u>(457.9)</u> |
| | | <u>8,780.6</u> | <u>8,760.4</u> |
| Financed by | | | |
| Public capital account | 8 | <u>8,780.6</u> | <u>8,760.4</u> |

The annexed notes form part of these accounts.

Government Toll-Tunnels

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% |
| Motor vehicles | 11%-13% |

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.

(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.

Government Toll-Tunnels

NOTES TO THE ACCOUNTS

(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

| | Aberdeen | Lion | Shing | Tseung | Route | 2022 | (restated) 2021 |
|---|--------------|--------------|---------------|--------------|----------------|--------------|--------------------|
| | \$M | Rock | Mun | Kwan O | 8K | Total | Total |
| | | \$M | \$M | \$M | \$M | \$M | \$M |
| Revenue | | | | | | | |
| Toll collections | 101.3 | 243.0 | 87.0 | 99.3 | 167.3 | 697.9 | 674.4 |
| Toll charges from Government vehicles | 0.5 | 0.5 | 0.5 | 0.4 | 0.8 | 2.7 | 2.7 |
| Toll charges from tunnel tickets for people with disabilities | 0.2 | 0.6 | 0.1 | 0.2 | 0.3 | 1.4 | 1.5 |
| Toll charges from franchised buses waived | 5.5 | 9.6 | 5.0 | 2.3 | 3.4 | 25.8 | 26.6 |
| Miscellaneous receipts | 0.5 | 2.7 | 0.9 | 2.1 | 1.7 | 7.9 | 8.4 |
| | <u>108.0</u> | <u>256.4</u> | <u>93.5</u> | <u>104.3</u> | <u>173.5</u> | <u>735.7</u> | <u>713.6</u> |
| Expenditure | | | | | | | |
| Staff costs | 4.2 | 4.3 | 4.7 | 2.4 | 5.5 | 21.1 | 20.0 |
| Operating and administration expenses [^] | 16.3 | 23.1 | 16.1 | 12.1 | 56.9 | 124.5 | 134.5 |
| Management fees to contractors | 57.1 | 38.2 | 61.8 | 36.5 | 156.6 | 350.2 | 342.3 |
| Depreciation | 19.1 | 10.5 | 31.8 | 14.8 | 101.0 | 177.2 | 175.0 |
| | <u>96.7</u> | <u>76.1</u> | <u>114.4</u> | <u>65.8</u> | <u>320.0</u> | <u>673.0</u> | <u>671.8</u> |
| Surplus / (deficit) before taxation | <u>11.3</u> | <u>180.3</u> | <u>(20.9)</u> | <u>38.5</u> | <u>(146.5)</u> | <u>62.7</u> | <u>41.8</u> |

[^] Prior year adjustment is made to include non-capitalised expenses relating to the identification of user requirements, project definition study, feasibility study and product selection, etc. incurred in 2020-21. The operating and administration expenses for 2020-21 is increased by \$32.3M to \$134.5M. See also Notes 3, 5, 7 and 10.

3. Taxation

| | 2022 | (restated) 2021 |
|---|-------------|--------------------|
| | \$M | \$M |
| Notional profits tax | - | - |
| Deferred taxation for the year [^] | <u>10.3</u> | <u>6.9</u> |
| Taxation for the year | <u>10.3</u> | <u>6.9</u> |

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

[^] As a result of the prior year adjustment mentioned in Note 2, the deferred tax expense for 2020-21 is decreased by \$5.3M.

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NOTES TO THE ACCOUNTS

4. Fixed Assets

| | Tunnel Construction and Road Works \$M | Buildings \$M | Lighting and Ventilation \$M | Equipment \$M | Motor Vehicles \$M | Assets under Construction \$M | Total \$M |
|---------------------------------|--|------------------|---------------------------------------|------------------|--------------------------|-------------------------------------|-----------------|
| At Cost | | | | | | | |
| At 1 April 2021 | 6,972.1 | 700.0 | 1,168.5 | 982.8 | 83.0 | 53.6 | 9,960.0 |
| Additions | 1.0 | 0.1 | 5.1 | 10.1 | - | 51.0 | 67.3 |
| Adjustment | - | - | - | - | - | - | - |
| Transfer | - | - | 3.3 | 60.7 | 5.1 | (69.1) | - |
| Disposals | - | - | - | - | (1.3) | - | (1.3) |
| At 31 March 2022 | 6,973.1 | 700.1 | 1,176.9 | 1,053.6 | 86.8 | 35.5 | 10,026.0 |
| Accumulated Depreciation | | | | | | | |
| At 1 April 2021 | 1,796.2 | 210.8 | 766.5 | 857.8 | 49.4 | - | 3,680.7 |
| Transfer | - | - | - | - | - | - | - |
| Charge for the year | 85.9 | 14.0 | 49.9 | 21.5 | 5.9 | - | 177.2 |
| Adjustment | - | - | - | - | - | - | - |
| Written back on disposals | - | - | - | - | (1.3) | - | (1.3) |
| At 31 March 2022 | 1,882.1 | 224.8 | 816.4 | 879.3 | 54.0 | - | 3,856.6 |
| Net Book Value | | | | | | | |
| At 31 March 2022 | 5,091.0 | 475.3 | 360.5 | 174.3 | 32.8 | 35.5 | 6,169.4 |
| <i>At 31 March 2021</i> | <i>5,175.9</i> | <i>489.2</i> | <i>402.0</i> | <i>125.0</i> | <i>33.6</i> | <i>53.6</i> | <i>6,279.3</i> |

5. Current Assets

| | 2022 \$M | <i>(restated)</i> 2021 \$M |
|--|--------------------|---|
| Debtors | 17.4 | 27.8 |
| Current account with Treasury [^] | <u>3,068.2</u> | <u>2,917.3</u> |
| | <u>3,085.6</u> | <u>2,945.1</u> |

[^] As a result of the prior year adjustment mentioned in Note 2, the balance of Current account with Treasury as at 31 March 2021 is decreased by \$5.3M.

6. Current Liabilities

| | 2022 \$M | 2021 \$M |
|---------------------|--------------------|--------------------|
| Receipts in advance | 6.1 | 6.0 |
| Creditors | <u>0.1</u> | <u>0.1</u> |
| | <u>6.2</u> | <u>6.1</u> |

Government Toll-Tunnels

NOTES TO THE ACCOUNTS

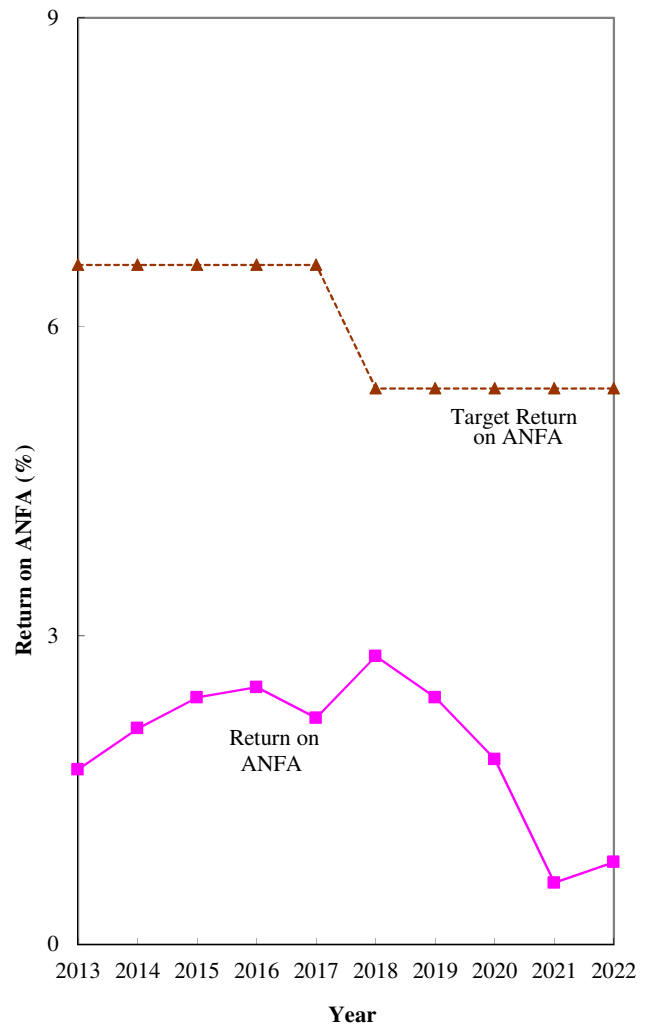
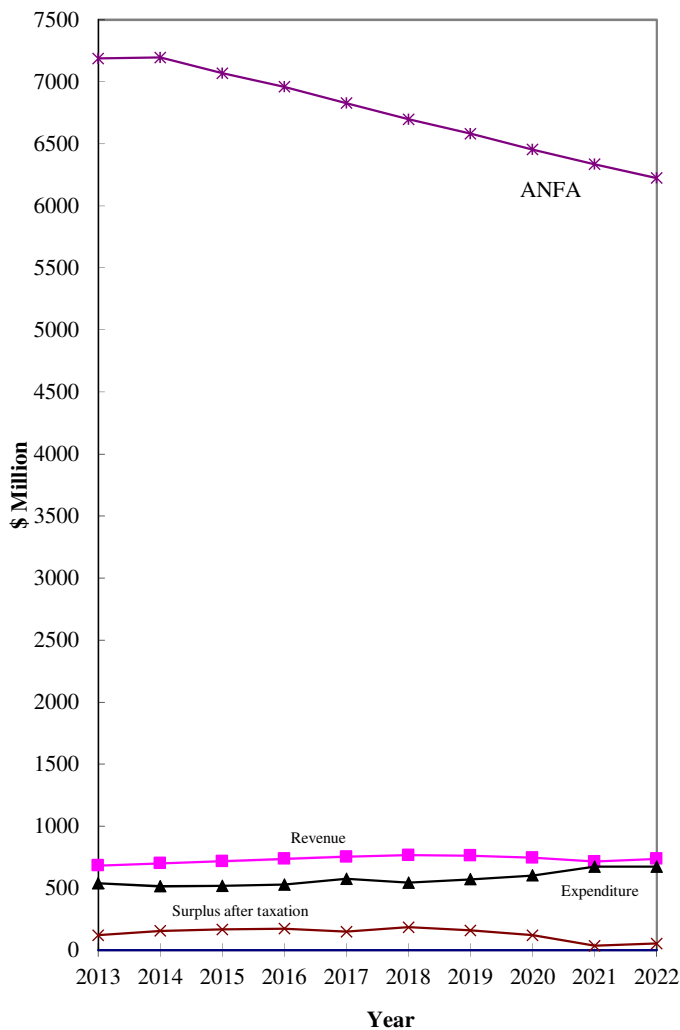
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|---------------------------|--|----------------|----------------------------------|
| 7. Deferred Tax | | 2022 | <i>(restated)</i> 2021 |
| | | \$M | \$M |
| | Balance as at 1 April | 457.9 | 451.0 |
| | Deferred taxation for the year [^] | <u>10.3</u> | <u>6.9</u> |
| | Balance as at 31 March | <u>468.2</u> | <u>457.9</u> |
| | [^] As a result of the prior year adjustment mentioned in Note 2, the deferred tax expense for 2020-21 and the balance of deferred tax liability as at 31 March 2021 are decreased by \$5.3M. | | |
| 8. Public Capital Account | The Public Capital Account represents Government's investment in this utility. | | |
| | | 2022 | 2021 |
| | | \$M | \$M |
| | Balance as at 1 April | 8,760.4 | 8,737.5 |
| | Addition | <u>20.2</u> | <u>22.9</u> |
| | Balance as at 31 March | <u>8,780.6</u> | <u>8,760.4</u> |
| 9. Commitments | Outstanding commitments as at 31 March 2022 and 31 March 2021 not provided for in the operating account were as follows: | | |
| | | 2022 | 2021 |
| | | \$M | \$M |
| | Capital works projects, property and plant and equipment | <u>1,040.0</u> | <u>982.4</u> |
| 10. Comparative Figures | Certain comparative figures for the year ended 31 March 2021 have been restated owing to the prior year adjustment mentioned in Note 2. | | |

Government Toll-Tunnels

STATISTICAL HIGHLIGHTS

Financial Statistics

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---------------------------|---------|---------|---------|---------|---------|---------|---------|---------|-------------------|---------|
| | \$M | \$M | \$M | \$M | \$M | \$M | \$M | \$M | (restated) \$M | \$M |
| Revenue | 681.3 | 699.8 | 716.7 | 735.4 | 752.6 | 765.4 | 761.3 | 744.0 | 713.6 | 735.7 |
| Expenditure | 538.2 | 514.5 | 516.8 | 528.5 | 573.7 | 543.2 | 570.4 | 601.1 | 671.8 | 673.0 |
| Surplus | | | | | | | | | | |
| after taxation | 119.5 | 154.7 | 166.9 | 172.8 | 149.4 | 185.5 | 159.4 | 119.3 | 34.9 | 52.4 |
| Average net fixed | | | | | | | | | | |
| assets (ANFA) | 7,188.4 | 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 |
| Return on ANFA (%) | 1.7 | 2.1 | 2.4 | 2.5 | 2.2 | 2.8 | 2.4 | 1.8 | 0.6 | 0.8 |
| Target Return on ANFA (%) | 6.6 | 6.6 | 6.6 | 6.6 | 6.6 | 5.4 | 5.4 | 5.4 | 5.4 | 5.4 |



Government Toll-Tunnels

STATISTICAL HIGHLIGHTS

Operating Statistics

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Number of vehicles using tunnels (million) | | | | | | | | | | |
| Aberdeen | 23.7 | 23.7 | 23.5 | 23.5 | 23.0 | 21.9 | 22.0 | 21.4 | 20.9 | 21.5 |
| Lion Rock | 32.4 | 33.0 | 33.2 | 33.7 | 33.9 | 33.5 | 33.1 | 31.6 | 30.9 | 31.7 |
| Shing Mun | 17.9 | 18.3 | 18.8 | 19.3 | 19.7 | 19.8 | 19.7 | 19.0 | 18.4 | 18.5 |
| Tseung Kwan O | 30.6 | 31.2 | 32.0 | 32.8 | 33.6 | 33.9 | 34.3 | 33.9 | 33.3 | 34.1 |
| Route 8K | 14.7 | 15.9 | 17.4 | 18.6 | 20.3 | 21.2 | 22.2 | 21.8 | 20.2 | 21.5 |
| | 119.3 | 122.1 | 124.9 | 127.9 | 130.5 | 130.3 | 131.3 | 127.7 | 123.7 | 127.3 |

