
Government Toll-Tunnels

REVIEW OF THE YEAR 2023-24

ACTIVITIES

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

Remarks : Cross Harbour Tunnel (CHT), Eastern Harbour Crossing (EHC), Tate's Cairn Tunnel (TCT) and Western Harbour Crossing (WHC) 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, TCT and WHC were not contributed by the Government, the CHT, EHC, TCT and WHC 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 remained unchanged
 - Lion Rock decreased by 1.3%
 - Shing Mun decreased by 2.2%
 - Route 8K increased by 4.2%

- * Toll charges :

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

FINANCIAL PERFORMANCE

- * Revenue increased by 9.8% (See Note)
- * Expenditure increased by 22.9%
- * Deficit increased from \$19.7M to \$107.4M (See Note)
- * Return on Average Net Fixed Assets decreased from -0.3% to -1.8% (See Note)

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

Government Toll-Tunnels

OPERATING ACCOUNT FOR THE YEAR ENDED 31 MARCH 2024

	Note	2024 \$M	2023 \$M
Revenue			
Tunnel operations		696.9	634.9
Derecognition of deferred tax liabilities		-	468.2
	2	<u>696.9</u>	<u>1,103.1</u>
Expenditure	2	<u>804.3</u>	<u>654.6</u>
(Deficit) / Surplus		<u>(107.4)</u>	<u>448.5</u>
Deficit (with income from derecognition of deferred tax liabilities excluded)		<u>(107.4)</u>	<u>(19.7)</u>

FINANCIAL PERFORMANCE MEASURES

Average net fixed assets (ANFA)	1(g) and 3	5,873.4	5,899.5
Actual return		(107.4)	(19.7)
Target return		258.4	259.6
Actual return as % of ANFA	1(f)	-1.8%	-0.3%
Target return as % of ANFA		4.4%	4.4%

The annexed notes form part of these accounts.

Government Toll-Tunnels

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2024

	Note	2024 \$M	2023 \$M
Net assets employed			
Fixed assets	1(b) & (c) and 3	5,871.1	5,875.7
Current assets	4	2,409.4	2,378.2
Current liabilities	5	(26.1)	(5.9)
Net current assets		<u>2,383.3</u>	<u>2,372.3</u>
		<u>8,254.4</u>	<u>8,248.0</u>
Financed by			
Public capital account	6	<u>8,254.4</u>	<u>8,248.0</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. All deficits are deemed to be financed by the General Revenue and adjusted to the Public Capital Account of the utility. 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%
Other Plant and Equipment	20%

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 (note 2).

(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 to average net fixed assets (ANFA) (2023: calculated as a percentage of deficit excluding the effect of derecognition of deferred tax liabilities to 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 \$M	Lion Rock \$M	Shing Mun \$M	Route 8K \$M	2024 Total \$M	2023 Total \$M
Revenue						
Toll collections	103.7	243.1	84.1	169.8	600.7	600.4
Toll charges from Government vehicles, people with disabilities, and franchised buses waived	6.0	9.1	5.8	6.7	27.6	26.6
Miscellaneous receipts	5.2	25.7	16.2	21.5	68.6	7.9
	114.9	277.9	106.1	198.0	696.9	634.9
Derecognition of deferred tax liabilities						468.2
						1,103.1
Expenditure						
Staff costs	4.5	4.5	5.1	6.9	21.0	19.6
Operating and administration expenses	28.2	59.8	32.4	94.2	214.6	149.3
Management fees to contractors	71.7	56.3	79.5	184.0	391.5	322.5
Depreciation	20.8	15.0	35.2	106.2	177.2	163.2
	125.2	135.6	152.2	391.3	804.3	654.6
(Deficit) / Surplus	(10.3)	142.3	(46.1)	(193.3)	(107.4)	448.5

The Government-built toll-tunnels are no longer required to report notional profits tax with effect from 2022-23. 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.

Government Toll-Tunnels

NOTES TO THE ACCOUNTS

3. Fixed Assets

	Tunnel Construction and Road Works \$M	Buildings \$M	Lighting and Ventilation \$M	Equipment \$M	Computer Assets \$M	Motor Vehicles \$M	Other Plant and Equipment \$M	Assets under Construction \$M	Total \$M
At Cost									
At 1 April 2023	6,524.7	669.0	1,099.9	886.8	19.7	72.6	-	117.1	9,389.8
Additions	-	-	-	0.6	16.0	10.5	0.8	152.5	180.4
Adjustment*	-	-	-	-	(8.8)	-	-	1.0	(7.8)
Transfer	-	-	-	128.0	-	3.2	-	(131.2)	-
Disposals	-	-	-	-	-	(9.8)	-	-	(9.8)
At 31 March 2024	6,524.7	669.0	1,099.9	1,015.4	26.9	76.5	0.8	139.4	9,552.6
Accumulated Depreciation									
At 1 April 2023	1,676.0	217.5	788.2	782.0	0.5	49.9	-	-	3,514.1
Transfer	-	-	-	-	-	-	-	-	-
Charge for the year	77.0	13.4	49.5	28.4	3.5	5.4	0.2	-	177.4
Adjustment	-	-	-	-	(0.2)	-	-	-	(0.2)
Written back on disposals	-	-	-	-	-	(9.8)	-	-	(9.8)
At 31 March 2024	1,753.0	230.9	837.7	810.4	3.8	45.5	0.2	-	3,681.5
Net Book Value									
At 31 March 2024	4,771.7	438.1	262.2	205.0	23.1	31.0	0.6	139.4	5,871.1
At 31 March 2023	4,848.7	451.5	311.7	104.8	19.2	22.7	-	117.1	5,875.7

* Adjustment includes re-allocation of HKEToll fixed assets.

4. Current Assets		2024 \$M	2023 \$M
Debtors		39.4	13.4
Current account with Treasury		2,370.0	2,364.8
		2,409.4	2,378.2
5. Current Liabilities		2024 \$M	2023 \$M
Receipts in advance		5.3	5.7
Creditors		20.8	0.2
		26.1	5.9

Government Toll-Tunnels

NOTES TO THE ACCOUNTS

6. Public Capital Account

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

	2024	2023
	\$M	\$M
Balance as at 1 April	8,248.0	8,780.6
Less: Deficit for the year	(107.4)	-
Addition	113.8	67.4
Exclusion of Tseung Kwan O Tunnel	-	(600.0)
Balance as at 31 March	<u>8,254.4</u>	<u>8,248.0</u>

7. Commitments

Outstanding commitments as at 31 March 2024 and 31 March 2023 not provided for in the operating account were as follows:

	2024	2023
	\$M	\$M
Capital works projects, property and plant and equipment	<u>852.6</u>	<u>934.2</u>

Government Toll-Tunnels

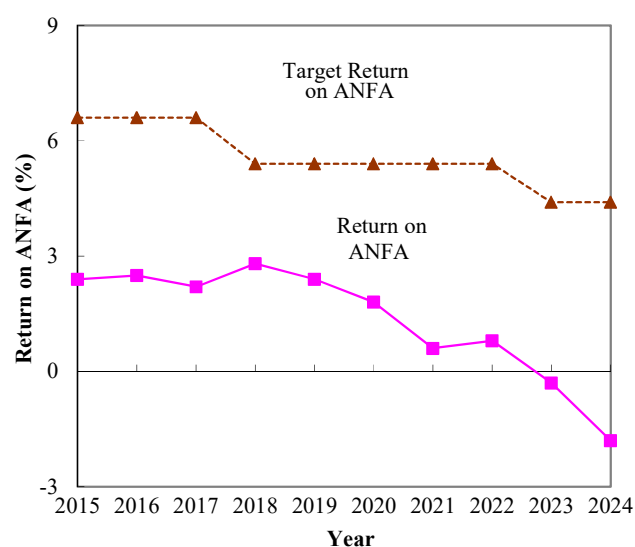
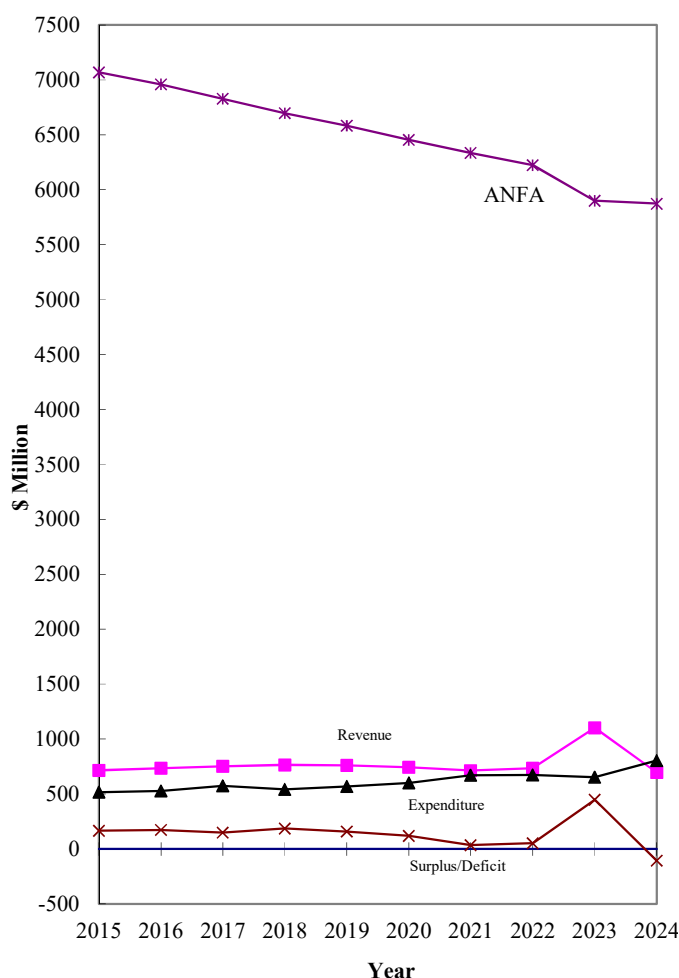
STATISTICAL HIGHLIGHTS

Financial Statistics

	2015	2016	2017	2018	2019	2020	(restated) 2021	2022	** 2023	2024
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Revenue	716.7	735.4	752.6	765.4	761.3	744.0	713.6	735.7	1,103.1	696.9
Expenditure	516.8	528.5	573.7	543.2	570.4	601.1	671.8	673.0	654.6	804.3
Surplus/(Deficit)										
before/after taxation*	166.9	172.8	149.4	185.5	159.4	119.3	34.9	52.4	448.5	(107.4)
Average net fixed										
assets (ANFA)	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	5,873.4
Return on ANFA (%)	2.4	2.5	2.2	2.8	2.4	1.8	0.6	0.8	(0.3)	(1.8)
Target Return on ANFA (%)	6.6	6.6	6.6	5.4	5.4	5.4	5.4	5.4	4.4	4.4

* Surplus/(Deficit) after taxation for 2015 to 2022.
Surplus/(Deficit) before taxation from 2023.

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



Government Toll-Tunnels

STATISTICAL HIGHLIGHTS

Operating Statistics

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Number of vehicles using tunnels (million)										
Aberdeen	23.5	23.5	23.0	21.9	22.0	21.4	20.9	21.5	21.9	21.9
Lion Rock	33.2	33.7	33.9	33.5	33.1	31.6	30.9	31.7	31.9	31.5
Shing Mun	18.8	19.3	19.7	19.8	19.7	19.0	18.4	18.5	18.4	18.0
Route 8K	17.4	18.6	20.3	21.2	22.2	21.8	20.2	21.5	21.2	22.1
	92.9	95.1	96.9	96.4	97.0	93.8	90.4	93.2	93.4	93.5

