

LOAN FUND

LOAN FUND

Memorandum Note

On 1 April 1990, the Legislative Council established the Loan Fund by Resolution to assume the functions of the Development Loan Fund and the Student Loan Fund. The Development Loan Fund had been used to finance development schemes in Hong Kong through loans and advances. The Student Loan Fund had been used to finance loans to students at selected post-secondary institutions. The Resolution provides, inter alia, that—

- (a) the Fund be administered by the Financial Secretary who may delegate his power of administration to other public officers;
- (b) there be credited to the Fund—
 - (i) such appropriations from general revenue as may be approved by the Legislative Council for the purpose of the Fund;
 - (ii) all sums received by way of repayment of any loan or advance made from the Fund under sub-paragraph (c) below;
 - (iii) all sums received by way of interest or dividend on any loan or advance made from the Fund under sub-paragraph (c) below and any sum invested under sub-paragraph (e) below;
 - (iv) all sums received from the sale or other disposal of all or part of any investment made under sub-paragraph (e) below; and
 - (v) all such other sums as may be received for the purpose of the Fund;
- (c) the Financial Secretary may expend moneys from the Fund for the purpose of—
 - (i) meeting the liabilities assumed under the terms and conditions already approved as at 31 March 1990 by the Finance Committee; and
 - (ii) granting loans and advances to such persons as may be approved by the Finance Committee, in accordance with such terms and conditions as may be specified by the Finance Committee;
- (d) the Director of Accounting Services shall, under the authority of a funds warrant issued by the Financial Secretary, pay from the Fund such sums as may be required to meet expenditure from the Fund;
- (e) the Financial Secretary may, in his discretion, authorise the investment of moneys forming the unexpended balance held in the Fund at any time in interest-bearing securities in such manner as he may determine; and
- (f) the Financial Secretary may from time to time transfer from the Fund to the general revenue any balance held in the Fund which is not in his opinion reasonably required for the purpose of the Fund.

2 The revised loan payments for 2005–06 are estimated at \$3,298,068,000. The loan payments for 2006–07 are estimated at \$4,886,494,000.

3 The revised loan repayments and other receipts for 2005–06 are estimated at \$1,820,559,000. This includes proceeds of \$171,608,000 from sale of loans. The loan repayments and other receipts for 2006–07 are estimated at \$6,072,530,000. Estimated sums of \$2,600,000,000 will be transferred from the general revenue in 2005–06. In 2006–07, estimated net sums of \$2,200,000,000 will be transferred to the general revenue.

4 The following notes supplement the estimates of payments and receipts in respect of the approved projects.

Head 251—Housing

Hong Kong Housing Society

5 Government provided loans totalling \$146,019,000 to the Housing Society for the completed housing schemes and interest is payable on the outstanding balance at either 3.5% or 5% per annum. These loans are repayable over 40 years from the respective date of completion of each scheme. From July 1974 to January 1988, the Finance Committee approved two separate loans at 5% per annum and another two interest-free loans totalling \$390,800,000 to the Housing Society for the development of different public housing projects. These loans are repayable over periods ranging from seven to 40 years. The total amount of approved loans to the Housing Society for these housing schemes is \$536,819,000 against which \$536,818,000 has been drawn and no further drawdown is expected. The estimated repayments in 2005–06 and 2006–07 are \$6,389,000 and \$6,059,000 respectively.

6 On 21 February 1997, the Finance Committee approved a commitment of \$1,380,000,000 to provide the Housing Society with interest-free funding to make loans under the extended Sandwich Class Housing Loan Scheme (SCHLS) whereby low interest loans were granted to eligible applicants to assist them in buying their own homes. The Housing Society had drawn the full amount by 31 March 1998.

7 On 9 January 1998, the Finance Committee approved a commitment of \$18,000,000,000 to provide the Housing Society with interest-free funding to make loans under the Home Starter Loan Scheme (HSLs) whereby low-interest loans were granted to eligible home buyers to purchase their own homes. Applications for the HSLs were closed on 31 March 2002 and the Housing Society had drawn \$14,953,000,000 by that date.

8 On 2 December 2003, the Government signed an agreement with the Hong Kong Mortgage Corporation Limited (HKMCL) for the sale of loans under the SCHLS and HSLs which are secured by second legal charges. As a result of the sale, the loan repayments received by the Housing Society less any reasonable expenses necessarily incurred in

LOAN FUND

implementing the loan schemes are remitted to the HKMCL. The loan repayments received by the Housing Society from the unsold loans less any reasonable expenses continue to be remitted to the Government. The estimated remittances under the HSLs in 2005–06 and 2006–07 are \$43,083,000 and \$26,001,000 respectively.

Local government officers

Loans 3.5% to 5% p.a.

9 The loan scheme for the Co-operative Housing Scheme for government officers started in 1952. Under this scheme, eligible government officers who formed a co-operative building society could obtain land at one-third of the full market value and a building loan to enable them to construct blocks of flats. The loans are repayable over 20 years at an interest of 5% per annum (3.5% before August 1960). The total value of approved loans for this scheme is \$179,800,000, against which \$179,767,000 had been drawn by 31 March 1982. No further drawdown is expected. The estimated repayments in 2005–06 and 2006–07 are \$794,000 and \$834,000 respectively.

Housing assistance for civil servants

10 On 11 February 1981, the Finance Committee approved a commitment of \$400,000,000 to provide downpayment loans and housing loans under the civil service housing benefits schemes. From December 1985 to January 1989, the commitment was increased several times to \$2,137,000,000 to cover additional requirements. On 13 July 1990, 9 June 1995, and 7 May 1999, the Finance Committee approved increases in the commitment by \$4,553,000,000, \$2,123,000,000 and \$1,625,000,000 respectively to \$10,438,000,000 for servicing loans under the Home Purchase Scheme, the Home Financing Scheme and the Housing Loan Scheme. All the above loans are repayable with interest.

11 Subsequent to the Government's agreement with the HKMCL on 30 May 2003 for the sale of outstanding loans under various housing loan schemes for civil servants and the receipt of proceeds of \$4,790,815,000, further disposal of the accumulated stock of loans to the HKMCL were made in August 2004 and August 2005. The proceeds from these two sales amounted to \$177,049,000 and \$171,608,000 respectively. After the sale, only the loan repayment from the unsold loans and new loans granted after the sale will be received by the Government. The estimated loan payments and repayments in 2005–06 are \$186,000,000 and \$70,729,000 respectively.

12 Assuming that the existing practice of disposing the accumulated stock of new loans will continue in 2006–07, the estimated loan payments and repayments in 2006–07 are \$366,000,000 and \$68,914,000 respectively.

Head 252—Loans to Schools/Teachers

Loans to schools

13 Consequent upon the abolition of 'tong fai' and similar charges in junior secondary forms of aided and private non-profit-making schools on 9 May 1979, repayments of all outstanding loans for these schools have been waived. Loans to other schools are still subject to repayments. The approved commitment was \$222,086,000, against which loans totalling \$221,488,000 were drawn and no further drawdown is expected. It is estimated that the outstanding loan amount of \$2,489,000 will be fully repaid in 2005–06.

Loans to schools in the Direct Subsidy Scheme

14 On 12 July 1991, the Finance Committee approved a commitment of \$36,760,000 to provide an interest-free loan to the Chinese International School to meet part of the construction cost of a new school building at Braemar Hill, Hong Kong. The loan is repayable over a period of ten years from 1992. On 5 March 1993, the Finance Committee approved a commitment of \$20,225,000 to provide an interest-free loan to the German Swiss International School to meet part of the construction cost of its extension block at Guildford Road, Hong Kong. The loan is repayable over a period of ten years from 1994. The above loans have been fully repaid on 11 September and 8 October 2002 respectively. On 16 April 1993, the Finance Committee approved a commitment of \$45,207,000 to provide an interest-free loan to the Hong Kong International School to meet part of the construction cost of its extension project at Tai Tam, Hong Kong. The loan is repayable over a period of ten years from 1996. On 24 May 1996, the Finance Committee approved a commitment of \$79,769,000 to provide an interest-free loan to the French International School to meet part of the construction cost of its extension project at Blue Pool Road, Hong Kong. The loan is repayable over a period of ten years from 2000. All the loans have been fully drawn. The estimated repayments in 2005–06 and 2006–07 are \$11,744,000 and \$7,977,000 respectively.

Loans to non-profit-making international schools

15 On 17 January 1997, the Finance Committee approved a commitment of \$66,591,000 to provide an interest-free loan to the Canadian International School to meet part of the construction cost of a new school building at Nam Long Shan Road, Hong Kong. On 20 June 1997, the Finance Committee approved a commitment of \$44,800,000 to provide an interest-free loan to the Hong Kong Japanese International School Limited to meet the capital cost of a new school building in Tai Po Kau, N.T. On 26 November 1999, the Finance Committee approved a commitment of \$77,000,000 to provide an interest-free loan to the Australian International School Foundation Limited to meet part of the construction cost of a new school building at Kowloon Tong. All the loans have been fully drawn and are repayable over a period of ten years with the first instalment due one year after the loans are drawn. The estimated repayments in both 2005–06 and 2006–07 are \$18,839,000.

LOAN FUND

Slope improvement loan scheme for private schools

16 On 25 June 1999, the Finance Committee approved a commitment of \$100,000,000 to provide loans to private schools for upgrading the sub-standard slopes under their maintenance responsibility as required by Dangerous Hillside Orders served by the Building Authority under section 27A of the Buildings Ordinance. The loans are offered on a non-means-tested basis. Loans to non-profit-making private schools are interest-free whereas those to profit-making private schools bear interest at the “no-gain-no-loss” rate. The loans are normally repayable with interest, where applicable, by instalments within a period of up to 60 months. This may be extended to a maximum of 120 months where justified. The first instalment is due one month after the final drawdown of the loan.

17 The loan scheme operates on a revolving basis. There was no outstanding loan as at 31 March 2005. The estimated payments in 2005–06 are \$6,000,000. The estimated payments and repayments in 2006–07 are \$7,000,000 and \$2,050,000 respectively.

Start-up loans to post-secondary education providers

18 On 6 July 2001, the Finance Committee approved a commitment of \$5,000,000,000 to provide post-secondary education providers with interest-free loans to meet their start-up expenses for launching accredited post-secondary education programmes. The loans are repayable in ten equal annual instalments starting one year after the date of the final drawdown. The estimated payments and repayments in 2005–06 are \$719,207,000 and \$86,061,000 respectively. The estimated payments and repayments in 2006–07 are \$1,115,514,000 and \$103,034,000 respectively.

Head 254—Loans to Students

Students of the universities, the Hong Kong Institute of Vocational Education, the Prince Philip Dental Hospital, the Hong Kong Institute of Education and the Hong Kong Academy for Performing Arts

19 The Local Student Finance Scheme (LSFS) provides financial assistance to eligible full-time students of publicly-funded institutions, i.e. University Grants Committee (UGC) - funded institutions, the Hong Kong Institute of Vocational Education of the Vocational Training Council, the Hong Kong Academy for Performing Arts, and the Dental Technology Course at the Prince Philip Dental Hospital.

20 The LSFS, which is a means-tested scheme, provides assistance to students in need in the form of grants and/or loans. The loan element is intended to help towards students’ living and personal expenses. The maximum loan for each student has been increased from \$33,190 in the 2004/05 academic year to \$33,850 in the 2005/06 academic year to reflect general price increases. The loans, which are interest-bearing at 2.5% per annum as from the commencement of repayment, are normally repayable over a period of five years after the students’ graduation or termination of studies.

Non-means-tested loan scheme

21 The Non-means-tested Loan Scheme (NLS) was introduced in 1998 to complement the LSFS and to ensure that no qualified students are denied access to tertiary education because of lack of means. It provides financial assistance in the form of loans for tuition fees to eligible students of publicly-funded institutions (i.e. UGC-funded institutions, the Hong Kong Institute of Vocational Education of the Vocational Training Council, the Hong Kong Academy for Performing Arts, and the Dental Technology Course at the Prince Philip Dental Hospital), the Hong Kong Shue Yan College (HKSYP) and the Open University of Hong Kong, and persons pursuing continuing and professional education courses provided in Hong Kong by registered schools, non-local universities and professional and recognised training bodies.

22 Eligible students may obtain a loan under the NLS up to the maximum amount of their tuition fees payable. Students who receive financial assistance under the LSFS may apply for loans under the NLS up to the difference between the maximum financial assistance under the LSFS and the amount of financial assistance they may receive under the LSFS, subject to the NLS loan maximum (equivalent to the tuition fees payable) not being exceeded. Students who fail to obtain assistance or do not wish to apply under the LSFS may obtain NLS loans up to the maximum amount of their tuition fees payable.

23 With effect from the 2001/02 academic year, a Non-means-tested Loan Scheme for Post-secondary Students (NLSPS) was introduced to complement the Financial Assistance Scheme for Post-secondary Students (FASP) to provide loans to eligible full-time students aged 25 or below pursuing accredited self-financing post-secondary education programmes to meet their tuition fees and living expenses. Eligible students may obtain a loan under the NLSPS up to the maximum amount of their tuition fees payable plus \$33,850 (for the 2005/06 academic year) for their living expenses. Students who receive FASP may apply for loans under the NLSPS up to the difference between their tuition fees and the financial assistance they may receive under the FASP plus \$33,850 (for the 2005/06 academic year) for their living expenses.

24 The NLS and the NLSPS operate on a full-cost recovery basis. Interest is payable on the outstanding balance of the loan at the “no-gain-no-loss” rate, plus a 1.5% risk-adjusted factor which seeks to cover the Government’s risk in disbursing unsecured loans. An administrative fee is chargeable for each application and annually thereafter until the loan is fully repaid.

Means-tested loans to post-secondary students

25 The FASP was introduced in the 2001/02 academic year to ensure that no qualified students are denied access to self-financing post-secondary education because of lack of means. The FASP is a means-tested scheme which provides

LOAN FUND

financial assistance in the form of grant or loan to eligible full-time students aged 25 or below pursuing accredited, self-financing post-secondary education programmes, leading to a qualification at or above the levels of higher diploma, associate degree and/or professional diploma. The maximum level of financial assistance under the FASP is capped at the tuition fee payable for the accredited programme subject to a ceiling of \$55,890 (for the 2005/06 academic year).

26 The loans are repayable within ten years upon graduation, termination of studies, or lapse of six years from the first disbursement of financial assistance, whichever is the earliest, and are interest-bearing at 2.5% per annum as from the commencement of repayment.

Students of approved post-secondary colleges

27 The Student Finance Assistance Scheme provides loans to eligible continuing students of the HKSYP registered in the 2000/01 academic year or before. The loans are repayable over a period of four years after the students leave the college. Since the 1991/92 academic year, the interest rate of these loans has been fixed at 2.5% per annum. The scheme has been replaced by the FASP and was no longer available to new students of the HKSYP from the 2001/02 academic year onwards.

Hong Kong students in the United Kingdom

28 The former Hong Kong/United Kingdom Governments Joint Funding Scheme provided financial assistance to eligible Hong Kong students of first degree or Higher National Diploma courses in the United Kingdom. Financial assistance under the scheme was subject to means-testing and was in the form of grants and loans. Loans under this scheme are normally repayable over a period of five years after the students' graduation or termination of studies. The scheme was phased out as from the 1994/95 academic year. No more loan payments are to be made under this scheme.

29 As at 31 March 2005, the amount of outstanding loans under the schemes mentioned in paragraphs 20 to 29 above was \$6,395,751,000. The estimated loan payments and repayments in 2005–06 are \$2,081,788,000 and \$934,175,000 respectively. The loans under the NLS and NLSPS are planned to be sold towards the end of 2006–07. Assuming that the loans are sold as scheduled, the estimated loan payments and repayments for 2006–07 are \$2,298,553,000 and \$997,212,000 respectively.

Head 255—Interest-free loans to employees injured at work and dependants of employees who die as a result of work-related accidents

Loans to employees injured at work and dependants of deceased employees

30 On 2 July 1993, the Finance Committee approved a revolving fund with a commitment of \$10,000,000 to provide temporary relief in the form of interest-free loans of up to \$15,000 each to employees injured at work and to dependants of employees who die as a result of work-related accidents. The loans are normally repayable in four equal quarterly repayments after the relevant employees' compensation claims have been settled. The estimated payments and repayments in 2005–06 are \$690,000 and \$332,000 respectively. The estimated payments and repayments in 2006–07 are \$690,000 and \$350,000 respectively.

Head 256—Interest-free loan for starting up Occupational Deafness Compensation Scheme

Loan to Occupational Deafness Compensation Board

31 On 28 April 1995, the Finance Committee approved an interest-free loan of \$115,000,000 to the Occupational Deafness Compensation Board for starting up the Occupational Deafness Compensation Scheme. The Board had fully drawn the loan by 31 March 1996. The loan is repayable in nine annual instalments starting from 1997–98. The outstanding loan amount of \$11,000,000 has been fully repaid in 2005–06.

Head 257—Employees Compensation Assistance Fund

Bridging loan to Employees Compensation Assistance Fund Board

32 On 16 June 2000, the Finance Committee approved the provision of a bridging loan up to \$60,000,000 to the Employees Compensation Assistance Fund Board to assist its cash flow up to the end of July 2001. The Board fully drew the loan in July 2001 and repaid the first instalment of \$10,000,000 in August 2001. On 21 June 2002, the Finance Committee approved the provision of an additional loan of \$220,000,000 to the Board. The additional loan has been fully drawn by 31 March 2005. Interest on the outstanding balance of \$50,000,000 of the previous bridging loan and the additional loan is payable at the "no-gain-no-loss" rate. The total loan is repayable by ten equal annual instalments beginning on 1 April 2006. The estimated repayment in 2006–07 is \$23,780,000.

Head 258—Protection of Wages on Insolvency Fund

Bridging loan to Protection of Wages on Insolvency Fund Board

33 On 8 November 2002, the Finance Committee approved the provision of a bridging loan up to \$695,000,000 to the Protection of Wages on Insolvency Fund Board to enable it to tide over its cash flow problem. The loan can be drawn by instalments as and when necessary until 31 March 2006. Interest is payable on the outstanding balance of the loan at the "no-gain-no-loss" rate. The outstanding loan amount of \$22,005,000 has been fully repaid on 1 April 2005.

LOAN FUND

Head 262—Primary Products

Fisheries loans

34 The Fisheries Development Loan Fund is a revolving fund established in January 1960 with a commitment of \$2,000,000 from the Development Loan Fund to provide loans at an interest rate of 6% per annum to promote fishing in middle and distant waters. The approved commitment for this fund was increased to \$5,000,000 in December 1961, \$7,000,000 in October 1984 and \$100,000,000 in November 1997. Loans are repayable by instalments according to a quarterly repayment pledge, normally by deduction at a minimum rate of 15% of the proceeds of sale of catches at the wholesale fish markets run by the Fish Marketing Organization and by cash in case the deduction falls short of the quarterly repayment pledge. The estimated loan payments and repayments in 2005–06 are \$3,000,000 and \$7,452,000 respectively. The estimated loan payments and repayments in 2006–07 are \$3,000,000 and \$12,864,000 respectively.

Kadoorie Agricultural Aid Loan Fund-livestock waste control scheme

35 On 16 March 1988, the Finance Committee approved a commitment of \$46,700,000 to the Kadoorie Agricultural Aid Loan Fund (KAALF) to provide loans, at interest rates determined by the KAALF Committee, to livestock farmers for installing waste treatment facilities in compliance with the requirements of the Waste Disposal Ordinance (Cap. 354) and the Waste Disposal (Livestock Waste) Regulations. On 10 December 1993, the Finance Committee approved an increase in the commitment by \$33,800,000 to \$80,500,000. The KAALF had drawn \$18,780,000 by 31 March 1999 and no further drawdown is expected. The estimated repayments in 2005–06 and 2006–07 are \$60,000 and \$491,000 respectively.

Kadoorie Agricultural Aid Loan Fund-loans to poultry farmers

36 On 9 January 1998, the Finance Committee approved a commitment of \$80,000,000 to the KAALF to provide loans, at an interest rate of 2% per annum, to chicken farmers affected by the poultry slaughter operation due to the avian influenza outbreak. The loans are for the chicken farmers to re-establish their businesses or to upgrade their equipment and facilities for the purpose of improving hygiene on the farms. The KAALF had drawn \$14,638,000 by 31 March 2000 and no further drawdown is expected. The estimated repayments in 2005–06 and 2006–07 are \$37,000 and \$103,000 respectively.

Kadoorie Agricultural Aid Loan Fund-loans to mariculturists

37 On 23 April 1998, the Finance Committee approved a commitment of \$200,000,000 to the KAALF to provide loans at an interest rate of 2% per annum to mariculturists affected by the red tide in March and April 1998. The loans are for the mariculturists to re-establish their fish farming businesses. The KAALF had drawn \$130,189,000 by 31 March 2000 and no further drawdown is expected. The estimated repayments in 2005–06 and 2006–07 are \$676,000 and \$4,024,000 respectively.

Kadoorie Agricultural Aid Loan Fund-loans to mariculturists affected by cold spell

38 On 30 April 2004, the Finance Committee approved a commitment of \$10,000,000 to the KAALF to provide loans to mariculturists affected by the cold spell in January and February 2004. The loans are for the mariculturists to re-establish their fish farming businesses. The KAALF had drawn \$2,130,000 by 30 September 2004. The estimated repayments in 2005–06 and 2006–07 are \$375,000 and \$1,705,000 respectively.

Loans to poultry wholesalers and retailers

39 On 9 January 1998, the Finance Committee approved a commitment of \$570,000,000 to provide loans at an interest rate of 2% per annum to poultry wholesalers and retailers who were affected by the avian influenza outbreak. The loans are for the poultry wholesalers and retailers to resume their businesses. Loans totalling \$81,498,000 had been drawn by 31 March 2000 and no further drawdown is expected. The estimated repayments in 2005–06 and 2006–07 are \$2,000 and \$438,000 respectively.

Fish Marketing Organization Loan Fund-loans to fishermen

40 On 25 June 1999, the Finance Committee approved a commitment of \$65,000,000 to the Fish Marketing Organization Loan Fund (FMOLF) to provide loans at an interest rate of 3% per annum to fishermen affected by the fishing moratorium in the South China Sea during June and July 1999. The loans are for the fishermen to maintain and repair their fishing vessels for resumption of fishing operation after the moratorium. The FMOLF had drawn \$46,645,000 by 31 March 2000 and no further drawdown is expected. It is estimated that the outstanding loan amount of \$83,000 will be fully repaid in 2005–06.

Loans to poultry wholesalers and retailers affected by avian flu

41 On 1 June 2001, the Finance Committee approved a commitment of \$146,000,000 to provide loans at an interest rate of 2% per annum to poultry wholesalers and retailers who were affected by the avian influenza outbreak in May 2001. The loans are for the poultry wholesalers and retailers to alleviate their cash flow problems during suspension of trading. Loans totalling \$15,423,000 had been drawn by 31 March 2002 and no further drawdown is expected. The estimated repayments in 2005–06 and 2006–07 are \$124,000 and \$958,000 respectively.

LOAN FUND

Loans to live poultry retailers

42 On 2 July 2004, the Finance Committee approved a commitment of \$9,000,000 to provide loans to live poultry retailers holding fresh provision shop licences with endorsement to sell live poultry to upgrade their facilities so as to enhance their sanitary and hygienic conditions. The loans are repayable in twenty-four monthly instalments and interest is payable on the outstanding loan balance at the “no-gain-no-loss” rate. No payment and repayment are expected in 2005–06. The estimated payments and repayments in 2006–07 are \$2,500,000 and \$99,000 respectively.

Loans to live poultry transporters

43 On 8 July 2005, the Finance Committee approved a commitment of \$14,000,000 to provide loans to live poultry transporters who cease operation in the delivery of live poultry permanently and upgrade/convert their vehicles for other business operations. The loans are repayable in twenty-four monthly instalments and interest is payable on the outstanding loan balance at the “no-gain-no-loss” rate. Payments of \$1,400,000 are expected in 2005–06. The estimated payments and repayments in 2006–07 are \$1,400,000 and \$373,000 respectively.

Head 266—Industry

Hong Kong Productivity Council

44 On 18 May 1988, the Finance Committee approved a commitment of \$156,100,000 to provide a loan to the Hong Kong Productivity Council for constructing a special-purpose building to house its present and planned facilities. On 31 May 1989, the Finance Committee approved an additional commitment of \$110,870,000 to the Council, thus bringing the total approved commitment to \$266,970,000. The Council has drawn a total of \$249,425,000. Interest incurred during the construction period which ended in December 1990 was capitalised. Interest is payable on the outstanding loan balance at the average best lending rate quoted by the note-issuing banks. The loan and interest thereon are repayable annually over 20 years as from December 1991. The estimated repayments in both 2005–06 and 2006–07 are \$13,025,000.

Head 269—Building Safety

Comprehensive Building Safety Improvement Loan Scheme

45 On 27 April 2001, the Finance Committee approved the merger of the Fire Safety Improvement Loan Scheme under Head 268 and the Building Safety Improvement Loan Scheme under Head 269 into a new Comprehensive Building Safety Improvement Loan Scheme (CBSILS) under Head 269 with a commitment of \$700,000,000 to provide loans to building owners who need financial assistance to improve the safety of their premises. The CBSILS is a revolving loan facility. Interest is payable on the outstanding balance of the loans at the “no-gain-no-loss” rate. The estimated payments and repayments in 2005–06 are \$81,377,000 and \$71,497,000 respectively. The estimated payments and repayments in 2006–07 are \$79,389,000 and \$72,980,000 respectively.

Head 274—Tourism

Loan for the Ocean Park Redevelopment Plans

46 On 16 December 2005, the Finance Committee approved a commitment of \$1,387,500,000 to provide a subordinated loan to the Ocean Park Corporation for a period of 25 years at a fixed interest rate of 5% per annum, and a guarantee for a \$1,387,500,000 commercial loan and interest arising therefrom for the Corporation to proceed with the Redevelopment Plans of the Ocean Park. With the Lowland Redevelopment Project superseded by the Redevelopment Plans, Subhead 111 “Ocean Park Lowland Redevelopment Fund” was deleted. The estimated payments in 2005–06 and 2006–07 are \$200,000,000 and \$847,000,000 respectively.

Head 275—Small and Medium Enterprises

Special finance scheme for small and medium enterprises

47 On 31 July 1998, the Finance Committee approved a commitment of \$2,500,000,000 for the establishment of a special finance scheme, which operated on a revolving basis, to provide guarantees for loans or credit facilities extended by recognised lending institutions to small and medium enterprises which were then hard hit by the liquidity crunch in Hong Kong. The maximum amount of the guarantee in each case was either \$2,000,000 or 50% of an approved loan, whichever was the less. On 23 April 1999, the Finance Committee approved an increase in the maximum amount of the guarantee in each case to either \$2,000,000 or 70% of an approved loan, whichever was the less. Under the scheme, the Government placed with a lending institution, on request, a deposit of up to the amount of each guarantee issued. On 12 November 1999, the Finance Committee approved the increase of the commitment to \$5,000,000,000 and at the same time the revocation of the deposit option for lending institutions. On 8 April 2000, the Government stopped receiving further applications. On 30 September 2000, all outstanding applications were either processed or withdrawn. Placements of deposits and payments of compensation under guarantees in default cases are classified as payments while uplifting of deposits and recoveries of compensation are classified as receipts. The net amount of payments as at 31 March 2005 was \$278,464,000. The estimated payments and repayments in 2005–06 are \$9,700,000 and \$3,700,000 respectively. The estimated payments and repayments for 2006–07 are \$15,000,000 and \$2,000,000 respectively.

LOAN FUND

Head 276—Water Supply

Loan to the Guangdong Provincial People's Government for the water quality improvement project

48 On 3 April 1998, the Finance Committee approved a commitment of \$2,364,000,000 to provide an interest-free loan to the Guangdong Provincial People's Government to help finance a works project in Guangdong to improve the quality of water supplied to the Hong Kong Special Administrative Region. The loan was fully drawn by 2002–03. The loan is repayable in 20 equal annual instalments starting from 2003–04. The estimated repayments in both 2005–06 and 2006–07 are \$118,200,000.

Head 277—Information Technology

Loan to Hong Kong Internet Registration Corporation Limited

49 On 8 March 2002, the Finance Committee approved a commitment of \$6,500,000 to provide a loan to the Hong Kong Internet Registration Corporation Limited for starting and maintaining its operations in the initial years. The loan is repayable by seven equal annual instalments (covering loan principal and interest) beginning on the third anniversary of the date of the first drawdown. Interest is payable at the average best lending rate quoted by the note-issuing banks in Hong Kong. The drawdown period of the loan was expired on 14 March 2004 and no drawdown was made.

Head 278—Hygiene Improvement

Incentive Scheme for Hygiene Improvement in Food Premises

50 On 27 February 2004, the Finance Committee approved a commitment of \$310,000,000 to provide loans to food business operators to improve the hygienic conditions of their food premises. The scheme operates on a revolving basis. The loans are repayable in twenty-four monthly instalments and interest is payable on the outstanding loan balance at the “no-gain-no-loss” rate. The estimated payments and repayments in 2005–06 are \$106,000 and \$25,000 respectively. The estimated payments and repayments in 2006–07 are \$348,000 and \$56,000 respectively.

Head 279—Construction Industry

Start-up loan to the Construction Workers Registration Authority

51 On 2 July 2004, the Finance Committee approved the provision of a start-up loan up to \$23,400,000 to the Construction Workers Registration Authority to finance its initial years' operation upon establishment. The loan can be drawn by instalments as and when necessary until 31 March 2007. Interest is payable on the outstanding balance of the loan at the “no-gain-no-loss” rate. The loan is repayable by nine equal annual instalments beginning on 1 April 2009. The estimated payments in 2005–06 and 2006–07 are \$8,800,000 and \$13,600,000 respectively.

LOAN FUND

(Payments)

Sub-head (Code)	Approved commitment	Actual expenditure to 31.3.2005	Revised estimate 2005-06	Estimate 2006-07
	\$'000	\$'000	\$'000	\$'000
Loans				
Head 251—Housing				
Housing assistance for civil servants				
151	Housing loans§	10,438,000	331,326	186,000
	<i>Head 251: total</i>	10,438,000	331,326	186,000
Head 252—Loans to Schools/Teachers				
105	Slope improvement loan scheme for private schools§.....	100,000	—	6,000
106	Start-up loan for post-secondary education providers	5,000,000	1,323,063	719,207
	<i>Head 252: total</i>	5,100,000	1,323,063	725,207
Head 254—Loans to Students				
101	Students of the universities, the Hong Kong Institute of Vocational Education, Prince Philip Dental Hospital, Hong Kong Institute of Education and Hong Kong Academy for Performing Arts.....	—	9,029,141	475,966
102	Non-means-tested loan scheme	—	4,240,537	1,483,861
103	Means-tested loan for post-secondary students ..	—	218,618	121,961
111	Students of approved post-secondary colleges ..	—	189,305	—
	<i>Head 254: total</i>	—	13,677,601	2,081,788
Head 255—Interest-free loans to employees injured at work and dependants of employees who die as a result of work- related accidents				
101	Loans to employees injured at work and dependants of deceased employees§	10,000	1,051	690
	<i>Head 255: total</i>	10,000	1,051	690
Head 258—Protection of Wages on Insolvency Fund				
101	Bridging loan to Protection of Wages on Insolvency Fund Board	695,000	22,000	—
	<i>Head 258: total</i>	695,000	22,000	—

§ The actual expenditure to 31.3.2005 represents the net amount of outstanding loans as at that date.

LOAN FUND
(Payments)

Sub-head (Code)	Approved commitment	Actual expenditure to 31.3.2005	Revised estimate 2005–06	Estimate 2006–07	
	\$'000	\$'000	\$'000	\$'000	
Loans					
Head 262—Primary Products					
101	Fisheries loans§	100,000	77,942	3,000	3,000
151	Loans to live poultry retailers	9,000	—	—	2,500
161	Loans to live poultry transporters.....	14,000	—	1,400	1,400
	<i>Head 262: total</i>	<u>123,000</u>	<u>77,942</u>	<u>4,400</u>	<u>6,900</u>
Head 269—Building Safety					
101	Comprehensive Building Safety Improvement Loan Scheme§	700,000	118,854	81,377	79,389
	<i>Head 269: total</i>	<u>700,000</u>	<u>118,854</u>	<u>81,377</u>	<u>79,389</u>
Head 274—Tourism					
121	Loan for the Ocean Park Redevelopment Plans	1,387,500	—	200,000	847,000
	<i>Head 274: total</i>	<u>1,387,500</u>	<u>—</u>	<u>200,000</u>	<u>847,000</u>
Head 275—Small and Medium Enterprises					
101	Special finance scheme for small and medium enterprises§	5,000,000	278,464	9,700	15,000
	<i>Head 275: total</i>	<u>5,000,000</u>	<u>278,464</u>	<u>9,700</u>	<u>15,000</u>
Head 277—Information Technology					
101	Loan to Hong Kong Internet Registration Corporation Limited	6,500	—	—	—
	<i>Head 277: total</i>	<u>6,500</u>	<u>—</u>	<u>—</u>	<u>—</u>
Head 278—Hygiene Improvement					
101	Incentive scheme for hygiene improvement in food premises§	310,000	16	106	348
	<i>Head 278: total</i>	<u>310,000</u>	<u>16</u>	<u>106</u>	<u>348</u>

§ The actual expenditure to 31.3.2005 represents the net amount of outstanding loans as at that date.

LOAN FUND

(Payments)

Sub-head (Code)	Approved commitment	Actual expenditure to 31.3.2005	Revised estimate 2005-06	Estimate 2006-07	
	\$'000	\$'000	\$'000	\$'000	
Loans					
Head 279—Construction Industry					
101	Start-up loan to the Construction Workers Registration Authority.....	23,400	1,000	8,800	13,600
	<i>Head 279: total</i>	23,400	1,000	8,800	13,600
	Additional Commitments	—	—	—	136,500†
	Transfer to General Revenue	—	—	—	4,700,000
Total (Payments)					
	<u>23,793,400</u>	<u>15,831,317</u>	<u>3,298,068</u>	<u>9,586,494</u>	

† Subject to Finance Committee's approval.

LOAN FUND
(Receipts)

Sub-head (Code)	Actual receipts to 31.3.2005	Revised estimate 2005–06	Estimate 2006–07	
	\$'000	\$'000	\$'000	
Loan repayments				
Head 251—Housing				
Hong Kong Housing Society				
211	Completed schemes	139,146	2,869	2,539
213	Rural public housing			
	(i) Tui Min Hoi.....	13,824	758	758
	(ii) Sha Tau Kok.....	37,755	2,762	2,762
215	Sandwich class housing loan scheme	1,380,000	—	—
216	Home starter loan scheme.....	11,838,044	43,083	26,001
Local government officers				
221	Loans 3.5 to 5% p.a.	176,448	794	834
Housing assistance for civil servants				
251	Housing loans#.....	—	70,729	68,914
Housing loans to Hong Kong Institute of Education staff				
261	Housing loans	4,147	—	—
	<i>Head 251: total</i>	<u>13,589,364</u>	<u>120,995</u>	<u>101,808</u>
Head 252—Loans to Schools/Teachers				
201	Loans to schools	218,999	2,489	—
203	Loans to schools in the Direct Subsidy Scheme	140,968	11,744	7,977
204	Loans to non-profit-making international schools.....	79,416	18,839	18,839
205	Slope improvement loan scheme for private schools#.....	—	—	2,050
206	Start-up loan for post-secondary education providers	139,921	86,061	103,034
	<i>Head 252: total</i>	<u>579,304</u>	<u>119,133</u>	<u>131,900</u>
Head 254—Loans to Students				
201	Students of the universities, the Hong Kong Institute of Vocational Education, Prince Philip Dental Hospital, Hong Kong Institute of Education and Hong Kong Academy for Performing Arts.....	6,418,244	536,243	521,196
202	Non-means-tested loan scheme	692,556	372,254	441,750
203	Means-tested loan for post-secondary students	11,635	13,349	23,845
211	Students of approved post-secondary colleges	152,856	12,310	10,412

Actual receipts to 31.3.2005 are not shown as the item is a revolving loan.

LOAN FUND
(Receipts)

Sub-head (Code)	Actual receipts to 31.3.2005	Revised estimate 2005–06	Estimate 2006–07
	\$'000	\$'000	\$'000
Loan repayments			
Head 254—Loans to Students—Cont'd.			
231	173,157	19	9
	7,448,448	934,175	997,212
Head 255—Interest-free loans to employees injured at work and dependants of employees who die as a result of work-related accidents			
201	—	332	350
	—	332	350
Head 256—Interest-free loan for starting up Occupational Deafness Compensation Scheme			
201	104,000	11,000	—
	104,000	11,000	—
Head 257—Employees Compensation Assistance Fund			
201	10,000	—	23,780
	10,000	—	23,780
Head 258—Protection of Wages on Insolvency Fund			
201	—	22,005	—
	—	22,005	—
Head 262—Primary Products			
201	—	7,452	12,864
211	19,193	60	491
212	14,498	37	103
213	124,404	676	4,024
214	50	375	1,705
221	80,340	2	438
231	46,512	83	—

Actual receipts to 31.3.2005 are not shown as the item is a revolving loan.

LOAN FUND
(Receipts)

Sub-head (Code)	Actual receipts to 31.3.2005	Revised estimate 2005-06	Estimate 2006-07	
	\$'000	\$'000	\$'000	
Loan repayments				
Head 262—Primary Products—Cont'd.				
241	Loans to poultry wholesalers and retailers affected by avian flu	13,897	124	958
251	Loans to live poultry retailers	—	—	99
261	Loans to live poultry transporters	—	—	373
	<i>Head 262: total</i>	298,894	8,809	21,055
Head 266—Industry				
201	Hong Kong Productivity Council—special-purpose building	189,658	13,025	13,025
	<i>Head 266: total</i>	189,658	13,025	13,025
Head 269—Building Safety				
201	Comprehensive Building Safety Improvement Loan Scheme#	—	71,497	72,980
	<i>Head 269: total</i>	—	71,497	72,980
Head 275—Small and Medium Enterprises				
201	Special finance scheme for small and medium enterprises#	—	3,700	2,000
	<i>Head 275: total</i>	—	3,700	2,000
Head 276—Water Supply				
201	Loan to the Guangdong Provincial People's Government for water quality improvement project	236,400	118,200	118,200
	<i>Head 276: total</i>	236,400	118,200	118,200
Head 278—Hygiene Improvement				
201	Incentive Scheme for Hygiene Improvement in Food Premises#	—	25	56
	<i>Head 278: total</i>	—	25	56
	<i>Loan repayments: total</i>	22,456,068	1,422,896	1,482,366

Actual receipts to 31.3.2005 are not shown as the item is a revolving loan.

LOAN FUND

(Receipts)

Sub-head (Code)	Actual receipts to 31.3.2005	Revised estimate 2005-06	Estimate 2006-07
	\$'000	\$'000	\$'000
Interest on loans	—	188,903	275,782
Surcharges on overdue loan repayments	—	2,700	2,700
Interest on deposits and bank balances	—	34,452	83,509
Proceeds from sale of loans	—	171,608	4,228,173
Transfer from General Revenue	—	2,600,000	2,500,000
Total (Receipts)	22,456,068	4,420,559	8,572,530

LOAN FUND

Movement of the Account

	Actual				Revised Estimate	Estimate
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
	\$m	\$m	\$m	\$m	\$m	\$m
Opening Balance	7,121	5,226	3,601	5,043	1,378	2,500
Revenue	5,382	4,463	17,623	1,688	1,820	6,072
Expenditure	7,277	2,788	2,181	2,553	3,298	4,886
Surplus/(Deficit) before Transfer	(1,895)	1,675	15,442	(865)	(1,478)	1,186
Net Transfer from/(to) GRA	—	(3,300)	(14,000)	(2,800)	2,600	(2,200)
Surplus/(Deficit) after Transfer	(1,895)	(1,625)	1,442	(3,665)	1,122	(1,014)
Closing Balance	5,226	3,601	5,043	1,378	2,500	1,486

Revenue Analysis

	Actual				Revised Estimate	Estimate
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
	\$m	\$m	\$m	\$m	\$m	\$m
Loan Repayments	4,509	4,024	2,481	1,374	1,423	1,482
Interest on Loans	473	292	202	128	189	276
Surcharges on Overdue Loan Repayments	3	3	3	2	2	3
Interest on Deposits and Bank Balances	397	144	39	7	34	83
Proceeds from Sale of Loans	—	—	14,898	177	172	4,228
Total Revenue	5,382	4,463	17,623	1,688	1,820	6,072

LOAN FUND

Expenditure Analysis

	Actual				Revised Estimate	Estimate
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
	\$m	\$m	\$m	\$m	\$m	\$m
Loans						
Housing	5,083	211	187	194	186	366
Loans to Schools/Teachers	280	478	293	351	725	1,122
Loans to Students	1,094	1,332	1,527	1,728	2,082	2,298
Labour	60	20	38	185	1	1
Primary Products	40	26	6	6	4	7
Building Safety	23	54	78	61	81	79
Tourism	—	—	—	—	200	847
Small and Medium Enterprises	106	76	52	27	10	15
Water Supply	591	591	—	—	—	—
Hygiene Improvement	—	—	—	—	—	—
Construction Industry	—	—	—	1	9	14
Additional Commitments	—	—	—	—	—	137
Total Expenditure	7,277	2,788	2,181	2,553	3,298	4,886