

# **LOAN FUND**

## LOAN FUND

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### 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 2006–07 are estimated at \$3,230,142,000. The loan payments for 2007–08 are estimated at \$4,131,826,000.

3 The revised loan repayments and other receipts for 2006–07 are estimated at \$2,072,838,000. This includes proceeds of \$107,216,000 from sale of loans. The loan repayments and other receipts for 2007–08 are estimated at \$2,389,797,000. Estimated sums of \$400,000,000 and \$1,600,000,000 will be transferred from the general revenue in 2006–07 and 2007–08 respectively.

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 2006–07 and 2007–08 are \$6,059,000 and \$4,984,000 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

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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 to the Government under the HSLs in 2006–07 and 2007–08 are \$26,397,000 and \$17,790,000 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 2006–07 and 2007–08 are \$361,000 and \$379,000 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, further disposals of the accumulated stock of loans to the HKMCL were made on a regular basis. 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 2006–07 are \$148,000,000 and \$37,034,000 respectively.

**12** Assuming that the existing practice of disposing the accumulated stock of new loans will continue in 2007–08, the estimated loan payments and repayments in 2007–08 are \$248,000,000 and \$37,877,000 respectively.

## **Head 252—Loans to Schools/Teachers**

### *Loans to schools in the Bought Place Scheme*

**13** On 12 July 1991, the Finance Committee approved a commitment to provide loans up to a total of \$490,000,000 to existing schools in the Bought Place Scheme (BPS) housed in rented accommodation for acquiring permanent school premises and carrying out necessary conversion works to bring their special room facilities to aided school standards. Under the Scheme, a BPS school which has secured a government loan will not be required to repay the loan as long as it remains in the BPS. However, if it ceases operation, leaves the BPS or joins the Direct Subsidy Scheme as a profit-making school, it may be required to repay the loan with or without interest having regard to the relevant repayment terms. No drawdowns are expected in 2006–07. The estimated repayments in 2006–07 are \$24,564,000. No drawdowns or repayments are expected in 2007–08.

### *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. 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. The above loans have been fully repaid on 11 September 2002, 8 October 2002 and 29 December 2005 respectively. 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 has been fully drawn and is repayable over a period of ten years from 2000. The estimated repayments in both 2006–07 and 2007–08 are \$7,977,000.

### *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 2006–07 and 2007–08 are \$18,839,000.

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### *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 (Cap. 123). 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. The outstanding loan as at 31 March 2006 was \$3,418,000. The estimated payments and repayments in 2006–07 are \$5,600,000 and \$600,000 respectively. The estimated payments and repayments in 2007–08 are \$4,000,000 and \$2,200,000 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 2006–07 are \$776,569,000 and \$103,034,000 respectively. The estimated payments and repayments in 2007–08 are \$819,033,000 and \$201,484,000 respectively.

## **Head 254—Loans to Students**

*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*

**19** The Local Student Finance Scheme (LSFS) which 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) will be renamed as the Tertiary Student Finance Scheme – Publicly-funded Programmes (TSFS) with effect from the 2007/08 academic year.

**20** The TSFS, 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 \$33,850 in the 2005/06 academic year to \$34,220 in the 2006/07 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 TSFS (formerly known as 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, the Hong Kong Shue Yan University (HKSYU) 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 TSFS may apply for loans under the NLS up to the difference between the maximum financial assistance under the TSFS and the amount of financial assistance they may receive under the TSFS, 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 TSFS 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, academic expenses (\$3,000) and living expenses (\$34,220 for the 2006/07 academic year). Students who receive FASP may apply for loans under the NLSPS up to the difference between their tuition fees, academic expenses and living expenses and the financial assistance they may receive under the FASP.

**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 for 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 financial assistance to eligible full-time students aged 25 or below pursuing accredited, self-financing post-secondary education programmes which lead to a qualification at or above the levels of associate degree, higher diploma and/or

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professional diploma. Financial assistance was provided in the form of grant or loan from the 2001/02 to 2005/06 academic years. Starting from the 2006/07 academic year, FASP loan for tuition fees is no longer provided but FASP grant covering tuition fees (subject to a ceiling of \$56,560 for the 2006/07 academic year) and academic expenses (up to \$3,000) is provided. With the removal of FASP loan with effect from the 2006/07 academic year, loan payment estimates for 2006–07 and 2007–08 are for late applications of the 2005/06 academic year or those applications whose loan offers in/prior to the 2005–06 academic year have been revised or reviewed.

**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, which provided loans to eligible students of the HKSYU registered in the 2000/01 academic year or before, has been phased out since the 2005/06 academic year.

### *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 2006, the amount of outstanding loans under the schemes mentioned in paragraphs 19 to 28 above was \$6,942,569,000. The estimated loan payments and repayments in 2006–07 are \$1,696,692,000 and \$1,071,538,000 respectively. The estimated loan payments and repayments in 2007–08 are \$1,830,709,000 and \$1,147,990,000 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 2006–07 are \$690,000 and \$276,000 respectively. The estimated payments and repayments in 2007–08 are \$690,000 and \$347,000 respectively.

## **Head 257—Employees Compensation Assistance Fund**

### *Bridging loan to Employees Compensation Assistance Fund Board*

**31** 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 annual instalments beginning on 1 April 2006. The estimated repayments in 2006–07 and 2007–08 are \$20,371,000 and \$22,571,000 respectively.

## **Head 262—Primary Products**

### *Fisheries loans*

**32** 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. In June 2006, the approved commitment was further increased to \$290,000,000 to provide loans for fishermen to switch to sustainable fisheries or related operations, and for mariculturists and pond fish farmers to develop sustainable aquaculture business so as to conserve fishery resources. Interest for loans to fishermen is compound interest calculated on a monthly basis at 2.5% per annum, and for loans to fish farmers is compound interest calculated on a monthly basis at the "no-gain-no-loss" rate. 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 as appropriate. The estimated loan payments and repayments in 2006–07 are \$50,330,000 and \$9,835,000 respectively. The estimated loan payments and repayments in 2007–08 are \$95,000,000 and \$16,971,000 respectively.

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### *Kadoorie Agricultural Aid Loan Fund-livestock waste control scheme*

**33** 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. It is estimated that the outstanding loan amount of \$489,000 will be fully repaid in 2006–07.

### *Kadoorie Agricultural Aid Loan Fund-loans to poultry farmers*

**34** 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. It is estimated that the outstanding loan amount of \$110,000 will be fully repaid in 2006–07.

### *Kadoorie Agricultural Aid Loan Fund-loans to mariculturists*

**35** 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 2006–07 and 2007–08 are \$181,000 and \$3,979,000 respectively.

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

**36** 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 2006–07 and 2007–08 are \$1,253,000 and \$397,000 respectively.

### *Fish Marketing Organization Loan Fund-loans to fishermen*

**37** 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 \$57,000 will be fully repaid in 2006–07.

### *Fish Marketing Organization Loan Fund-fishing moratorium loan scheme*

**38** On 16 June 2006, the Finance Committee approved a commitment of \$60,000,000 to the FMOLF to provide loans on a revolving basis at the “no-gain-no-loss” interest rate to fishermen affected by the annual fishing moratorium in the South China Sea. The loans are for the fishermen to maintain and repair their fishing vessels for resumption of fishing operation after the moratorium. The estimated payments and repayments in 2006–07 are \$58,870,000 and \$45,000,000 respectively. The estimated payments and repayments in 2007–08 are both \$60,000,000.

### *Loans to poultry wholesalers and retailers affected by avian flu*

**39** 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. It is estimated that the outstanding loan amount of \$92,000 will be fully repaid in 2006–07.

### *Loans to live pig transporters*

**40** On 28 April 2006, the Finance Committee approved a commitment of \$6,500,000 to provide loans to live pig transporters who cease operation in the delivery of local live pigs 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 \$2,600,000 are expected in 2006–07. The estimated payments and repayments in 2007–08 are \$1,950,000 and \$1,750,000 respectively.

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### Head 266—Industry

#### *Hong Kong Productivity Council*

41 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 2006–07 and 2007–08 are \$13,025,000.

### Head 269—Building Safety

#### *Comprehensive Building Safety Improvement Loan Scheme*

42 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 2006–07 are \$74,358,000 and \$55,480,000 respectively. The estimated payments and repayments in 2007–08 are \$74,494,000 and \$61,299,000 respectively.

### Head 274—Tourism

#### *Loan for the Ocean Park Redevelopment Plans*

43 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. The estimated payments in 2006–07 and 2007–08 are \$398,800,000 and \$988,700,000 respectively.

### Head 275—Small and Medium Enterprises

#### *Special finance scheme for small and medium enterprises*

44 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 2006 was \$261,193,000. The estimated payments and repayments in 2006–07 are \$4,000,000 and \$3,500,000 respectively. The estimated payments and repayments for 2007–08 are \$9,000,000 and \$1,000,000 respectively.

### Head 276—Water Supply

#### *Loan to the Guangdong Provincial People’s Government for the water quality improvement project*

45 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 2006–07 and 2007–08 are \$118,200,000.

### Head 278—Hygiene Improvement

#### *Incentive Scheme for Hygiene Improvement in Food Premises*

46 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 2006–07 are \$33,000 and \$46,000 respectively. The estimated payments and repayments in 2007–08 are \$250,000 and \$68,000 respectively.

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### **Head 279—Construction Industry**

#### *Start-up loan to the Construction Workers Registration Authority*

**47** 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 payment in 2006–07 is \$13,600,000.



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### (Payments)

Sub-head (Code)	Approved commitment	Actual expenditure to 31.3.2006	Revised estimate 2006-07	Estimate 2007-08	
	\$'000	\$'000	\$'000	\$'000	
<b>Loans</b>					
<b>Head 251—Housing</b>					
<b>Housing assistance for civil servants</b>					
151	Housing loans§ .....	10,438,000	240,433	148,000	<b>248,000</b>
	<i>Head 251: total</i> .....	<u>10,438,000</u>	<u>240,433</u>	<u>148,000</u>	<u><b>248,000</b></u>
<b>Head 252—Loans to Schools/Teachers</b>					
105	Slope improvement loan scheme for private schools§ .....	100,000	3,418	5,600	<b>4,000</b>
106	Start-up loan for post-secondary education providers.....	5,000,000	2,034,182	776,569	<b>819,033</b>
	<i>Head 252: total</i> .....	<u>5,100,000</u>	<u>2,037,600</u>	<u>782,169</u>	<u><b>823,033</b></u>
<b>Head 254—Loans to Students</b>					
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.....	—	9,468,593	416,754	<b>413,632</b>
102	Non-means-tested loan scheme .....	—	5,306,324	1,257,280	<b>1,415,603</b>
103	Means-tested loan for post-secondary students .	—	315,595	22,658	<b>1,474</b>
	<i>Head 254: total</i> .....	<u>—</u>	<u>15,090,512</u>	<u>1,696,692</u>	<u><b>1,830,709</b></u>
<b>Head 255—Interest-free loans to employees injured at work and dependants of employees who die as a result of work-related accidents</b>					
101	Loans to employees injured at work and dependants of deceased employees§ .....	10,000	941	690	<b>690</b>
	<i>Head 255: total</i> .....	<u>10,000</u>	<u>941</u>	<u>690</u>	<u><b>690</b></u>
<b>Head 262—Primary Products</b>					
101	Fisheries loans§ .....	290,000	71,210	50,330	<b>95,000</b>
132	Fish Marketing Organization Loan Fund — fishing moratorium loan scheme§ .....	60,000	—	58,870	<b>60,000</b>
171	Loans to live pig transporters.....	6,500	—	2,600	<b>1,950</b>
	<i>Head 262: total</i> .....	<u>356,500</u>	<u>71,210</u>	<u>111,800</u>	<u><b>156,950</b></u>

§ The actual expenditure to 31.3.2006 represents the net amount of outstanding loans as at that date.

## LOAN FUND

### (Payments)

Sub-head (Code)	Approved commitment	Actual expenditure to 31.3.2006	Revised estimate 2006-07	Estimate 2007-08	
	\$'000	\$'000	\$'000	\$'000	
<b>Loans</b>					
<b>Head 269—Building Safety</b>					
101	Comprehensive Building Safety Improvement Loan Scheme§ .....	700,000	103,798	74,358	<b>74,494</b>
	<i>Head 269: total</i> .....	700,000	103,798	74,358	<b>74,494</b>
<b>Head 274—Tourism</b>					
121	Loan for the Ocean Park Redevelopment Plans .....	1,387,500	—	398,800	<b>988,700</b>
	<i>Head 274: total</i> .....	1,387,500	—	398,800	<b>988,700</b>
<b>Head 275—Small and Medium Enterprises</b>					
101	Special finance scheme for small and medium enterprises§ .....	5,000,000	261,193	4,000	<b>9,000</b>
	<i>Head 275: total</i> .....	5,000,000	261,193	4,000	<b>9,000</b>
<b>Head 278—Hygiene Improvement</b>					
101	Incentive Scheme for Hygiene Improvement in Food Premises§ .....	310,000	62	33	<b>250</b>
	<i>Head 278: total</i> .....	310,000	62	33	<b>250</b>
<b>Head 279—Construction Industry</b>					
101	Start-up loan to the Construction Workers Registration Authority .....	23,400	9,800	13,600	—
	<i>Head 279: total</i> .....	23,400	9,800	13,600	—
<b>Total (Payments)</b> .....		23,325,400	17,815,549	3,230,142	<b>4,131,826</b>

§ The actual expenditure to 31.3.2006 represents the net amount of outstanding loans as at that date.

**LOAN FUND**  
**(Receipts)**

Sub-head (Code)	Actual receipts to 31.3.2006	Revised estimate 2006-07	Estimate 2007-08	
	\$'000	\$'000	\$'000	
<b>Loan repayments</b>				
<b>Head 251—Housing</b>				
<b>Hong Kong Housing Society</b>				
211	Completed schemes .....	142,015	2,539	1,464
213	Rural public housing			
	(i) Tui Min Hoi.....	14,582	758	758
	(ii) Sha Tau Kok.....	40,517	2,762	2,762
215	Sandwich class housing loan scheme .....	1,380,000	—	—
216	Home starter loan scheme.....	11,903,302	26,397	17,790
<b>Local government officers</b>				
221	Loans 3.5 to 5% p.a. ....	178,212	361	379
<b>Housing assistance for civil servants</b>				
251	Housing loans# .....	—	37,034	37,877
	<i>Head 251: total</i> .....	13,658,628	69,851	61,030
<b>Head 252—Loans to Schools/Teachers</b>				
202	Loans to schools in the Bought Place Scheme.....	21,804	24,564	—
203	Loans to schools in the Direct Subsidy Scheme .....	152,712	7,977	7,977
204	Loans to non-profit-making international schools .....	97,700	18,839	18,839
205	Slope improvement loan scheme for private schools#.....	—	600	2,200
206	Start-up loan for post-secondary education providers .....	246,554	103,034	201,484
	<i>Head 252: total</i> .....	518,770	155,014	230,500
<b>Head 254—Loans to Students</b>				
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.....	6,989,817	506,493	536,624
202	Non-means-tested loan scheme .....	1,147,899	535,401	579,551
203	Means-tested loan for post-secondary students .....	25,959	20,060	24,546
211	Students of approved post-secondary colleges .....	165,696	9,575	7,263
231	Hong Kong students in the United Kingdom.....	173,240	9	6
	<i>Head 254: total</i> .....	8,502,611	1,071,538	1,147,990

# Actual receipts to 31.3.2006 are not shown as the item is a revolving loan.

**LOAN FUND**  
**(Receipts)**

Sub-head (Code)	Actual receipts to 31.3.2006	Revised estimate 2006-07	Estimate 2007-08	
	\$'000	\$'000	\$'000	
<b>Loan repayments</b>				
<b>Head 255—Interest-free loans to employees injured at work and dependants of employees who die as a result of work-related accidents</b>				
201	Loans to employees injured at work and dependants of deceased employees#.....	—	276	347
	<i>Head 255: total</i> .....	—	276	347
<b>Head 257—Employees Compensation Assistance Fund</b>				
201	Bridging loan to Employees Compensation Assistance Fund Board .....	10,000	20,371	22,571
	<i>Head 257: total</i> .....	10,000	20,371	22,571
<b>Head 262—Primary Products</b>				
201	Fisheries loans#.....	—	9,835	16,971
211	Kadoorie Agricultural Aid Loan Fund—livestock waste control scheme.....	19,255	489	—
212	Kadoorie Agricultural Aid Loan Fund—loans to poultry farmers.....	14,528	110	—
213	Kadoorie Agricultural Aid Loan Fund—loans to mariculturists.....	124,910	181	3,979
214	Kadoorie Agricultural Aid Loan Fund—loans to mariculturists affected by cold spell.....	470	1,253	397
231	Fish Marketing Organization Loan Fund—loans to fishermen.....	46,536	57	—
232	Fish Marketing Organization Loan Fund—fishing moratorium loan scheme# .....	—	45,000	60,000
241	Loans to poultry wholesalers and retailers affected by avian flu.....	14,197	92	—
271	Loans to live pig transporters .....	—	—	1,750
	<i>Head 262: total</i> .....	219,896	57,017	83,097
<b>Head 266—Industry</b>				
201	Hong Kong Productivity Council—special-purpose building.....	202,683	13,025	13,025
	<i>Head 266: total</i> .....	202,683	13,025	13,025

# Actual receipts to 31.3.2006 are not shown as the item is a revolving loan.

**LOAN FUND**  
**(Receipts)**

Sub-head (Code)	Actual receipts to 31.3.2006	Revised estimate 2006-07	Estimate 2007-08
	\$'000	\$'000	\$'000
<b>Loan repayments</b>			
<b>Head 269—Building Safety</b>			
201	—	55,480	<b>61,299</b>
	—	55,480	<b>61,299</b>
<b>Head 275—Small and Medium Enterprises</b>			
201	—	3,500	<b>1,000</b>
	—	3,500	<b>1,000</b>
<b>Head 276—Water Supply</b>			
201	354,600	118,200	<b>118,200</b>
	354,600	118,200	<b>118,200</b>
<b>Head 278—Hygiene Improvement</b>			
201	—	46	<b>68</b>
	—	46	<b>68</b>
	23,467,188	1,564,318	<b>1,739,127</b>
<b>Interest on loans</b>	—	299,130	<b>341,968</b>
<b>Surcharges on overdue loan repayments</b>	—	2,200	<b>2,200</b>
<b>Investment income</b>	—	99,974	<b>141,173</b>
<b>Proceeds from sale of loans</b>	—	107,216	<b>165,329</b>
<b>Transfer from General Revenue</b>	—	400,000	<b>1,600,000</b>
<b>Total (Receipts)</b>	<b>23,467,188</b>	<b>2,472,838</b>	<b>3,989,797</b>

# Actual receipts to 31.3.2006 are not shown as the item is a revolving loan.

## LOAN FUND

### Movement of the Account

	Actual				Revised Estimate	Estimate
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
	\$m	\$m	\$m	\$m	\$m	\$m
Opening Balance	5,226	3,601	5,043	1,378	2,830	<b>2,073</b>
Revenue	4,463	17,623	1,688	1,972	2,073	<b>2,390</b>
Expenditure	2,788	2,181	2,553	2,520	3,230	<b>4,132</b>
Surplus/(Deficit) before Transfer	1,675	15,442	(865)	(548)	(1,157)	<b>(1,742)</b>
Net Transfer from/(to) GRA	(3,300)	(14,000)	(2,800)	2,000	400	<b>1,600</b>
Surplus/(Deficit) after Transfer	(1,625)	1,442	(3,665)	1,452	(757)	<b>(142)</b>
Closing Balance	3,601	5,043	1,378	2,830	2,073	<b>1,931</b>

### Revenue Analysis

	Actual				Revised Estimate	Estimate
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
	\$m	\$m	\$m	\$m	\$m	\$m
Loan Repayments	4,024	2,481	1,374	1,569	1,565	<b>1,740</b>
Interest on Loans	292	202	128	191	299	<b>342</b>
Surcharges on Overdue Loan Repayments	3	3	2	2	2	<b>2</b>
Investment Income	144	39	7	38	100	<b>141</b>
Proceeds from Sale of Loans	—	14,898	177	172	107	<b>165</b>
<b>Total Revenue</b>	<b>4,463</b>	<b>17,623</b>	<b>1,688</b>	<b>1,972</b>	<b>2,073</b>	<b>2,390</b>

## LOAN FUND

### Expenditure Analysis

	Actual				Revised Estimate	Estimate
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
	\$m	\$m	\$m	\$m	\$m	\$m
Loans						
Housing	211	187	194	137	148	<b>248</b>
Loans to Schools/Teachers	478	293	351	715	782	<b>823</b>
Loans to Students	1,332	1,527	1,728	1,602	1,697	<b>1,831</b>
Labour	20	38	185	1	1	<b>1</b>
Primary Products	26	6	6	—	112	<b>157</b>
Building Safety	54	78	61	52	74	<b>74</b>
Tourism	—	—	—	—	399	<b>989</b>
Small and Medium Enterprises	76	52	27	4	4	<b>9</b>
Water Supply	591	—	—	—	—	—
Hygiene Improvement	—	—	—	—	—	—
Construction Industry	—	—	1	9	13	—
<b>Total Expenditure</b>	<b>2,788</b>	<b>2,181</b>	<b>2,553</b>	<b>2,520</b>	<b>3,230</b>	<b>4,132</b>