

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 2007–08 are estimated at \$3,505,328,000. The loan payments for 2008–09 are estimated at \$2,994,216,000.

3 The revised loan repayments and other receipts for 2007–08 are estimated at \$2,138,189,000. This includes proceeds of \$63,292,000 from sale of loans. The loan repayments and other receipts for 2008–09 are estimated at \$2,230,711,000. Estimated sums of \$800,000,000 and \$700,000,000 will be transferred from the general revenue in 2007–08 and 2008–09 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 2007–08 and 2008–09 are \$4,691,000 and \$3,520,000 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 2007–08 and 2008–09 are \$29,291,000 and \$16,758,000 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 2007–08 and 2008–09 are \$379,000 and \$398,000 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 2007–08 are \$116,200,000 and \$51,475,000 respectively.

12 Assuming that the existing practice of disposing the accumulated stock of new loans will continue in 2008–09, the estimated loan payments and repayments in 2008–09 are \$105,000,000 and \$39,328,000 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 or repayments are expected in 2007–08 and 2008–09.

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 2007–08 and 2008–09 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 2007–08 and 2008–09 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 2007 was \$7,874,000. The estimated repayments in 2007–08 is \$1,800,000. The estimated payments and repayments in 2008–09 are \$4,000,000 and \$2,200,000 respectively.

Start-up loan for 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 2007–08 are \$642,433,000 and \$201,484,000 respectively. The estimated payments and repayments in 2008–09 are \$863,078,000 and \$208,086,000 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 Tertiary Student Finance Scheme - Publicly-funded Programmes (TSFS) (formerly named as 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 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 \$34,220 in the 2006/07 academic year to \$34,770 in the 2007/08 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 (HKSJU) 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 (\$3,050) and living expenses (\$34,770 for the 2007/08 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. The loan and the interest accrued are repayable within ten years upon graduation, termination of studies, or lapse of six years from the first disbursement of the loan, whichever is the earliest.

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

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education programmes which lead to a qualification at or above the levels of associate degree, higher diploma and/or 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 \$57,520 for the 2007/08 academic year) and academic expenses (up to \$3,050) are provided. With the removal of FASP loan with effect from the 2006/07 academic year, loan payment estimates for 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 2007, the amount of outstanding loans under the schemes mentioned in paragraphs 19 to 28 above was \$7,228,310,000. The estimated loan payments and repayments in 2007–08 are \$1,664,264,000 and \$1,046,975,000 respectively. The estimated loan payments and repayments in 2008–09 are \$1,846,814,000 and \$1,087,505,000 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 2007–08 are \$690,000 and \$227,000 respectively. The estimated payments and repayments in 2008–09 are \$690,000 and \$316,000 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 2007–08 and 2008–09 are \$22,910,000 and \$24,146,000 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 2007–08 are \$10,100,000 and \$10,755,000 respectively. The estimated loan payments and repayments in 2008–09 are \$50,000,000 and \$13,170,000 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. The outstanding loan amount was fully repaid on 25 April 2007.

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. The outstanding loan amount was fully repaid on 18 June 2007.

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 2007–08 and 2008–09 are \$991,000 and \$1,057,000 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 2007–08 and 2008–09 are \$196,000 and \$20,000 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 \$12,000 will be fully repaid in 2007–08.

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 2007–08 are \$35,210,000 and \$61,076,000 respectively. The estimated payments and repayments in 2008–09 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.

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 24 monthly instalments and interest is payable on the outstanding loan balance at the “no-gain-no-loss” rate. No loan application had been received upon closure of application on 31 May 2007.

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

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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 2007–08 and 2008–09 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 2007–08 are \$57,431,000 and \$59,809,000 respectively. The estimated payments and repayments in 2008–09 are \$57,634,000 and \$49,704,000 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 2007–08 are \$974,000,000. The loan will be fully drawn by the end of 2007–08.

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 2007 was \$208,637,000. The estimated payments and repayments in 2007–08 are \$5,000,000 and \$3,000,000 respectively. The estimated payments and repayments for 2008–09 are \$7,000,000 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 2007–08 and 2008–09 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 24 monthly instalments and interest is payable on the outstanding loan balance at the “no-gain-no-loss” rate. No drawdowns are expected in both 2007–08 and 2008–09. The estimated repayments in 2007–08 and 2008–09 are \$34,000 and \$1,000 respectively.

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 has been

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fully drawn in 2006–07. 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.

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(Payments)

Sub-head (Code)	Approved commitment	Actual expenditure to 31.3.2007	Revised estimate 2007–08	Estimate 2008–09
	\$'000	\$'000	\$'000	\$'000
Loans				
Head 251—Housing				
Housing assistance for civil servants				
151 Housing loans§	10,438,000	185,145	116,200	105,000
Head 251: total	10,438,000	185,145	116,200	105,000
Head 252—Loans to Schools/Teachers				
105 Slope improvement loan scheme for private schools§.....	100,000	7,874	—	4,000
106 Start-up loan for post-secondary education providers	5,000,000	2,814,664	642,433	863,078
Head 252: total	5,100,000	2,822,538	642,433	867,078
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.....	—	9,864,808	405,271	405,726
102 Non-means-tested loan scheme	—	6,213,176	1,257,948	1,440,120
103 Means-tested loan for post-secondary students .	—	337,329	1,045	968
Head 254: total	—	16,415,313	1,664,264	1,846,814
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	800	690	690
Head 255: total	10,000	800	690	690
Head 262—Primary Products				
101 Fisheries loans§	290,000	62,614	10,100	50,000
132 Fish Marketing Organization Loan Fund — fishing moratorium loan scheme§	60,000	40,858	35,210	60,000
171 Loans to live pig transporters	6,500	—	—	—
Head 262: total	356,500	103,472	45,310	110,000

§ The actual expenditure to 31.3.2007 represents the net amount of outstanding loans as at that date.

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(Payments)

Sub-head (Code)	Approved commitment	Actual expenditure to 31.3.2007	Revised estimate 2007–08	Estimate 2008–09
	\$'000	\$'000	\$'000	\$'000
Loans				
Head 269—Building Safety				
101 Comprehensive Building Safety Improvement Loan Scheme§	700,000	107,599	57,431	57,634
Head 269: total.....	700,000	107,599	57,431	57,634
Head 274—Tourism				
121 Loan for the Ocean Park Redevelopment Plans	1,387,500	413,500	974,000	—
Head 274: total.....	1,387,500	413,500	974,000	—
Head 275—Small and Medium Enterprises				
101 Special finance scheme for small and medium enterprises§	5,000,000	208,637	5,000	7,000
Head 275: total.....	5,000,000	208,637	5,000	7,000
Head 278—Hygiene Improvement				
101 Incentive Scheme for Hygiene Improvement in Food Premises§	310,000	43	—	—
Head 278: total.....	310,000	43	—	—
Head 279—Construction Industry				
101 Start-up loan to the Construction Workers Registration Authority	23,400	23,400	—	—
Head 279: total.....	23,400	23,400	—	—
Total (Payments).....	23,325,400	20,280,447	3,505,328	2,994,216

§ The actual expenditure to 31.3.2007 represents the net amount of outstanding loans as at that date.

LOAN FUND
(Receipts)

Sub-head (Code)	Actual receipts to 31.3.2007	Revised estimate 2007-08	Estimate 2008-09
	\$'000	\$'000	\$'000
Loan repayments			
Head 251—Housing			
Hong Kong Housing Society			
211 Completed schemes	144,554	1,464	—
213 Rural public housing			
(i) Tui Min Hoi.....	15,402	695	758
(ii) Sha Tau Kok.....	43,510	2,532	2,762
215 Sandwich class housing loan scheme	1,380,000	—	—
216 Home starter loan scheme.....	11,943,530	29,291	16,758
Local government officers			
221 Loans 3.5 to 5% p.a.	178,573	379	398
Housing assistance for civil servants			
251 Housing loans#	—	51,475	39,328
<i>Head 251: total</i>	13,705,569	85,836	60,004
Head 252—Loans to Schools/Teachers			
202 Loans to schools in the Bought Place Scheme.....	46,367	—	—
203 Loans to schools in the Direct Subsidy Scheme	160,689	7,977	7,977
204 Loans to non-profit-making international schools.....	117,094	18,839	18,839
205 Slope improvement loan scheme for private schools#.....	—	1,800	2,200
206 Start-up loan for post-secondary education providers	349,588	201,484	208,086
<i>Head 252: total</i>	673,738	230,100	237,102
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.....	7,503,160	468,684	468,827
202 Non-means-tested loan scheme	1,643,602	544,674	583,153
203 Means-tested loan for post-secondary students	45,152	26,505	31,327
211 Students of approved post-secondary colleges	175,144	7,106	4,194
231 Hong Kong students in the United Kingdom.....	173,256	6	4
<i>Head 254: total</i>	9,540,314	1,046,975	1,087,505

Actual receipts to 31.3.2007 are not shown as the item is a revolving loan.

LOAN FUND
(Receipts)

Sub-head (Code)	Actual receipts to 31.3.2007	Revised estimate 2007–08	Estimate 2008–09
	\$'000	\$'000	\$'000
Loan repayments			
Head 255—Interest-free loans to employees injured at work and dependants of employees who die as a result of work-related accidents			
201 Loans to employees injured at work and dependants of deceased employees#.....	—	227	316
Head 255: total.....	—	227	316
Head 257—Employees Compensation Assistance Fund			
201 Bridging loan to Employees Compensation Assistance Fund Board	30,371	22,910	24,146
Head 257: total.....	30,371	22,910	24,146
Head 262—Primary Products			
201 Fisheries loans#.....	—	10,755	13,170
211 Kadoorie Agricultural Aid Loan Fund—livestock waste control scheme	19,597	147	—
212 Kadoorie Agricultural Aid Loan Fund—loans to poultry farmers.....	14,626	12	—
213 Kadoorie Agricultural Aid Loan Fund—loans to mariculturists..	125,029	991	1,057
214 Kadoorie Agricultural Aid Loan Fund—loans to mariculturists affected by cold spell.....	1,840	196	20
231 Fish Marketing Organization Loan Fund—loans to fishermen....	46,583	12	—
232 Fish Marketing Organization Loan Fund—fishing moratorium loan scheme#	—	61,076	60,000
241 Loans to poultry wholesalers and retailers affected by avian flu.....	14,289	21	—
271 Loans to live pig transporters	—	—	—
Head 262: total.....	221,964	73,210	74,247
Head 266—Industry			
201 Hong Kong Productivity Council—special-purpose building.....	215,708	13,025	13,025
Head 266: total.....	215,708	13,025	13,025

Actual receipts to 31.3.2007 are not shown as the item is a revolving loan.

LOAN FUND
(Receipts)

Sub-head (Code)	Actual receipts to 31.3.2007	Revised estimate 2007–08	Estimate 2008–09
	\$'000	\$'000	\$'000
Loan repayments			
Head 269—Building Safety			
201 Comprehensive Building Safety Improvement Loan Scheme# ...	—	59,809	49,704
<i>Head 269: total</i>	—	59,809	49,704
Head 275—Small and Medium Enterprises			
201 Special finance scheme for small and medium enterprises#	—	3,000	1,000
<i>Head 275: total</i>	—	3,000	1,000
Head 276—Water Supply			
201 Loan to the Guangdong Provincial People's Government for water quality improvement project	472,800	118,200	118,200
<i>Head 276: total</i>	472,800	118,200	118,200
Head 278—Hygiene Improvement			
201 Incentive Scheme for Hygiene Improvement in Food Premises#	—	34	1
<i>Head 278: total</i>	—	34	1
<i>Loan repayments: total</i>	24,860,464	1,653,326	1,665,250
Interest on loans	—	316,233	336,754
Surcharges on overdue loan repayments	—	2,100	2,100
Investment income	—	103,238	139,210
Proceeds from sale of loans	—	63,292	87,397
Transfer from General Revenue	—	800,000	700,000
Total (Receipts)	24,860,464	2,938,189	2,930,711

Actual receipts to 31.3.2007 are not shown as the item is a revolving loan.

LOAN FUND

Movement of the Account

	Actual				Revised Estimate	Estimate
	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
	\$m	\$m	\$m	\$m	\$m	\$m
Opening Balance	3,601	5,043	1,378	2,830	2,139	1,572
Revenue	17,623	1,688	1,972	2,009	2,138	2,230
Expenditure	2,181	2,553	2,520	2,750	3,505	2,994
Surplus/(Deficit) before Transfer	15,442	(865)	(548)	(741)	(1,367)	(764)
Net Transfer from/(to) GRA	(14,000)	(2,800)	2,000	50	800	700
Surplus/(Deficit) after Transfer	1,442	(3,665)	1,452	(691)	(567)	(64)
Closing Balance	5,043	1,378	2,830	2,139	1,572	1,508

Revenue Analysis

	Actual				Revised Estimate	Estimate
	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
	\$m	\$m	\$m	\$m	\$m	\$m
Loan Repayments	2,481	1,374	1,569	1,523	1,654	1,665
Interest on Loans	202	128	191	268	316	337
Surcharges on Overdue Loan Repayments	3	2	2	2	2	2
Investment Income	39	7	38	109	103	139
Proceeds from Sale of Loans	14,898	177	172	107	63	87
Total Revenue	17,623	1,688	1,972	2,009	2,138	2,230

LOAN FUND

Expenditure Analysis

	Actual				Revised Estimate	Estimate
	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
	\$m	\$m	\$m	\$m	\$m	\$m
Loans						
Housing	187	194	137	91	116	105
Loans to Schools/Teachers	293	351	715	785	642	867
Loans to Students	1,527	1,728	1,602	1,325	1,664	1,846
Labour	38	185	1	—	1	1
Primary Products	6	6	—	59	45	110
Building Safety	78	61	52	63	58	58
Tourism	—	—	—	413	974	—
Small and Medium Enterprises	52	27	4	—	5	7
Construction Industry	—	1	9	14	—	—
Total Expenditure	2,181	2,553	2,520	2,750	3,505	2,994