

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 2008–09 are estimated at \$2,491,471,000. The loan payments for 2009–10 are estimated at \$2,592,768,000.

3 The revised loan repayments and other receipts for 2008–09 are estimated at \$2,196,542,000. This includes proceeds of \$68,069,000 from sale of loans. The loan repayments and other receipts for 2009–10 are estimated at \$1,302,083,000. An estimated sum of \$400,000,000 will be transferred from the general revenue in 2009–10.

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 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 estimated repayments in both 2008–09 and 2009–10 are \$3,520,000.

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 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 2008–09 and 2009–10 are \$27,210,000 and \$12,167,000 respectively.

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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 2008–09 and 2009–10 are \$398,000 and \$418,000 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 disposal(s) 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 2008–09 are \$103,600,000 and \$38,942,000 respectively.

12 Assuming that the existing practice of disposing of the accumulated stock of new loans will continue in 2009–10, the estimated loan payments and repayments in 2009–10 are \$98,600,000 and \$34,531,000 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 2008–09 and 2009–10.

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 2008–09 and 2009–10 are \$7,977,000 and \$5,318,000 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 2008–09 and 2009–10 are \$18,839,000 and \$14,924,000 respectively.

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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 2008 was \$6,074,000. The estimated repayments in 2008–09 is \$1,800,000. The estimated payments and repayments in 2009–10 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. On 23 May 2008, the Finance Committee approved modification of the scheme with effect from the 2008/09 academic year by expanding the scope of the scheme to offer loans to course providers of full-time locally-accredited self-financing post-secondary programmes for enhancing teaching and other ancillary facilities. In addition, existing borrowing institutions with medium-term loan approved before 23 May 2008 may apply for an extension of the loan repayment period from no more than ten years to no more than 20 years if they have proven financial difficulties, but subject to the payment of interest at the no-gain-no-loss rate after the interest-free period in the first ten years. The estimated payments and repayments in 2008–09 are \$663,078,000 and \$186,425,000 respectively. The estimated payments and repayments in 2009–10 are \$229,167,000 and \$366,707,000 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) 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 \$34,770 in the 2007/08 academic year to \$35,670 in the 2008/09 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 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 full-time 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 The Non-means-tested Loan Scheme for Post-secondary Students (NLSPS) was introduced in the 2001/02 academic year to complement the Financial Assistance Scheme for Post-secondary Students (FASP) to provide loans to eligible students aged 25 or below pursuing full-time locally-accredited self-financing post-secondary education programmes leading to a qualification at sub-degree level or above. With effect from the 2008/09 academic year, the NLSPS is extended to cover sub-degree graduates studying full-time locally-accredited self-financing degree or top-up degree programmes.

24 Eligible students may obtain loans under the NLSPS to meet their tuition fees, academic expenses (\$3,090 in the 2008/09 academic year) and basic living expenses (\$35,670 in the 2008/09 academic year). Students who receive FASP may apply for loans under the NLSPS up to the difference between their tuition fees, academic expenses and basic living expenses and the financial assistance they may receive under the FASP.

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25 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 loan for post-secondary students

26 The FASP is a means-tested scheme which provides financial assistance to eligible full-time students aged 25 or below pursuing locally-accredited, self-financing post-secondary 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. With effect from the 2006/07 academic year, FASP loan for tuition fees was replaced by FASP grant covering both tuition fees (subject to a ceiling of \$58,270 in the 2008/09 academic year) and academic expenses (up to \$3,090 in the 2008/09 academic year).

27 Starting from the 2008/09 academic year, means-tested loans at the same level as those under the TSFS are introduced to cover the students’ living expenses based on the same terms and conditions as those under the TSFS. The maximum amount of living expenses loan will be at the same level as that under the TSFS (i.e. \$35,670 per student per annum in the 2008/09 academic year).

28 The loans will be interest-free during the study period and are repayable within five 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

29 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

30 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.

31 As at 31 March 2008, the amount of outstanding loans under the schemes mentioned in paragraphs 19 to 30 above was \$7,452,113,000. The estimated loan payments and repayments in 2008–09 are \$1,637,077,000 and \$1,147,871,000 respectively. The estimated loan payments and repayments in 2009–10 are \$2,139,114,000 and \$1,143,466,000 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

32 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 2008–09 are \$690,000 and \$202,000 respectively. The estimated payments and repayments in 2009–10 are \$690,000 and \$246,000 respectively.

Head 257—Employees Compensation Assistance Fund

Bridging loan to Employees Compensation Assistance Fund Board

33 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 2008–09 and 2009–10 are \$25,596,000 and \$27,419,000 respectively.

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,

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\$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 2008–09 are \$5,000,000 and \$11,021,000 respectively. The estimated loan payments and repayments in 2009–10 are \$7,500,000 and \$10,264,000 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 outstanding loan amount was fully repaid on 25 April 2007.

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 outstanding loan amount was fully repaid on 18 June 2007.

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 2008–09 and 2009–10 are \$246,000 and \$253,000 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 2008–09 and 2009–10 are \$82,000 and \$26,000 respectively.

Fish Marketing Organization Loan Fund-loans to fishermen

39 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. The outstanding loan amount was fully repaid on 13 March 2008.

Fish Marketing Organization Loan Fund-fishing moratorium loan scheme

40 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 2008–09 are \$40,280,000 and \$59,240,000 respectively. The estimated payments and repayments in 2009–10 are \$60,000,000 and \$58,200,000 respectively.

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.

Head 266—Industry

Hong Kong Productivity Council

42 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.

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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 2008–09 and 2009–10 are \$13,025,000.

Head 269—Building Safety

Comprehensive Building Safety Improvement Loan Scheme

43 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 2008–09 are \$39,046,000 and \$51,186,000 respectively. The estimated payments and repayments in 2009–10 are \$51,697,000 and \$38,231,000 respectively.

Head 274—Tourism

Loan for the Ocean Park Redevelopment Plans

44 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 loan has been fully drawn by 2007–08.

Head 275—Small and Medium Enterprises

Special finance scheme for small and medium enterprises

45 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 2008 was \$192,536,000. The estimated payments and repayments in 2008–09 are \$2,700,000 and \$2,000,000 respectively. The estimated payments and repayments for 2009–10 are \$2,000,000 and \$1,000,000 respectively.

Head 276—Water Supply

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

46 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 2008–09 and 2009–10 are \$118,200,000.

Head 278—Hygiene Improvement

Incentive Scheme for Hygiene Improvement in Food Premises

47 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 2008–09 and 2009–10. The estimated repayment in 2008–09 is \$28,000.

Head 279—Construction Industry

Start-up loan to the Construction Workers Registration Authority

48 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. The estimated repayment in 2009–10 is \$2,526,000.

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(Payments)

Sub-head (Code)	Approved commitment	Actual expenditure to 31.3.2008	Revised estimate 2008-09	Estimate 2009-10	
	\$'000	\$'000	\$'000	\$'000	
Loans					
Head 251—Housing					
Housing assistance for civil servants					
151	Housing loans§	10,438,000	166,216	103,600	98,600
	<i>Head 251: total</i>	<u>10,438,000</u>	<u>166,216</u>	<u>103,600</u>	<u>98,600</u>
Head 252—Loans to Schools/Teachers					
105	Slope improvement loan scheme for private schools§	100,000	6,074	—	4,000
106	Start-up loan for post-secondary education providers	5,000,000	3,457,097	663,078	229,167
	<i>Head 252: total</i>	<u>5,100,000</u>	<u>3,463,171</u>	<u>663,078</u>	<u>233,167</u>
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.....	—	10,206,295	352,620	474,604
102	Non-means-tested loan scheme	—	7,146,592	964,084	1,210,588
103	Means-tested loan for post-secondary students .	—	337,452	320,373	453,922
	<i>Head 254: total</i>	<u>—</u>	<u>17,690,339</u>	<u>1,637,077</u>	<u>2,139,114</u>
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	693	690	690
	<i>Head 255: total</i>	<u>10,000</u>	<u>693</u>	<u>690</u>	<u>690</u>
Head 262—Primary Products					
101	Fisheries loans§	290,000	50,995	5,000	7,500
132	Fish Marketing Organization Loan Fund — fishing moratorium loan scheme§	60,000	32,161	40,280	60,000
	<i>Head 262: total</i>	<u>350,000</u>	<u>83,156</u>	<u>45,280</u>	<u>67,500</u>

§ The actual expenditure to 31.3.2008 represents the net amount of outstanding loans as at that date.

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(Payments)

Sub-head (Code)	Approved commitment	Actual expenditure to 31.3.2008	Revised estimate 2008–09	Estimate 2009–10	
	\$'000	\$'000	\$'000	\$'000	
Loans					
Head 269—Building Safety					
101	Comprehensive Building Safety Improvement Loan Scheme§	700,000	83,684	39,046	51,697
	<i>Head 269: total</i>	700,000	83,684	39,046	51,697
Head 275—Small and Medium Enterprises					
101	Special finance scheme for small and medium enterprises§	5,000,000	192,536	2,700	2,000
	<i>Head 275: total</i>	5,000,000	192,536	2,700	2,000
Head 278—Hygiene Improvement					
101	Incentive Scheme for Hygiene Improvement in Food Premises§	310,000	28	—	—
	<i>Head 278: total</i>	310,000	28	—	—
Total (Payments)					
	21,908,000	21,679,823	2,491,471	2,592,768	

§ The actual expenditure to 31.3.2008 represents the net amount of outstanding loans as at that date.

LOAN FUND
(Receipts)

Sub-head (Code)	Actual receipts to 31.3.2008	Revised estimate 2008-09	Estimate 2009-10
	\$'000	\$'000	\$'000
Loan repayments			
Head 251—Housing			
Hong Kong Housing Society			
213	Rural public housing		
	(i) Tui Min Hoi.....	16,097	758
	(ii) Sha Tau Kok.....	46,042	2,762
215	Sandwich class housing loan scheme	1,380,000	—
216	Home starter loan scheme.....	11,984,134	27,210
			12,167
Local government officers			
221	Loans 3.5 to 5% p.a.	178,951	398
			418
Housing assistance for civil servants			
251	Housing loans#.....	—	38,942
	<i>Head 251: total</i>	13,605,224	70,070
			50,636
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	168,666	7,977
204	Loans to non-profit-making international schools.....	135,378	18,839
205	Slope improvement loan scheme for private schools#.....	—	1,800
206	Start-up loan for post-secondary education providers	551,073	186,425
	<i>Head 252: total</i>	901,484	215,041
			389,149
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.....	8,001,528	453,503
202	Non-means-tested loan scheme	2,163,578	664,593
203	Means-tested loan for post-secondary students	70,038	25,719
211	Students of approved post-secondary colleges	182,488	4,052
231	Hong Kong students in the United Kingdom.....	173,262	4
	<i>Head 254: total</i>	10,590,894	1,147,871
			1,143,466

Actual receipts to 31.3.2008 are not shown as the item is a revolving loan.

LOAN FUND
(Receipts)

Sub-head (Code)	Actual receipts to 31.3.2008	Revised estimate 2008–09	Estimate 2009–10	
	\$'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#	—	202	246
	<i>Head 255: total</i>	—	202	246
Head 257—Employees Compensation Assistance Fund				
201	Bridging loan to Employees Compensation Assistance Fund Board	53,281	25,596	27,419
	<i>Head 257: total</i>	53,281	25,596	27,419
Head 262—Primary Products				
201	Fisheries loans#	—	11,021	10,264
213	Kadoorie Agricultural Aid Loan Fund—loans to mariculturists.	125,420	246	253
214	Kadoorie Agricultural Aid Loan Fund—loans to mariculturists affected by cold spell	2,022	82	26
232	Fish Marketing Organization Loan Fund—fishing moratorium loan scheme#	—	59,240	58,200
241	Loans to poultry wholesalers and retailers affected by avian flu	14,310	103	—
	<i>Head 262: total</i>	141,752	70,692	68,743
Head 266—Industry				
201	Hong Kong Productivity Council—special-purpose building.....	228,734	13,025	13,025
	<i>Head 266: total</i>	228,734	13,025	13,025

Actual receipts to 31.3.2008 are not shown as the item is a revolving loan.

LOAN FUND
(Receipts)

Sub-head (Code)	Actual receipts to 31.3.2008	Revised estimate 2008–09	Estimate 2009–10
	\$'000	\$'000	\$'000
Loan repayments			
Head 269—Building Safety			
201	—	51,186	38,231
	—	51,186	38,231
Head 275—Small and Medium Enterprises			
201	—	2,000	1,000
	—	2,000	1,000
Head 276—Water Supply			
201	591,000	118,200	118,200
	591,000	118,200	118,200
Head 278—Hygiene Improvement			
201	—	28	—
	—	28	—
Head 279—Construction Industry			
201	—	—	2,526
	—	—	2,526
	26,112,369	1,713,911	1,852,641
Interest on loans	—	275,439	276,242
Surcharges on overdue loan repayments	—	2,200	2,200
Investment income	—	136,923	86,000
Proceeds from sale of loans	—	68,069	85,000
Transfer from General Revenue	—	—	400,000
Total (Receipts)	26,112,369	2,196,542	2,702,083

Actual receipts to 31.3.2008 are not shown as the item is a revolving loan.

LOAN FUND

Movement of the Account

	Actual				Revised Estimate	Estimate
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
	\$m	\$m	\$m	\$m	\$m	\$m
Opening Balance	5,043	1,378	2,830	2,139	1,684	1,389
Revenue	1,688	1,972	2,009	2,098	2,197	2,302
Expenditure	2,553	2,520	2,750	3,053	2,492	2,592
Surplus/(Deficit) before Transfer	(865)	(548)	(741)	(955)	(295)	(290)
Net Transfer from/(to) GRA	(2,800)	2,000	50	500	—	400
Surplus/(Deficit) after Transfer	(3,665)	1,452	(691)	(455)	(295)	110
Closing Balance	1,378	2,830	2,139	1,684	1,389	1,499

Revenue Analysis

	Actual				Revised Estimate	Estimate
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
	\$m	\$m	\$m	\$m	\$m	\$m
Loan Repayments	1,374	1,569	1,523	1,640	1,714	1,853
Interest on Loans	128	191	268	289	276	276
Surcharges on Overdue Loan Repayments	2	2	2	3	2	2
Investment Income	7	38	109	103	137	86
Proceeds from Sale of Loans	177	172	107	63	68	85
Total Revenue	1,688	1,972	2,009	2,098	2,197	2,302

LOAN FUND

Expenditure Analysis

	Actual				Revised Estimate	Estimate
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
	\$m	\$m	\$m	\$m	\$m	\$m
Loans						
Housing	194	137	91	90	104	98
Loans to Schools/Teachers	351	715	785	642	663	233
Loans to Students	1,728	1,602	1,325	1,275	1,637	2,139
Labour	185	1	—	—	1	1
Primary Products	6	—	59	35	45	67
Building Safety	61	52	63	33	39	52
Tourism	—	—	413	974	—	—
Small and Medium Enterprises	27	4	—	4	3	2
Construction Industry	1	9	14	—	—	—
Total Expenditure	2,553	2,520	2,750	3,053	2,492	2,592