

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 2001–02 are estimated at \$5,665,981,000. The loan payments for 2002–03 are estimated at \$3,811,740,000. An estimated sum of \$3,000,000,000 will be transferred to the general revenue in 2002–03.

3 The revised loan repayments and other receipts for 2001–02 are estimated at \$5,466,209,000. The loan repayments and other receipts for 2002–03 are estimated at \$4,329,863,000.

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 charged interest 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 value of approved loans to the Housing Society for these housing schemes is \$536,819,000 against which \$536,818,000 has been drawn down and no further drawdown is expected. By 31 March 2002, the Housing Society is expected to have repaid \$415,607,000. In 2002–03, the estimated repayments are \$8,451,000.

6 On 8 July 1994, the Finance Committee approved a commitment of \$7,000,000,000 to provide a loan to the Housing Society to pay land premia for eight Sandwich Class Housing sites. Interest on the loan is at 5% per annum and is capitalised until completion and sale of the flats on the sites. Of this approved loan, \$6,515,350,000 had been drawn by 31 March 1996. With the undrawn balance from the first loan, on 19 July 1996 the Finance Committee approved an increase in the approved commitment by \$6,900,000,000 to \$13,900,000,000 to provide a further loan of \$7,400,000,000 in respect of the land premia for another seven Sandwich Class Housing sites. The terms and conditions were the same as for the loan approved on 8 July 1994. Of this second loan, \$1,208,980,000 had been drawn by 31 March 1997. No further drawdown is expected. By 31 March 2002, the Housing Society is expected to have fully repaid all loans amounting to \$9,285,786,000 including capitalised interest.

7 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 whereby low interest loans were granted to eligible applicants to assist them in buying their own homes. The Housing Society has to repay to the Government all sums received from borrowers less any reasonable expenses necessarily incurred in

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implementing the Scheme. The Housing Society had fully drawn down the commitment by 31 March 1998. By 31 March 2002, the Housing Society is expected to have repaid \$977,994,000. In 2002–03, the estimated repayments are \$72,188,000.

8 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 whereby low interest loans are granted to eligible first-time home buyers to purchase their own homes. The Housing Society has to repay to the Government all sums received from borrowers less any reasonable expenses necessarily incurred in implementing the Scheme. By 31 March 2002, the Housing Society is expected to have drawn down \$13,200,000,000. No further drawdown is expected. By 31 March 2002, the Housing Society is expected to have repaid \$81,586,000. In 2002–03, the estimated repayments are \$655,232,000.

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 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. By 31 March 2002, the estimated cumulative repayments are \$174,284,000. The estimated repayments in 2002–03 are \$686,000.

Hong Kong Settlers Housing Corporation Ltd.

10 On 23 September 1959, the Finance Committee approved a commitment of \$10,000,000 to provide a loan to the Hong Kong Settlers Housing Corporation Ltd. for the development of a low cost housing scheme at Tai Hang Sai. The loan is repayable by 40 equal annual instalments. Interest is payable on the outstanding balance at 5% per annum. The loan had been fully drawn by the Corporation by 31 March 1980. By 31 March 2002, the Corporation is expected to have repaid \$2,957,000. The estimated repayment in 2002–03 is \$231,000.

Housing assistance for civil servants

11 On 11 February 1981, the Finance Committee approved a project estimate 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 project estimate 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 project estimate 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.

12 As at 31 March 2001, the amount of outstanding loans recoverable from civil servants was \$7,994,357,000. The revised estimates of loan payments and repayments for 2001–02 are \$346,006,000 and \$1,839,250,000 respectively. The amount of outstanding loans recoverable as at 31 March 2002 is estimated to be \$6,501,113,000. As for 2002–03, the estimates of loan payments and repayments are \$569,410,000 and \$1,984,790,000 respectively. The estimated amount of outstanding loans as at 31 March 2003 is \$5,085,733,000.

Housing loans to Hong Kong Institute of Education staff

13 On 28 June 1996, the Finance Committee approved a commitment of \$30,000,000 for housing loans to eligible ex-Education Department lecturing staff who have transferred to the Hong Kong Institute of Education (HKIED). Under the bridging-over arrangements for civil servants on transfer to the HKIED, lecturing staff on Master Pay Scale points 22 to 33 may retain their eligibility for the Home Purchase Scheme, including the downpayment loan. The loans shall be repayable by monthly instalments of principal and interest over a maximum period of ten years in the same way as those for civil servants. By 31 March 2002, the estimated cumulative drawdowns and repayments are \$5,210,000 and \$4,214,000 respectively. In 2002–03, the estimated drawdowns and repayments are \$1,084,000 and \$159,000 respectively.

Head 252—Loans to Schools/Teachers

Loans to schools

14 Consequent upon the abolition of ‘tong fai’ and similar charges in junior secondary forms of aided and private non-profit-making schools approved on 9 May 1979, no new loans have been granted to these schools since 1 September 1979. Repayment of all outstanding loans for these schools has been waived. Loans to other schools are still subject to repayment. The approved project estimate was \$222,086,000, against which loans totalling \$221,488,000 have been drawn and no further drawdown is expected. By 31 March 2002, it is expected that \$210,946,000 will have been repaid and, in 2002–03, the estimated repayments are \$3,075,000.

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Loans to schools in the Bought Place Scheme

15 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 converting their special room facilities to bring them up 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 during the BPS stage or leaves the BPS, it may be required to repay the loan with interest. Loans totalling \$292,099,000 are expected to have been drawn by 31 March 2002 and no drawdown is expected in 2002–03. No repayments are expected in 2001–02 and 2002–03.

Loans to schools in the Direct Subsidy Scheme

16 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. On 24 May 1996, the Finance Committee approved a commitment of \$79,769,000 to provide an interest-free loan to the French International School to meet part of the construction cost of its extension project at Blue Pool Road, Hong Kong. The loan is repayable over a period of ten years from 2000. The total approved commitment is therefore \$181,961,000. The loans have been fully drawn down. By 31 March 2002, it is expected that \$98,306,000 will have been repaid. The estimated repayments in 2002–03 are \$16,358,000.

Loans to non-profit-making international schools

17 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. The loan is repayable over a period of ten years with the first instalment due one year after the loan is drawn down. 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. The loan is repayable over a period of ten years with the first instalment due one year after the loan is drawn down. 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. The loan is repayable over a period of ten years with the first instalment due one year after the loan is drawn down. By 31 March 2002, the total approved commitment of \$188,391,000 is expected to have been fully drawn down and \$26,193,000 will have been repaid. The estimated repayments in 2002–03 are \$14,990,000.

Slope improvement loan scheme for private schools

18 On 25 June 1999, the Finance Committee approved a commitment of \$100,000,000 to provide loans to private schools for upgrading their sub-standard slopes under their maintenance responsibility as required by Dangerous Hillside Orders served by the Building Authority under section 27A of the Buildings Ordinance. The loans are offered on a non-means-tested basis. Loans to non-profit-making private schools will be interest-free whereas those to profit-making private schools will bear interest at the “no-gain-no-loss” rate. The loans will normally be 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 will become due one month after the final drawdown of the loan.

19 The loan scheme operates on a revolving basis. There was no outstanding loan as at 31 March 2001. The revised estimates of loan payments and repayments for 2001–02 are \$5,094,000 and \$170,000 respectively. The amount of outstanding loans recoverable as at 31 March 2002 is estimated to be \$4,924,000. As for 2002–03, the estimates of loan payments and repayments are \$14,720,000 and \$1,580,000 respectively. The estimated amount of outstanding loans as at 31 March 2003 is \$18,064,000.

Start-up loan for post-secondary education providers

20 On 6 July 2001, the Finance Committee approved a commitment of \$5,000,000,000 to introduce a new loan scheme 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. In 2001–02, the estimated drawdowns are \$293,925,000 and no repayment is expected. In 2002–03, the estimated drawdowns and repayments are \$961,013,000 and \$26,688,000 respectively.

Loans to teachers in training

21 The Student Finance Assistance Scheme (SFAS) provided loans to eligible students at the then Colleges of Education including the Hong Kong Technical Teachers' College before the 1994/95 academic year. Loans are normally repayable over a period of four years after the students leave the institutions. With effect from the 1990/91

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academic year, loans made under this scheme are repayable at an interest rate of 2.5% per annum. Loans totalling \$77,076,000 have been drawn. Repayments of \$77,049,000 are expected to have been received by 31 March 2002 and the repayments in 2002–03 are estimated at \$17,000.

22 In 1994–95, the Colleges of Education and the Institute of Language in Education were merged to form the Hong Kong Institute of Education (HKIEd), and the Local Student Finance Scheme was extended to cover students of the HKIEd attending eligible courses with effect from the same year. Loans to the students concerned have since been provided for under Head 254—Loans to Students.

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

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

24 The LSFS, which is a means-tested scheme, provides assistance to students in need in the form of grants and/or loans. The loan element is intended to help towards students' living and personal expenses. The maximum loan for each student has reduced from \$33,450 in the 2000/01 academic year to \$33,420 in the 2001/02 academic year to reflect general price decreases. 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

25 The Non-means-tested Loan Scheme (NLS) was introduced in 1998 to complement the Local Student Finance Scheme (LSFS) and to ensure that no qualified student will be denied access to tertiary education because of lack of means. It provides financial assistance in the form of loans for tuition fees to eligible students of publicly-funded institutions (i.e. UGC-funded institutions, the Hong Kong Institute of Vocational Education of the Vocational Training Council, the Hong Kong Academy for Performing Arts, and the Dental Technology Course at the Prince Philip Dental Hospital), the Hong Kong Shue Yan College 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.

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

27 With effect from the 2001/02 academic year, a new Non-means-tested Loan Scheme for Post-secondary Students (NLSPS) was introduced to complement the Financial Assistance Scheme for Post-secondary Students (FASP) to provide loans to eligible full-time students aged 25 or below pursuing accredited self-financing post-secondary education programmes to meet their tuition fees and living expenses. Eligible students may obtain a loan under the NLSPS up to the maximum amount of their tuition fees payable plus a loan of \$33,420 (for the 2001/02 academic year) for their living expenses. Students who receive FASP may apply for loans under NLSPS up to the difference between the maximum financial assistance under FASP and the financial assistance they may receive under the FASP (subject to the NLSPS loan maximum not being exceeded) plus a loan of \$33,420 (for the 2001/02 academic year) for their living expenses.

28 The NLS and the NLSPS operate on a full-cost-recovery basis. Borrowers have to pay interest on the outstanding balance of the loan at the "no-gain-no-loss" rate which is set at 2% below the average best lending rate of the note-issuing banks, 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 loan for post-secondary students

29 The FASP was introduced in the 2001/02 academic year to ensure that no qualified students will be denied access to self-financing post-secondary education because of a lack of financial means. The FASP is a means-tested scheme which provides financial assistance in the form of grant or loan to eligible full-time students pursuing accredited, self-financing post-secondary education programmes, leading to a qualification at or above the levels of higher diploma, associated degree and/or professional diploma. The maximum level of financial assistance under the FASP is capped at the tuition fee payable for the accredited programme subject to a ceiling of \$60,000 to be reviewed annually.

30 The loans are repayable within ten years upon graduation or termination of studies, and are interest-bearing at 2.5% per annum chargeable from the commencement of the repayment period.

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Students of approved post-secondary colleges

31 The Student Finance Assistance Scheme provides loans to eligible students of the Hong Kong Shue Yan College (HKSYC). The maximum level of a loan to these students was reduced from \$18,100 in the 2000/01 academic year to \$17,900 in the 2001/02 academic year to reflect general price decreases. The loans are repayable over a period of four years after the students leave the college. Since the 1991/92 academic year, the interest rate of these loans has been fixed at 2.5% per annum. The scheme is being replaced by the FASP and is no longer available to new students of the HKSYC with effect from the 2001/02 academic year.

Hong Kong students in the United Kingdom

32 The former Hong Kong/United Kingdom Governments Joint Funding Scheme provides financial assistance to eligible Hong Kong students of first degree or Higher National Diploma courses in the United Kingdom. Financial assistance under the scheme is subject to means-testing and is 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.

33 The scheme is being phased out as from the 1994/95 academic year. The loan payment for the final year study to the only remaining eligible student for the scheme was made in September 2001 and there will be no further loan payment under the scheme.

34 As at 31 March 2001, loans totalling \$8,169,476,000 under the schemes mentioned in paragraphs 23 to 33 above had been paid and repayments totalling \$3,666,950,000 had been received. The revised estimates of loan payments and repayments for 2001–02 are \$1,097,398,000 and \$876,257,000 respectively. The estimated outstanding balance of loans recoverable as at 31 March 2002 is \$4,723,667,000. The estimates of loan payments and repayments for 2002–03 are \$1,193,418,000 and \$918,373,000 respectively. The estimated outstanding balance of loans recoverable as at 31 March 2003 is therefore \$4,998,712,000.

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

35 On 2 July 1993, the Finance Committee approved a revolving fund with a project estimate 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 dependants of employees who die as a result of work-related accidents. The loans are normally repayable in four equal quarterly payments after the relevant employees' compensation claims have been settled. The amount of outstanding loans as at 31 March 2001 was \$1,536,000. The revised estimates of drawdowns and repayments in 2001–02 are \$971,000 and \$619,000 respectively. The estimated drawdowns and repayments in 2002–03 are \$1,200,000 and \$601,000 respectively. The estimated amount of outstanding loans as at 31 March 2003 is \$2,487,000.

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

Loan to Occupational Deafness Compensation Board

36 On 28 April 1995, the Finance Committee approved an interest-free loan of \$115,000,000 to the Occupational Deafness Compensation Board for starting up the Occupational Deafness Compensation Scheme. The Board had drawn the full amount of \$115,000,000 by 31 March 1996. The loan is repayable in nine annual instalments starting from 1997–98. The first eight instalments are \$13,000,000 each and the balance of \$11,000,000 is to be paid in the last instalment. The cumulative repayments by 31 March 2002 are estimated at \$65,000,000. In 2002–03, the estimated repayment is \$13,000,000.

Head 257—Employees Compensation Assistance Fund

Bridging loan to Employees Compensation Assistance Fund Board

37 On 16 June 2000, the Finance Committee approved the provision of a bridging loan of 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 loan had been fully drawn down by the Board in July 2001. The loan is repayable in six equal annual instalments starting from 1 August 2001. Interest is charged on the outstanding balance of the loan at the "no-gain-no-loss" rate. By 31 March 2002, the Board is expected to have repaid \$10,000,000. In 2002–03, the estimated repayment is \$10,000,000.

Head 262—Primary Products

Fisheries loans

38 The Fisheries Development Loan Fund is a revolving fund established in January 1960 with a project estimate of \$2,000,000 from the Development Loan Fund to provide loans at 6% per annum to promote fishing in middle and distant waters. The approved commitment for this fund was increased to \$5,000,000 in December 1961, \$7,000,000 in October 1984 and \$100,000,000 in November 1997. Loans are to be repaid by instalments according to a quarterly repayment pledge. Loan repayments are normally by deduction at a minimum rate of 15% of the proceeds of sale of catches at the wholesale fish markets run by the Fish Marketing Organization and by cash in case the deduction falls short of the quarterly repayment pledge. The amount of outstanding loans as at 31 March 2001 was \$46,082,000. The expected drawdowns in 2001–02 and 2002–03 are \$33,906,000 and \$26,710,000 respectively. The estimated

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repayments for the same periods are \$6,205,000 and \$9,560,000 respectively. The estimated amount of outstanding loans as at 31 March 2003 is \$90,933,000.

Kadoorie Agricultural Aid Loan Fund-livestock waste control scheme

39 On 16 March 1988, the Finance Committee approved a commitment of \$46,700,000 to the Kadoorie Agricultural Aid Loan Fund (KAALF) to enable it 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 by 31 March 2002 the KAALF will have repaid \$18,406,000. In 2002–03, the estimated repayments are \$1,228,000.

Kadoorie Agricultural Aid Loan Fund-loans to poultry farmers

40 On 9 January 1998, the Finance Committee approved a commitment of \$80,000,000 to the Kadoorie Agricultural Aid Loan Fund (KAALF) to enable it 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 KAALF will have fully repaid all the loans by 31 March 2002.

Kadoorie Agricultural Aid Loan Fund-loans to mariculturists

41 On 23 April 1998, the Finance Committee approved a commitment of \$200,000,000 to the Kadoorie Agricultural Aid Loan Fund (KAALF) to enable it 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. It is estimated that by 31 March 2002 the KAALF will have repaid \$121,311,000. In 2002–03, the estimated repayments are \$8,878,000.

Loans to poultry wholesalers and retailers

42 On 9 January 1998, the Finance Committee approved a commitment of \$570,000,000 to provide loans at an interest rate of 2% per annum to poultry wholesalers and retailers who were affected by the avian influenza outbreak. The loans are for the poultry wholesalers and retailers to resume their businesses. Loans totalling \$81,498,000 had been drawn by 31 March 2000 and no further drawdown is expected. It is estimated that by 31 March 2002, \$80,011,000 will have been repaid. In 2002–03, the estimated repayments are \$1,112,000.

Fish Marketing Organization Loan Fund-loans to fishermen

43 On 25 June 1999, the Finance Committee approved a commitment of \$65,000,000 to the Fish Marketing Organization Loan Fund (FMOLF) to enable it 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 there will be no further drawdown as the loans are made available for 1999–2000 only. It is estimated that the FMOLF will have fully repaid all the loans by 31 March 2002.

Loans to poultry wholesalers and retailers affected by avian flu

44 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. It is estimated that by 31 March 2002, loans totalling \$15,423,000 will have been drawn and no further drawdown is expected. The estimated repayments in 2001–02 and 2002–03 are \$2,232,000 and \$13,101,000 respectively.

Head 264—Development of Industrial Estates - Hong Kong Science and Technology Parks Corporation

Tseung Kwan O Industrial Estate Loan

45 On 16 March 1990, the Finance Committee approved a commitment of \$900,000,000 to provide a loan to the then Hong Kong Industrial Estates Corporation (HKIEC) to meet the development costs of an industrial estate at Tseung Kwan O. This loan is repayable in seven annual instalments commencing a year after completion of the first phase of the estate in 1997–98. The HKIEC will pay interest at 5% per annum on the outstanding balance of the loan with interest capitalised during the construction period. The HKIEC had drawn \$226,400,000 by 31 March 1993. No further drawdown is expected.

46 On 7 May 2001, the Hong Kong Science and Technology Parks Corporation (HKSTPC) was established under the Hong Kong Science and Technology Parks Corporation Ordinance (Cap. 565) through the merger of the HKIEC, the Hong Kong Industrial Technology Centre Corporation and the Provisional Hong Kong Science Park Company Limited. Upon the establishment of the HKSTPC, all rights, obligations, assets and liabilities of the HKIEC were

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vested in the HKSTPC in accordance with section 37 of the Ordinance and the HKIEC was dissolved. By 31 March 2002, the cumulative loan repayments are expected to be \$168,951,000. The estimated repayment in 2002–03 is \$42,238,000.

Head 265—Land Development

Urban Renewal Authority

47 On 15 July 1987, the Finance Committee approved a commitment of \$100,000,000 to provide a loan to the then Land Development Corporation (LDC) for financing the establishment of the LDC and its initial operation. The loan is to be drawn in tranches and for each tranche drawn, repayment is to be made by 25 equal annual instalments after a grace period of five years. Interest is payable on the outstanding balance at 5% per annum calculated from the date of the drawdown of each tranche. A total of \$31,150,000 had been drawn by the LDC by 31 March 1989. No further drawdown is expected.

48 On 1 May 2001, the Urban Renewal Authority (URA) was established under the Urban Renewal Authority Ordinance (Cap. 563). Upon the establishment of the URA, all rights, obligations, assets and liabilities of the LDC were vested in the URA in accordance with section 37 of the Ordinance and the LDC was dissolved. By 31 March 2002, the cumulative loan repayments are expected to be \$11,214,000. The estimated repayment in 2002–03 is \$1,246,000.

Head 266—Industry

Hong Kong Productivity Council

49 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 will pay interest on the outstanding balance at the average best lending rate quoted by the note-issuing banks. The Council had drawn a total of \$249,425,000. Interest incurred during the construction period which ended in December 1990 had been capitalised. The loan and interest thereon are repayable annually over 20 years as from December 1991. By 31 March 2002, the Council is expected to have repaid \$150,581,000. The estimated repayment in 2002–03 is \$13,025,000.

Head 267—Estate Agents Authority

Loan to the Estate Agents Authority

50 On 13 June 1997, the Finance Committee approved a commitment of \$40,000,000 to provide a loan to the Estate Agents Authority for financing its establishment and initial operation. The first drawdown of \$22,000,000 was made in 1997–98 and the second and final drawdown of \$18,000,000 in 1998–99. The loan is repayable in ten equal annual instalments starting from 1999–2000. The Authority will pay interest at 5% per annum on the outstanding loan balance. By 31 March 2002, the Authority is expected to have repaid \$12,000,000. The estimated repayment in 2002–03 is \$4,000,000.

Head 269—Building Safety

Comprehensive Building Safety Improvement Loan Scheme

51 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 loan scheme called “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 charged on the outstanding balance of the loans at the “no-gain-no-loss” rate. The amount of outstanding loans as at 31 March 2001 was \$7,203,000. The expected drawdowns in 2001–02 and 2002–03 are \$33,499,000 and \$73,185,000 respectively. The estimated repayments in 2001–02 and 2002–03 are \$3,377,000 and \$19,272,000 respectively. The estimated amount of outstanding loans as at 31 March 2003 is \$91,238,000.

Head 274—Tourism

International Events Fund

52 On 27 March 1998, the Finance Committee approved a commitment of \$100,000,000 to provide a loan to the Hong Kong Tourism Board (formerly the Hong Kong Tourist Association) for the setting up of the International Events Fund to promote international events in Hong Kong. The loan operates on a revolving basis with a credit limit of \$100,000,000 for a period of five years from the date of the first drawdown. The Board will pay interest at 5% per annum on the outstanding amount of the loan. The Board drew down the full amount of \$100,000,000 in 1998–99. No repayment is expected until 2003–04.

LOAN FUND

Ocean Park Lowland Redevelopment Fund

53 On 21 May 1999, the Finance Committee approved a commitment of \$500,000,000 to provide a loan to the Ocean Park Corporation for accelerating the construction of “Adventure Bay” in its Lowland Redevelopment Project. The Corporation will repay the loan in ten annual instalments plus interest at 5% per annum on the outstanding amount of the loan, due on 30 June each year from 2004. No drawdown of the loan is expected in 2001–02 and 2002–03.

Head 275—Small and Medium Enterprises

Special finance scheme for small and medium enterprises

54 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 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 2001 was \$161,641,000. The estimated payments in 2001–02 and 2002–03 are \$110,000,000 and \$150,000,000 respectively. The estimated receipts for the same periods are \$70,000,000 and \$2,400,000 respectively. The estimated amount of net payments as at 31 March 2003 is \$349,241,000.

Head 276—Water Supply

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

55 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 will be drawn in eight equal payments and the first drawdown of \$295,500,000 was made in December 1998. By 31 March 2002, it is expected that \$1,773,000,000 will have been drawn down. The estimated drawdowns in 2002–03 are \$591,000,000. The Guangdong Provincial People’s Government will repay the loan in 20 annual instalments of \$118,200,000 each starting from the time of commissioning of the water quality improvement project or the year 2003, whichever is the earlier. No repayments are expected in 2001–02 and 2002–03.

Additional Commitments

56 A sum of \$230,000,000 will be provided in 2002–03 to allow for additional commitments that may be identified during the course of the year.

LOAN FUND

(Payments)

Sub-head (Code)	Approved commitment	Actual expenditure to 31.3.2001	Revised estimate 2001-02	Estimate 2002-03	
	\$'000	\$'000	\$'000	\$'000	
Loans					
Head 251—Housing					
Hong Kong Housing Society					
116	Home starter loan scheme	18,000,000	10,200,000	3,000,000	—
Housing assistance for civil servants					
151	Housing loans§.....	10,438,000	7,994,357	346,006	569,410
Housing loans to Hong Kong Institute of Education staff					
161	Housing loans.....	30,000	4,175	1,035	1,084
	<i>Head 251: total</i>	28,468,000	18,198,532	3,347,041	570,494
Head 252—Loans to Schools/Teachers					
102	Loans to schools in the Bought Place Scheme ...	490,000	291,375	724	—
104	Loans to non-profit-making international schools	188,391	111,391	77,000	—
105	Slope improvement loan scheme for private schools§	100,000	—	5,094	14,720
106	Start-up loan for post-secondary education providers	5,000,000	—	293,925	961,013
	<i>Head 252: total</i>	5,778,391	402,766	376,743	975,733
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	—	6,936,561	592,137	599,368
102	Non-means-tested loan scheme	—	892,110	442,332	500,651
103	Means-tested loan for post-secondary students	—	—	51,967	85,980
111	Students of approved post-secondary colleges...	—	167,367	10,947	7,419
131	Hong Kong students in the United Kingdom	—	173,438	15	—
	<i>Head 254: total</i>	—	8,169,476	1,097,398	1,193,418

§ The actual expenditure to 31.3.2001 represents the net amount of outstanding loans as at that date.

LOAN FUND

(Payments)

Sub-head (Code)	Approved commitment	Actual expenditure to 31.3.2001	Revised estimate 2001-02	Estimate 2002-03	
	\$'000	\$'000	\$'000	\$'000	
Loans					
Head 255—Interest-free loans to employees injured at work and dependants of employees who die as a result of work-related accidents					
101	Loans to employees injured at work and dependants of deceased employees§	10,000	1,536	971	1,200
	<i>Head 255: total</i>	10,000	1,536	971	1,200
Head 257—Employees Compensation Assistance Fund					
101	Bridging loan to Employees Compensation Assistance Fund Board.....	60,000	—	60,000	—
	<i>Head 257: total</i>	60,000	—	60,000	—
Head 262—Primary Products					
101	Fisheries loans§	100,000	46,082	33,906	26,710
141	Loans to poultry wholesalers and retailers affected by avian flu.....	146,000	—	15,423	—
	<i>Head 262: total</i>	246,000	46,082	49,329	26,710
Head 269—Building Safety					
101	Comprehensive Building Safety Improvement Loan Scheme§	700,000	7,203	33,499	73,185
	<i>Head 269: total</i>	700,000	7,203	33,499	73,185
Head 274—Tourism					
101	International Events Fund§.....	100,000	100,000	—	—
111	Ocean Park Lowland Redevelopment Fund	500,000	—	—	—
	<i>Head 274: total</i>	600,000	100,000	—	—
Head 275—Small and Medium Enterprises					
101	Special finance scheme for small and medium enterprises§	5,000,000	161,641	110,000	150,000
	<i>Head 275: total</i>	5,000,000	161,641	110,000	150,000

§ The actual expenditure to 31.3.2001 represents the net amount of outstanding loans as at that date.

LOAN FUND

(Payments)

Sub-head (Code)	Approved commitment	Actual expenditure to 31.3.2001	Revised estimate 2001-02	Estimate 2002-03
	\$'000	\$'000	\$'000	\$'000
Loans				
Head 276—Water Supply				
101	Loan to the Guangdong Provincial People's Government for water quality improvement project.....	2,364,000	1,182,000	591,000
	<i>Head 276: total</i>	2,364,000	1,182,000	591,000
	Additional Commitments	—	—	230,000†
	Transfer to General Revenue	—	—	3,000,000
Total (Payments)		43,226,391	28,269,236	5,665,981
		6,811,740		

† Subject to Finance Committee's approval.

LOAN FUND
(Receipts)

Sub-head (Code)	Actual receipts to 31.3.2001	Revised estimate 2001-02	Estimate 2002-03	
	\$'000	\$'000	\$'000	
Loan repayments				
Head 251—Housing				
Hong Kong Housing Society				
211	Completed schemes.....	119,704	4,884	4,931
212	Urban improvement schemes.....	226,487	23,513	—
213	Rural public housing			
	(i) Tui Min Hoi.....	10,795	758	758
	(ii) Sha Tau Kok.....	26,704	2,762	2,762
214	Sandwich class housing.....	7,816,263	1,469,523	—
215	Sandwich class housing loan scheme.....	927,000	50,994	72,188
216	Home starter loan scheme.....	—	81,586	655,232
Local government officers				
221	Loans 3.5 to 5% p.a.....	173,631	653	686
Hong Kong Settlers Housing Corporation Ltd.				
241	Hong Kong Settlers Housing Corporation Ltd.....	2,737	220	231
Housing assistance for civil servants				
251	Housing loans#.....	—	1,839,250	1,984,790
Housing loans to Hong Kong Institute of Education staff				
261	Housing loans.....	4,175	39	159
	<i>Head 251: total</i>	<u>9,307,496</u>	<u>3,474,182</u>	<u>2,721,737</u>
Head 252—Loans to Schools/Teachers				
201	Loans to schools.....	207,871	3,075	3,075
203	Loans to schools in the Direct Subsidy Scheme.....	80,110	18,196	16,358
204	Loans to non-profit-making international schools.....	15,054	11,139	14,990
205	Slope improvement loan scheme for private schools#.....	—	170	1,580
206	Start-up loan for post-secondary education providers.....	—	—	26,688
211	Loans to teachers in training.....	76,922	127	17
	<i>Head 252: total</i>	<u>379,957</u>	<u>32,707</u>	<u>62,708</u>
Head 254—Loans to Students				
201	Students of the universities, the Hong Kong Institute of Vocational Education, Prince Philip Dental Hospital, Hong Kong Institute of Education and Hong Kong Academy for Performing Arts.....	3,295,262	780,509	804,116

Actual receipts to 31.3.2001 are not shown as the item is a revolving loan.

LOAN FUND
(Receipts)

Sub-head (Code)	Actual receipts to 31.3.2001	Revised estimate 2001–02	Estimate 2002–03
	\$'000	\$'000	\$'000
Loan repayments			
Head 254—Loans to Students—Cont'd.			
202	97,957	84,904	101,653
203	—	—	162
211	102,261	9,583	12,111
231	171,470	1,261	331
	<u>3,666,950</u>	<u>876,257</u>	<u>918,373</u>
Head 255—Interest-free loans to employees injured at work and dependants of employees who die as a result of work-related accidents			
201	—	619	601
	<u>—</u>	<u>619</u>	<u>601</u>
Head 256—Interest-free loan for starting up Occupational Deafness Compensation Scheme			
201	52,000	13,000	13,000
	<u>52,000</u>	<u>13,000</u>	<u>13,000</u>
Head 257—Employees Compensation Assistance Fund			
201	—	10,000	10,000
	<u>—</u>	<u>10,000</u>	<u>10,000</u>
Head 262—Primary Products			
201	—	6,205	9,560
211	13,991	4,415	1,228
212	14,183	455	—
213	92,890	28,421	8,878
221	76,848	3,163	1,112
231	33,659	12,986	—
241	—	2,232	13,101
	<u>231,571</u>	<u>57,877</u>	<u>33,879</u>

Actual receipts to 31.3.2001 are not shown as the item is a revolving loan.

LOAN FUND
(Receipts)

Sub-head (Code)	Actual receipts to 31.3.2001	Revised estimate 2001-02	Estimate 2002-03	
	\$'000	\$'000	\$'000	
Loan repayments				
Head 264—Development of Industrial Estates—Hong Kong Science and Technology Parks Corporation				
231	Tseung Kwan O Industrial Estate Loan	126,713	42,238	42,238
	<i>Head 264: total</i>	126,713	42,238	42,238
Head 265—Land Development				
201	Urban Renewal Authority	9,968	1,246	1,246
	<i>Head 265: total</i>	9,968	1,246	1,246
Head 266—Industry				
201	Hong Kong Productivity Council—special-purpose building.....	137,556	13,025	13,025
	<i>Head 266: total</i>	137,556	13,025	13,025
Head 267—Estate Agents Authority				
201	Loan to Estate Agents Authority	8,000	4,000	4,000
	<i>Head 267: total</i>	8,000	4,000	4,000
Head 269—Building Safety				
201	Comprehensive Building Safety Improvement Loan Scheme# ...	—	3,377	19,272
	<i>Head 269: total</i>	—	3,377	19,272
Head 275—Small and Medium Enterprises				
201	Special finance scheme for small and medium enterprises#	—	70,000	2,400
	<i>Head 275: total</i>	—	70,000	2,400
	<i>Loan repayments: total</i>	13,920,211	4,598,528	3,842,479
	Interest on loans	—	489,334	347,728
	Surcharges on overdue loan repayments	—	3,326	3,326
	Interest on deposits and bank balances	—	375,021	136,330
Total (Receipts)		13,920,211	5,466,209	4,329,863

Actual receipts to 31.3.2001 are not shown as the item is a revolving loan.

LOAN FUND

Movement of the Account

	Actual				Revised Estimate	Estimate
	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03
	\$m	\$m	\$m	\$m	\$m	\$m
OPENING BALANCE	1,510	3,207	3,884	8,819	7,121	6,921
Expenditure	2,948	7,856	6,580	5,310	5,666	3,812
Revenue	2,475	2,533	11,515	3,612	5,466	4,330
Surplus/(Deficit) before Transfer from/to GRA	(473)	(5,323)	4,935	(1,698)	(200)	518
Transfer from/(to) GRA	2,170	6,000	—	—	—	(3,000)
Surplus/(Deficit) after Transfer from/to GRA	1,697	677	4,935	(1,698)	(200)	(2,482)
CLOSING BALANCE	3,207	3,884	8,819	7,121	6,921	4,439

Expenditure Analysis

	Actual				Revised Estimate	Estimate
	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03
	\$m	\$m	\$m	\$m	\$m	\$m
Loans						
Housing	1,943	5,757	5,066	3,735	3,347	571
Loans to Schools/Teachers	—	115	80	—	377	976
Loans to Students	962	1,172	899	888	1,097	1,193
Labour	1	1	1	1	61	1
Primary Products	20	232	65	14	49	27
Estate Agents Authority	22	18	—	—	—	—
Building Safety	—	1	3	6	34	73
Tourism	—	100	—	—	—	—
Small and Medium Enterprises	—	164	170	75	110	150
Water Supply	—	296	296	591	591	591
Additional Commitments	—	—	—	—	—	230
Total Expenditure	2,948	7,856	6,580	5,310	5,666	3,812

LOAN FUND

Revenue Analysis

	Actual				Revised Estimate	Estimate
	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03
	\$m	\$m	\$m	\$m	\$m	\$m
Loan repayments	1,790	1,800	10,402	2,469	4,599	3,843
Interest on loans	541	585	886	719	489	348
Surcharges on overdue loan repayments	1	2	3	3	3	3
Interest on deposits and bank balances	143	146	224	421	375	136
Total Revenue	2,475	2,533	11,515	3,612	5,466	4,330