

## **ITEM FOR FINANCE COMMITTEE**

### **LOAN FUND**

#### **HEAD 252 – LOANS TO SCHOOLS/TEACHERS**

##### **Subhead 106 Start-up loan for post-secondary education providers**

Members are invited to approve the following loans totalling \$419.344 million, under the Start-up Loan Scheme for post-secondary education providers, from the Loan Fund –

- (a) \$350 million to Chu Hai College of Higher Education;
- (b) \$40.344 million to The University of Hong Kong; and
- (c) \$29 million to Hong Kong College of Technology.

### **PROBLEM**

We need to make a decision on applications from three institutions for start-up loans from the Government to provide accredited post-secondary programmes on a self-financing basis.

### **PROPOSAL**

2. Pursuant to the loan scheme approved by Members on 6 July 2001, the Secretary for Education (SED) proposes to grant interest-free loans totaling \$419.344 million to three institutions, as follows –

- (a) Chu Hai College of Higher Education (Chu Hai): a loan of \$350 million;

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- (b) The University of Hong Kong (HKU): a loan of \$40.344 million; and
- (c) Hong Kong College of Technology (HKCT): a loan of \$29 million.

## JUSTIFICATION

Encl. 1

3. At the Finance Committee (FC) meeting on 6 July 2001, Members approved the introduction of a loan scheme to help post-secondary education providers to meet their initial start-up costs, with a commitment of \$5,000 million under the Loan Fund (ref. FCR(2001-02)30). Members noted that the then Secretary for Education and Manpower (SEM) would consider the loan applications on the advice of an independent Vetting Committee (see Enclosure 1 for its terms of reference and current membership). SEM may approve applications at or below \$15 million<sup>1</sup> and would recommend applications for loans exceeding \$15 million to the FC for approval.

4. At the FC meeting on 23 May 2008, Members approved the modification of the Scheme in support of enhancing the quality of post-secondary education. Under the modified Scheme, institutions may, without the need to provide additional student places, apply for interest-free loans for –

- (a) providing or enhancing teaching and other ancillary facilities (e.g. library, laboratories, student guidance/career counselling centres, etc) which serve to enhance the learning experience of and support for students;
- (b) reprovisioning existing college campuses operating in sub-optimal environment; and
- (c) refurbishing the vacant school premises allocated to them to enhance students' learning environment.

5. We launched the thirteenth Start-up Loan application exercise in November 2008. Having regard to the advice of the Vetting Committee, the SED recommends granting a loan of \$350 million to Chu Hai; a loan of \$40.344 million to the HKU and a loan of \$29 million to the HKCT. Details are set out in paragraphs 7 to 16 below.

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<sup>1</sup> To further enhance accountability, we also seek the approval of this Committee in the case of an application at or below \$15 million but where the outstanding loan balance for the same course provider exceeds \$15 million when the loan application under processing is factored in.

6. In considering the applications, the Vetting Committee has followed the eligibility criteria set out in paragraph 14(a) of FCR(2001-02)30 (i.e. that the institution concerned must be non-profit making and must provide self-financing, full-time accredited post-secondary programmes leading to a qualification at or above the level of higher diploma (HD), associate degree (AD) or professional diploma). It has also taken into account the proposed use of the loan, the estimated costs and the financial viability of the application.

### CHU HAI COLLEGE OF HIGHER EDUCATION

Encl. 2

7. Chu Hai has been offering post-secondary programmes in Hong Kong since the 1950s. In 2004, Chu Hai College of Higher Education was registered under the Post Secondary Colleges Ordinance (Cap. 320). Since then, it has become one of the 12 degree-awarding institutions in Hong Kong. Chu Hai currently operates two AD and ten degree programmes (see Enclosure 2 for the list of programmes) in rented private premises with school-setting and the adjacent commercial premises in Tsuen Wan.

Encl. 3

8. Chu Hai applies for a Start-up Loan to fund part of the construction costs of a purpose-built campus at Tuen Mun east. This is Chu Hai's first Start-up Loan application. The location map and the conceptual design of the campus are at Enclosure 3. The area of the concerned site is around 16 000 square meters. Two buildings will be constructed on the new campus. Details on the Construction Floor Area (CFA) and the construction costs of the two buildings are as follows –

	<b>CFA in square metre</b>	<b>Construction Cost</b>	<b>Cost per sq. m. of CFA</b>
<b>Block A</b>	24,590 (82%)	\$350,280,000 (83%)	around \$14,200
<b>Block B</b>	5,460 (18%)	\$71,180,000 (17%)	around \$13,000
<b>Total</b>	30,050 (100%)	\$421,460,000 (100%)	-

The Start-up Loan under application is to cover the construction cost of Block A, which comprises classrooms, lecture theatres, computer laboratories, engineering laboratories, music laboratories, language laboratories, journalism studios, architecture studios, cafeteria, a health care centre, a counselling centre, a hall, a library, a gymnasium/multi-purpose sports centre and a range of amenity facilities.

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Chu Hai will support the construction cost of Block B<sup>2</sup>, as well as the refurbishment and equipment costs of both blocks by its own resources. The new campus is scheduled to start operation in 2012/13 academic year. The existing campus will be closed down after the new campus starts operation.

9. The applicant estimated that the new campus can serve up to 4 000 students. Chu Hai's student population has grown steadily since it started to offer accredited degree programmes. The new intake of students increased by 50% in 2006/07, 12% in 2007/08 and 25% in 2008/09. The total student population in 2008/09 academic year is around 1 100. Chu Hai estimated that its student population would increase to 2 400 in 2012/13 (i.e. the projected annual growth in student intake from 2009/10 to 2012/13 is 15% to 20%) when the new campus starts operation, and reach the campus' design capacity in around 2018/19 (i.e. the projected annual growth in student intake from 2013/14 onwards would slow down to 5% to 15%).

10. We are of the view that Chu Hai's new campus will both improve the learning environment of its existing students and increase the provision of self-financed degree places in Hong Kong. Facilities and equipment which are unavailable in its existing premises will be provided in the new campus, for example, the civil engineering laboratory will be expanded to accommodate heavy machinery so that students do not need to conduct tests in laboratories of other educational institutions; the architectural studios will be equipped with more equipment such as laser cutting devices and model making workshops; and the library will be expanded to house more collections and provide a more spacious environment. Supporting the construction of Chu Hai's new campus is also in line with Government's policy of encouraging the development of self-financing degree-awarding institutions, thereby expanding the articulation opportunities for sub-degree graduates. The Architectural Services Department (Arch SD) confirms that the estimated construction cost of the new campus is reasonable.

## THE UNIVERSITY OF HONG KONG

11. HKU SPACE Community College (the College) was established in March 2000 to provide full-time AD and HD programmes. HKU has obtained three Start-up Loans for the operation of the College in the past: a loan of around \$35.4 million was approved in 2001 for refurbishing the Learning Centre in Wan Chai and renting the premises for two years; a loan of around \$176.12 million was

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<sup>2</sup> On current planning, Block B will include facilities such as laboratories, teaching and research rooms, administration offices and caretakers/staff quarters.

approved in 2001 for the purchase of a commercial building as the College's permanent campus in North Point and a loan of around \$279.26 million in 2003 for the construction of a purpose-built campus in Kowloon Bay. The College currently operates 7 AD and 24 HD programmes and the total number of students is around 5 900.

12. HKU now applies for a new Start-up Loan to fund the refurbishment costs for converting the ex-premises of Kwong Yuet Tong Excel Foundation Primary School in Pokfulam into a campus suitable for post-secondary education.
- Encl. 4 The site map of the premises is at Enclosure 4. The Gross Floor Area of the premises is around 5 700 square metres and the projected number of students to be accommodated is 800. The list of programmes to be offered at the new campus is at Enclosure 5.
- Encl. 5 Facilities to be provided in the new campus include classrooms, multi-media language laboratories, student common rooms, a library and a "Cyberfloor". The concept of the Cyberfloor is to bring together specialised IT-related laboratories and self-learning facilities, which comprise a "classroom of the future", an engineering laboratory, a computer laboratory, an e-learning production studio and a digital gallery, into a single floor to facilitate access. The facilities will be used for both teaching and self-learning. The estimated refurbishment (including furniture and equipment) cost for the premises is about \$7,100 per square metre. The new campus is scheduled to start operation in the second semester of 2009/10 academic year. The new campus will relieve the over-crowdedness of the College's existing campus in Kowloon Bay, of which the design capacity is only 2 000 but currently accommodates around 2 900 students. As resources are directed at improving the learning environment of existing students, no additional student places will be generated from this exercise.

13. We are of the view that re-provisioning part of the College's operation to the allocated vacant school premises will improve the learning environment of students. The new campus will give students better access to facilities such as reference library and computer laboratories, and provide more space for self-learning, project preparation and group discussions. This is in line with our policy objective of improving the quality of teaching and learning in sub-degree education. Arch SD confirms that the estimated construction cost is reasonable.

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**HONG KONG COLLEGE OF TECHNOLOGY**

14. HKCT started to provide post-secondary education in 2001. Its locally accredited programmes include one AD and 11 HD courses. HKCT operates these programmes by renting commercial premises in Hunghom and sharing accommodation with a secondary school in Homantin. The number of students currently enrolled in these programmes is around 1 200. A Start-up Loan of around \$10.9 million was granted to HKCT in 2006 to refurbish the premises in Hunghom and rent them for two years.

Encl. 6 15. HKCT now applies for a new Start-up Loan to fund the refurbishment costs for converting the ex-premises of Ho Fai Primary School (Sponsored by Sik Sik Yuen) in Ma On Shan into a campus suitable for post-secondary education. The site map of the premises is at Enclosure 6. The Gross Floor Area of the premises is around 5 000 square metres and the projected number of students to be accommodated is 1 200. Enclosure 7 is a list of programmes to be operated in the new campus. Facilities to be provided in the new campus include classrooms, student common areas, a library, a language resource centre, an art studio and a social work skill laboratory. The estimated refurbishment (including furniture and equipment) cost per square meter is \$5,800. The new campus, scheduled to start operation in the 2010/11 academic year, will bring about improvement in learning environment with no addition in student places. The existing campus in commercial premises will be closed down after the new campus starts operation.

16. We are of the view that the reprovision of HKCT's operation from commercial and shared premises to the allocated vacant school premises will improve the learning experience of the concerned students. Students will no longer need to travel between campuses for different classes and may enjoy facilities which are currently unavailable such as mock-up cruise cabin and hotel front desk, room service laboratory and practice cafeteria. This is in line with our policy objective of improving the quality of teaching and learning in sub-degree education. Arch SD confirms that the estimated construction cost is reasonable.

**FINANCIAL IMPLICATIONS**

17. The above three applications will be subject to the arrangement endorsed by FC in July 2001, whereby the loans will be interest-free, to be repaid by equal annual installments over ten years from the date of the final drawdown. As at 31 March 2009, the uncommitted loan balance of the Start-up Loan Scheme is \$870.825 million and is sufficient to meet the requirements of the three applications totaling \$419.344 million. The loan disbursement schedules will be as follows –

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<b>Institution</b>	<b>FY 2009-10 \$'000</b>	<b>FY 2010-11 \$'000</b>	<b>FY 2011-12 \$'000</b>	<b>FY 2012-13 \$'000</b>	<b>Total \$'000</b>
Chu Hai	-	47,000	260,000	43,000	350,000
HKU	40,344	-	-	-	40,344
HKCT	29,000	-	-	-	29,000

18. We estimate that the total interest foregone for granting the above loans will be around \$64.87 million calculated on the basis of the “no-gain-no-loss” interest rate, currently at 2.099% per annum. There are no recurrent financial implications.

## **PUBLIC CONSULTATION**

19. We consulted the Tuen Mun District Council (DC) and Southern DC in November 2008 and the Sha Tin DC in December 2008 on the proposals of using the respective sites for post-secondary education. The DCs raised no objections.

20. In May 2009, we briefed the Legislative Council Panel on Education about the three loan applications. Members generally supported the applications.

## **BACKGROUND**

21. In support of the 2000 policy objective of enabling 60% of our secondary school leavers to receive tertiary education by 2010, the Administration introduced various support measures to promote the development of a self-financing post-secondary sector in Hong Kong. In July 2001, Members approved (vide FCR(2001-02)30) a package of support measures to facilitate a progressive expansion in self-financing post-secondary programmes. Amongst them is the Start-up Loan Scheme, which provides interest-free loans to non-profit-making institutions for purchasing, renting or building campuses by reference to the projected number of additional student places.

22. To ensure the healthy and sustainable development of the post-secondary education sector, the Administration initiated a Review of the Post-secondary Education Sector in 2005. The Review was conducted in two phases and we sought FC's support on recommendations of the Phase Two Review in May 2008. Together with various other measures aiming at improving the quality of post secondary education, Members approved (vide FCR(2008-09)17) the following modifications to the Start-up Loan Scheme –

- (a) loans may be offered to institutions for enhancing teaching and other ancillary facilities without providing additional student places; and
- (b) loan repayment periods may be extended to no more than 20 years for borrowing institutions with outstanding loan(s) under the Scheme at that time and with proven financial difficulties, subject to the payment of interest at the no-gain-no-loss rate after the interest-free period in the first ten years.

FC also approved that the concession in paragraph 22(b) above will not apply to new loans to be granted as borrowers should plan carefully their repayment ability before borrowing.

23. Since the introduction of the Start-up Loan Scheme in 2001, FC has already approved 20 loans to 12 institutions, amounting to about \$4,077 million in total. SED approved under delegated authority a total of five loan applications amounting to \$52 million in total. The list of Start-up Loans approved is at Enclosure 8. As at the end of March 2009, a total of \$737 million has been repaid and all repayments have been on time.

Encl. 8

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Education Bureau  
June 2009



**Vetting Committee for  
Start-up Loan for Post-secondary Education Providers**

**Terms of Reference**

1. To examine and assess applications for start-up loans for post-secondary education providers in accordance with prevailing policies, and advise the Secretary for Education (SED) on whether to accept, modify or reject the applications, where the loan amount to be approved is at or below \$15 million.
2. To examine and assess applications for start-up loan for post-secondary education providers in accordance with prevailing policies, and advise SED on whether to recommend the applications for approval by the Finance Committee of the Legislative Council, where the loan amount to be approved exceeds \$15 million.
3. To advise SED on any other matters that may be referred to Vetting Committee by the Education Bureau concerning the policy and execution of the post-secondary loan scheme.

**Membership**

Chairman : Professor TAM Man Kwan, BBS, J.P.

Members : **Non-officials**

Mr KUNG Lin Cheng, Leo, J.P.

Mr LIAO Cheung Kong, Martin, J.P.

Mr WONG Tak Wai, Alvin

Ms CHEUNG Sau Yu, Stephanie

**Official**

Principal Assistant Secretary (Further Education), EDB

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**Programme List of Chu Hai College of Higher Education being operated and to be operated at the new campus**

Associate of Science in Computer Science

Associate of General Studies

Bachelor of Arts (Hons) in Chinese Literature

Bachelor of Arts (Hons) in Journalism and Communication

Bachelor of Commerce (Hons) in Accounting and Banking

Bachelor of Business Administration (Hons)

BBA (Hons) in Finance

BBA (Hons) in Business Information Systems

Bachelor of Engineering (Hons) in Civil Engineering

Bachelor of Science (Hons) in Architecture

Bachelor of Architecture (Hons)

Bachelor of Science (Hons) in Computer Science

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主題地點界線只作識別用  
SUBJECT SITE BOUNDARY  
FOR IDENTIFICATION PURPOSE ONLY

龍珠島  
LUNG CHUE TO  
(PEARL ISLAND)

### 位置圖 LOCATION PLAN

TM AREA 48 SITE B (NEAR CAFETERIA NEW BEACH) -  
TME STUDY SITE 1

米 METRES 100 0 100 200 300 400 500 METRES  
SCALE 1 : 10 000 比例尺

規劃署  
PLANNING  
DEPARTMENT



參考編號  
REFERENCE No.  
M/NT/07/28

圖 PLAN

本摘要圖於2008年7月18日擬備，  
所根據的資料為於2008年7月4日  
展示的分區計劃大綱圖編號 S/TM/24  
EXTRACT PLAN PREPARED ON 18.7.2008  
BASED ON OUTLINE ZONING PLAN No.  
S/TM/24 EXHIBITED ON 4.7.2008











**Name:** Kwong Yuet Tong Excel Foundation Primary School

**Address:** Podium, Wah Fu Estate, 3 Wah Lam Path, Aberdeen, HK

**Programme list of HKU SPACE Community College to be operated at the new campus**

HD in Engineering

HD in IT (Networking Stream)

HD in Logistics (Supply Chain & IT Management)

HD in Logistics and Transport Operations

HD in Library and Information Management

HD in Translation and Interpretation

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**Name:** Ho Fai Primary School (Sponsored by Sik Sik Yuen)

**Address:** Yiu On Estate, Ma On Shan, NT



**Programme list of Hong Kong College of Technology to be operated at the new campus**

AD in Social Work

HD in Accounting

HD in Accounting (with Banking)

HD in Business (Finance)

HD in Business (China Business)

HD in Business (Marketing)

HD in Computer Studies

HD in Creative Design (Integrated Graphic Communication)

HD in Creative Design (Hair and Image Styling)

HD in Tourism Management (Tourism Business)

HD in Tourism Management (Hospitality)

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## Enclosure 8 to FCR(2009-10)28

### List of Loans Approved under the “Start-up loan scheme for post-secondary education providers”

Loan No.	Applicant	Use	Loan Amount	Date of Approval
1	HKU	Renting and refurbishing of commercial premises in Wanchai	\$35,402,000	7 Dec 2001 by FC
2	HKU	Purchasing and refurbishing of commercial premises in North Point	\$176,124,000	7 Dec 2001 by FC
3	HKBU	Purchasing and refurbishing of commercial premises in Kowloon Tong	\$86,201,000	7 Dec 2001 by FC
4	Poly U	Renting and refurbishing the professional Complex at Hung Hom Campus	\$32,700,000	7 Dec 2001 by FC
5	Lingnan U	Renting and refurbishing of commercial premises in Tuen Mun and Causeway Bay	\$10,597,000	7 Dec 2001 by FC
6	Lingnan U	Construction of new buildings in Tuen Mun Main Campus	\$205,735,000	7 Dec 2001 by FC
7	HKIEd	Renting and refurbishing of commercial premises in Tai Kok Tsui	\$15,000,000	26 Mar 2002 by SED
8	CUHK	Purchasing and refurbishing commercial premises in Central	\$135,274,000	26 Apr 2002 by FC
9	Caritas-HK	Renting and refurbishing of commercial premises at MTR Kowloon Station	\$15,000,000	21 Jun 2002 by SED
10	City U	Renting and refurbishing of commercial premises in Kowloon Bay	\$44,756,000	21 Jun 2002 by FC
11	VTC	Construction of new buildings in IVE Tsing Yi Campus	\$266,400,000	21 Jun 2002 by FC
12	IEAEF	Renting and refurbishing of commercial premises in Cheung Sha Wan and TST	\$7,148,000	30 Dec 2002 by SED
13	ELI	Renting and refurbishing of commercial premises in Causeway Bay	\$4,000,000	4 Mar 2003 by SED
14	HKU	Construction of new campus in Kowloon Bay	\$279,256,000	27 Jun 2003 by FC
15	HKBU	Construction of new campus in Shek Mun, Shatin	\$359,200,000	27 Jun 2003 by FC
16	Caritas-HK	Construction of new campus in TKO Area 73B	\$188,000,000	27 Jun 2003 by FC
17	Poly U	Construction of new campus in Hung Hom	\$424,714,000	27 Jun 2003 by FC
18	CUHK-TW GH CC	Construction of new campuses in Mongkok	\$346,050,000	5 Dec 2003 by FC
19	Poly U	Construction of new campus in West Kowloon	\$458,100,000	4 Mar 2005 by FC
20	City U	Construction of new building in Kowloon Tong Main Campus	\$599,500,000	24 Jun 2005 by FC
21	PLK	Construction of new building at PLK's HQ in Causeway Bay	\$254,000,000	24 Jun 2005 by FC
22	OUHK	Construction of new building In Ho Man Tin Main Campus	\$120,000,000	24 Jun 2005 by FC
23	HKCT	Renting and refurbishing of commercial premises in Hung Hom	\$10,875,000	3 Jan 2006 by SED
24	HSSC	Construction of new building in Siu Lek Yuen Campus	\$32,400,000	24 Mar 2006 by FC
25	CUHK	Renting and refurbishing of commercial premises in Central	\$22,743,000	24 Mar 2006 by FC
<b>Total:</b>			<b>\$4,129,175,000</b>	-

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