

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 a start-up loan of \$800 million to Hang Seng School of Commerce for the operation of Hang Seng Management College, under the Start-up Loan Scheme for post-secondary education providers, from the Loan Fund.

PROBLEM

The Hang Seng School of Commerce (HSSC) has applied for a start-up loan from the Government to provide full-time locally accredited post-secondary programmes on a self-financing basis.

PROPOSAL

2. The Secretary for Education (SED) proposes to grant a start-up loan of \$800 million to HSSC for Hang Seng Management College (HSMC) to operate full-time locally accredited post-secondary programmes.

JUSTIFICATION

3. To support the development of the self-financing post-secondary sector in Hong Kong, the Administration has launched a basket of support measures. At the Finance Committee (FC) meeting on 6 July 2001, Members approved the introduction of the Start-up Loan Scheme (SLS) (vide FCR(2001-02)30) to help non-profit-making self-financing post-secondary education providers to meet their start-up costs. The SED considers the start-up loan applications on the advice of an independent Vetting Committee (VC). The terms of reference and membership of VC are at Enclosure 1. The SED may

approve start-up loan applications at or below \$15 million under delegated authority¹ and would recommend applications for loans exceeding \$15 million to the FC for approval.

4. We launched a new round of start-up loan application exercise on 3 October 2012, and the application was closed on 31 December 2012. Having regard to the advice of the VC, the SED recommends granting a loan of \$800 million to HSSC to cover the development costs of campus and student hostels of HSMC for the operation of full-time locally accredited post-secondary programmes.

5. The concerned development has a total gross floor area of about 34 000 square metres and includes the development of campus and student hostels. The total development cost is estimated to be \$1,107 million², of which \$626 million is for the campus and \$481 million is for the student hostel. HSSC now applies for a start-up loan of \$800 million to fund part of the development cost. The development plan includes an 8-storey purpose-built academic and administrative building, a sports and amenities centre, and three blocks of student hostels with not more than 1 300 places in proximity to the existing campus. The location map of the campus is at Enclosure 2.

Encl. 2

6. With the campus and student hostels development, HSMC plans to offer a total of 14 bachelor's degree programmes and an associate degree programme with about 5 700 students by the 2017/18 academic year. The list of programmes being offered and planned to be provided by HSMC by the 2017/18 academic year is at Enclosure 3. The development project has commenced in 2012. HSMC targets to complete the construction works of the academic and amenities facilities by September 2013 and the student hostels around September 2014.

Encl. 3

7. With the HSSC's application for a new start-up loan of \$800 million to develop the HSMC's campus, student hostels and ancillary facilities, we are of the view that such a development will not only enable HSSC to enhance the quality of teaching and learning and promote all-round student development, but also facilitate the diversification of the higher education sector in Hong Kong and widen the choice and opportunities for students. Supporting the campus and student hostels development of HSMC is in line with the Government's policy of promoting the healthy development of the self-financing post-secondary sector.

/FINANCIAL

¹ As approved by the FC in July 2001 (vide FCR(2001-02)30), SED can approve applications at or below \$15 million under delegated authority.

² In money-of-the-day price.

FINANCIAL IMPLICATIONS

8. As approved by the FC in July 2001, loans to be granted under the SLS will be interest-free, to be repaid by equal installments over ten years from the date of the final drawdown. As at 31 May 2013, the uncommitted loan balance of the SLS is about \$2,800 million and is sufficient to meet the requirements of the current applications of \$800 million. Subject to the actual construction schedule of HSSC, the tentative loan disbursement schedules are as follows –

Institution	FY 2013-14 \$ million	FY 2014-15 \$ million	Total \$ million
HSSC	677	123	800

9. The total interest foregone³ for granting the above loans, with a repayment period of ten years, will be around \$254 million based on the assumptions that loans will be drawn down in accordance with the above schedule without the extension of repayment period. There are no recurrent financial implications.

PUBLIC CONSULTATION

10. We consulted the Legislative Council Panel on Education on 30 May 2013 regarding the loan application. Members had no objection to the proposal.

BACKGROUND

11. The FC approved a commitment of \$5,000 million for the introduction of the SLS in July 2001. Subsequently, the FC approved vide FCR(2008-09)17 on 23 May 2008 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)

³ The interest forgone is calculated based on the investment return for placing fiscal reserves with Hong Kong Monetary Authority, currently at 5.0% per annum.

- (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.

On the same occasion, the FC also approved that loans granted in or before May 2008 might be eligible for extension of repayment period from ten years to no more than 20 years subject to proven financial difficulty of the borrowing institutions. The outstanding loans would however be subject to interest payment at the no-gain-no-loss rate after the interest-free period in the first ten years.

12. At the FC meeting on 5 February 2010, Members approved an increase of \$2,000 million in the commitment for the SLS from \$5,000 million to \$7,000 million to meet the prospective loan requirements from institutions for the development of degree programmes; and an extension of the loan repayment period from no more than ten years to no more than 20 years for institutions borrowing loans after May 2008 for constructing new college premises, subject to proven financial difficulties, payment of first five repayment instalments and interest at the no-gain-no-loss rate after the interest-free period in the first ten years. At the FC meeting on 11 May 2012, Members approved an increase of \$2,000 million in the commitment for the SLS from \$7,000 million to \$9,000 million and an extension of the ambit of the Scheme to support the development of student hostels for the self-financing tertiary education sector.

13. In considering the loan applications, the VC follows 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, associate degree or professional diploma). It would also take into account the applicant's organization and management structure, its track record in delivering post-secondary education services, the proposed use of the loan, the estimated development costs and the financial viability of the application.

14. As at the end of May 2013, the FC has approved 28 loans to 14 institutions, amounting to about \$6,131 million in total, since the introduction of the SLS. In addition, the SED has approved under delegated authority a total of eight loan applications amounting to about \$71 million in total. The list of start-up loans approved is at Enclosure 4. A loan amount of about \$4,617 million has been drawn and a total of about \$1,799 million has been repaid with an outstanding loan balance of about \$2,818 million. All repayments have been made on time.

Encl. 4

15. As regards HSSC, it was founded in 1980 to provide mainly business diploma courses. It began offering matriculation courses in 1992 and associate degree and pre-associate degree programmes in 2003 and 2005 respectively. HSMC, a new entity wholly owned by HSSC, was established in 2010 for the operation of self-financing post-secondary programmes. Following the approval of the Chief Executive-in-Council in May 2010, HSMC was registered under the Post-secondary Colleges Ordinance (Cap. 320). In the 2012/13 academic year, it offers five bachelor's degree programmes and an associate degree programme with about 3 300 full-time students. At the same time, HSSC has ceased operating matriculation courses starting from the 2012/13 academic year following the implementation of the New Academic Structure.

16. In March 2006, FC approved a start-up loan of \$32.4 million for HSSC for constructing a teaching block in its existing Siu Lek Yuen campus to accommodate 280 students for sub-degree programmes offered by HSSC. In January 2011, FC further approved a start-up loan of \$308 million for HSSC to construct a new teaching block to accommodate 1 500 additional students for the sub-degree and bachelor's degree programmes offered by HSMC. Both projects have been completed. HSSC started repaying the first loan in 2009 in ten instalments for ten years and so far all repayments have been made on time.

Education Bureau
June 2013

**Vetting Committee for the Allocation of Sites and Start-up Loan
for Post-secondary Education Providers**

Terms of Reference

1. To examine and assess applications under the Land Grant Scheme (LGS) for the allocation of sites, including vacant premises and land for purpose-built premises, for the provision of self-financing post-secondary education programmes; and advise and make recommendations to the Secretary for Education (SED) on the allocation of sites to providers of these programmes.
2. To examine and assess applications under the Start-up Loan Scheme (SLS) for post-secondary education providers, and advise the SED on whether to accept, modify or reject the applications; and
3. To advise the SED on any other matters that may be referred to the Vetting Committee by the Education Bureau concerning the criteria for selection, the selection process, as well as the policy and execution of the LGS and SLS.

Membership (as at 31 May 2013)

Name

Professional Background

Chairman

Professor WONG Yuk-shan, BBS, JP

Vice-President, The Hong Kong University of Science & Technology

Members

Non-official

Mr CHING Tak Keung, Wilbert

Director & Partner, Chung Wah Nam Architects Ltd

Mr HUI Chin Yim, Stephen, MH

Ex-Director of Education Services, The Hong Kong Council of the Church of Christ in China

Dr HUI Ho Ming, Herbert, JP

Executive Director, Hong Kong Resources Holdings Company Limited

Mr LAI Ting Hong, Alex

Partner and Solicitor, Deacons

Sr LAI Yuk Fai, Stephen

Managing Director, Rider Levett Bucknall Ltd

Mr LAM Siu Lo, Andrew, JP

Chairman, AN Group (Holdings) Ltd

Ms Jacqueline A. LEUNG

President & Managing Director, Leighton Textiles Co. Ltd.

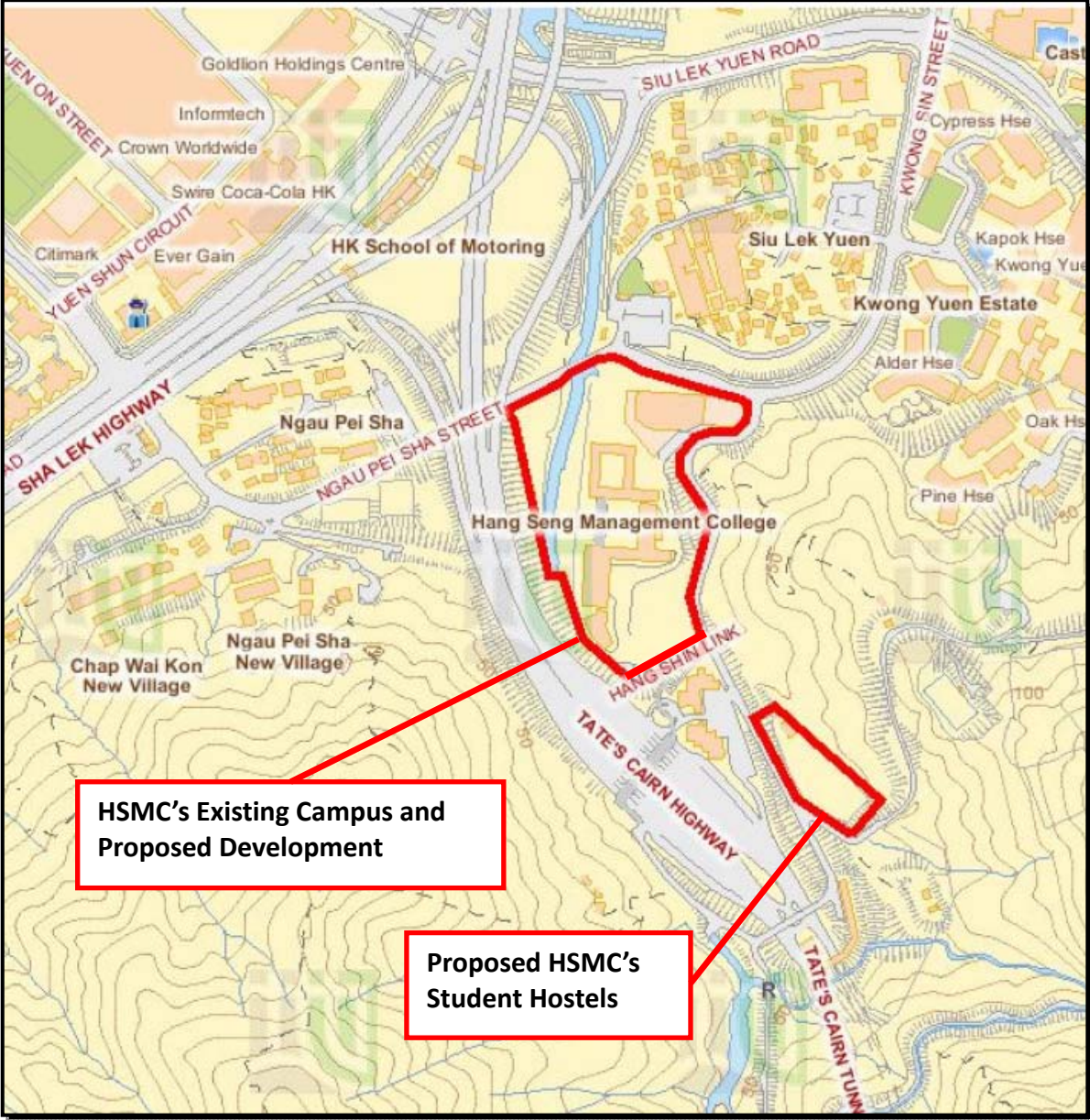
Mr WONG Tak Wai, Alvin

Partner, Pricewaterhouse Coopers

Official

Principal Assistant Secretary (Further Education), EDB

Location Map of Campus



Subject site boundaries for identification purpose only

**Programmes being offered and planned to be provided by
Hang Seng Management College
by 2017/18 academic year**

1. Associate in Business Administration*
2. Bachelor of Arts in English (Honours)*
3. Bachelor of Business Administration (Honours)*
4. Bachelor of Business Administration (Honours) in Accounting
5. Bachelor of Business Administration (Honours) in Banking and Finance
6. Bachelor of Business Administration (Honours) in Corporate Governance
7. Bachelor of Business Administration (Honours) in Financial Analysis
8. Bachelor of Business Administration (Honours) in General Business
9. Bachelor of Business Administration (Honours) in Management
10. Bachelor of Business Administration (Honours) in Marketing
11. Bachelor of Business Administration (Honours) in Supply Chain Management*
12. Bachelor of Journalism and Communication (Honours)*
13. Bachelor of Management Science and Information Management (Honours)
14. Bachelor of Science (Honours) in Data Science and Business Intelligence
15. Bachelor of Translation with Business (Honours)*

** denotes programmes being offered*

Enclosure 4 to FCR(2013-14)24

**List of Loans Approved under the “Start-up loan scheme
for post-secondary education providers” (as at 31 May 2013)**

Loan No.	Applicant	Premises	Loan Amount	Date of Approval
1	The University of Hong Kong	Renting and renovating a commercial premises in Wanchai	\$35,402,000	7 Dec 2001 by Finance Committee (FC)
2	The University of Hong Kong	Purchasing and renovating a commercial premises in North Point	\$176,124,000	7 Dec 2001 by FC
3	Hong Kong Baptist University	Purchasing and renovating a commercial premises in Kowloon Tong	\$86,201,000	7 Dec 2001 by FC
4	The Hong Kong Polytechnic University	Renting and renovating Professional Complex at Hunghom Campus	\$32,700,000	7 Dec 2001 by FC
5	Lingnan University	Renting and renovating a commercial premises in Tuen Mun and Causeway Bay	\$10,597,000	7 Dec 2001 by FC
6	Lingnan University	Constructing new buildings in Tuen Mun Main campus	\$205,735,000	7 Dec 2001 by FC
7	The Hong Kong Institute of Education	Renting and renovating a commercial premises in Tai Kok Tsui	\$15,000,000	26 Mar 2002 by Secretary for Education & Manpower (SEM)
8	The Chinese University of Hong Kong	Purchasing and renovating a commercial premises in Central	\$135,274,000	26 Apr 2002 by FC
9	Caritas-Hong Kong (for Caritas Bianchi College of Careers)	Renting and renovating a commercial premises at MTR Kowloon Station	\$15,000,000	21 Jun 2002 by SEM
10	City University of Hong Kong	Renting and renovating a commercial premises in Kowloon Bay	\$44,756,000	21 Jun 2002 by FC
11	Vocational Training Council	Constructing new buildings in IVE Tsing Yi Campus	\$266,400,000	21 Jun 2002 by FC
12	International Education and Academic Exchange Foundation Company Limited (for Hong Kong Institute of Technology)	Renting and renovating a commercial premises in Cheung Sha Wan and Tsim Sha Tsui	\$7,148,000	30 Dec 2002 by SEM
13	Education and Learning Institute (Hong Kong) Limited	Renting and renovating a commercial premises in Causeway Bay	\$4,000,000	4 Mar 2003 by SEM
14	The University of Hong Kong	Constructing a new campus in Kowloon Bay	\$279,256,000	27 Jun 2003 by FC
15	Hong Kong Baptist University	Constructing a new campus in Shek Mun, Shatin	\$359,200,000	27 Jun 2003 by FC
16	Caritas - Hong Kong (for Caritas Bianchi College of Careers)	Constructing a new campus in Tseung Kwan O	\$188,000,000	27 Jun 2003 by FC
17	The Hong Kong Polytechnic University	Constructing a new campus in Hunghom	\$424,714,000	27 Jun 2003 by FC

Loan No.	Applicant	Premises	Loan Amount	Date of Approval
18	The Chinese University of Hong Kong-Tung Wah Group of Hospitals Community College	Constructing a new campus in Mongkok	\$346,050,000	5 Dec 2003 by FC
19	The Hong Kong Polytechnic University	Constructing a new campus in West Kowloon	\$458,100,000	4 Mar 2005 by FC
20	City University of Hong Kong	Constructing new buildings in its Kowloon Tong main campus	\$599,500,000	24 Jun 2005 by FC
21	Po Leung Kuk (for The HKU SPACE – Po Leung Kuk Community College)	Constructing new buildings in its Headquarters in Causeway Bay	\$254,000,000	24 Jun 2005 by FC
22	The Open University of Hong Kong	Constructing new buildings in its Ho Man Tin campus	\$120,000,000	24 Jun 2005 by FC
23	HKCT Group Limited (for Hong Kong College of Technology)	Renting and renovating a commercial premises in Hunghom	\$10,875,000	3 Jan 2006 by SEM
24	Hang Seng School of Commerce	Constructing a new building in its Siu Lek Yuen campus	\$32,400,000	24 Mar 2006 by FC
25	The Chinese University of Hong Kong	Renting and renovating a commercial premises in Central	\$22,743,000	24 Mar 2006 by FC
26	Hong Kong Arts Centre	Renovating the ex-premises of PLK Ho To Shui Hing Primary School in Shaukeiwan	\$5,500,000	16 Feb 2009 by Secretary for Education (SED)
27	HKCT Group Limited (for Hong Kong College of Technology)	Renovating the ex-premises of Ho Fai Primary (sponsored by Sik Sik Yuen) in Ma On Shan	\$29,000,000	19 Jun 2009 by FC
28	The University of Hong Kong	Renovating the ex-premises of Kwong Yuet Tong Excel Foundation Primary School in Pokfulam	\$40,344,000	19 Jun 2009 by FC
29	Chu Hai College of Higher Education	Constructing a new campus in Tuen Mun East	\$350,000,000	19 Jun 2009 by FC
30	Open University of Hong Kong	Constructing a new campus in Ho Man Tin	\$317,000,000	28 Jan 2011 by FC
31	Hang Seng School of Commerce	Constructing a new campus in Shatin	\$308,000,000	28 Jan 2011 by FC
32	International Education and Academic Exchanges Foundation Company Limited (for Hong Kong Institute of Technology)	Renovating the ex-premises of St. Thomas Primary School in Sham Shui Po	\$11,000,000	21 Feb 2011 by SED
33	The Chinese University of Hong Kong	Renovating the ex-premises of HKTA Tong Tang Sook Fong Memorial School in Tseung Kwan O	\$40,000,000	11 May 2012 by FC
34	Caritas - Hong Kong (for Caritas Institute of Higher Education)	Constructing a new campus in Tseung Kwan O	\$300,000,000	13 July 2012 by FC
35	Vocational Training Council	Constructing a new campus in Chai Wan East	\$670,000,000	13 July 2012 by FC
36	Hong Kong Arts Centre	Renovating campuses in Chai Wan and Shau Kei Wan	\$2,500,000	2 May 2013 by SED
Total Loan Amount approved:			\$6,202,519,000	