

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 \$30 million to HKCT Group Limited for the operation of Hong Kong College of Technology and the proposed HKCT Institute of Higher Education, under the Start-up Loan Scheme for post-secondary education providers, from the Loan Fund.

PROBLEM

The HKCT Group Limited has applied for a start-up loan from the Government for the operation of 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 \$30 million to the HKCT Group Limited for the operation of full-time locally-accredited post-secondary programmes by the Hong Kong College of Technology (HKCT) and the proposed HKCT Institute of Higher Education (CTIHE).

JUSTIFICATION

3. To support the healthy and sustainable development of the self-financing post-secondary education 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 provide interest-free loans to non-profit-making self-financing post-secondary education providers in meeting their start-up costs.

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Encl. 1 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 the latest round of start-up loan application exercise in February 2013, and the application was closed in May 2013. Having regard to the advice of the VC, SED recommends for the FC's approval the granting a loan of \$30 million to the HKCT Group Limited to fund part of the renovation costs of converting a vacant school premises in Ma On Shan into a campus suitable for post-secondary education use by HKCT and the proposed CTIHE.

Encl. 2 5. The gross floor area of the premises is about 7 000 square metres, and the facilities to be provided include lecture theatre and classrooms, various laboratories and studios for practical teaching, a library, student common areas, etc. The total renovation cost is estimated to be \$62 million², including furniture and equipment cost of about \$2 million. The location map of the new campus as well as an existing campus of HKCT at Ma On Shan is at Enclosure 2. Exterior design of the new campus and the list of proposed facilities to be provided are at Enclosure 3 and Enclosure 4 respectively. HKCT Group Limited targets to complete the renovation works by September 2015 for the new campus to commence operation in the 2015/16 academic year. This will tie in with the need to re-provision one of its existing campuses at Ho Man Tin, which is a rented premises with the current lease due to expire in August 2015.

Encl. 3
Encl. 4
Encl. 5 6. The new campus is planned for the operation of ten locally-accredited post-secondary programmes by HKCT and the proposed CTIHE, accommodating a maximum of 1 100 students by the 2020/21 academic year. The list of programmes to be provided is at Enclosure 5.

7. With the HKCT Group Limited's application for a start-up loan of \$30 million, we are of the view that the new campus will enable the HKCT Group Limited to provide a better teaching and learning environment, enhance the quality of teaching and improve students' learning experience. Supporting the application is in line with the Government's policy of promoting the healthy and sustainable 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 The cost estimate was prepared in the first quarter of 2013 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 December 2013, the uncommitted loan balance of the SLS is about \$2,000 million and is sufficient to meet the requirements of the current applications of \$30 million. Subject to the actual renovation schedule of the HKCT Group Limited, the tentative loan disbursement schedules are as follows –

	FY 2014-15 \$ million	FY 2015-16 \$ million	Total \$ million
HKCT Group Limited	29	1	30

9. The total interest foregone³ for granting the above loan, with a repayment period of ten years, will be around \$7 million based on the assumption that loan will be drawn down in accordance with the above schedule. There are no recurrent financial implications.

PUBLIC CONSULTATION

10. We consulted the Legislative Council Panel on Education on 13 January 2014 regarding the loan application. Members generally supported the proposal, although individual Members expressed concern about the governance and monitoring of the self-financing post-secondary education sector as a whole.

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 –

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³ The interest forgone is calculated based on the investment return for placing fiscal reserves with Hong Kong Monetary Authority, currently at 3.6% per annum.

- (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.

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 SLS 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 organisation and management structure, its track record in delivering post-secondary education services, the proposed use of the loan, the estimated development/refurbishment costs and the financial viability of the applicant.

Encl. 6 14. As at the end of December 2013, the FC has approved 29 loans to 14 institutions, amounting to about \$6,931 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 \$72 million in total. The list of start-up loans approved is at Enclosure 6. A loan amount of about \$5,011 million has been drawn and a total of about \$2,311 million has been repaid with an outstanding loan balance of about \$2,700 million. All repayments have been made in accordance with the approved repayment schedule.

15. As regards the current loan application, HKCT Group Limited is the sponsoring body of HKCT, a post-secondary institution registered under the Education Ordinance (Cap. 279). HKCT has been offering locally-accredited post-secondary programmes since 2001. In the 2013/14 academic year, it offers 28 higher diploma programmes with about 880 full-time students. In addition, the proposed CTIHE to be established by HKCT Group Limited is planning to seek registration under the Post Secondary Colleges Ordinance (Cap. 320) to offer degree programmes from the 2014/15 academic year.

16. In January 2006, FC approved a start-up loan of about \$10.9 million for the HKCT Group Limited for financing its operation of a teaching centre in Hung Hom. The loan was fully repaid in September 2012. In June 2009, FC further approved a start-up loan of \$29 million for the HKCT Group Limited to fund the refurbishment costs of converting another vacant school premises in Ma On Shan into a campus for the operation of HKCT. The campus has been in operation since the 2010/11 academic year. The HKCT Group Limited started repaying the loan in 2011 in ten instalments for ten years and so far all repayments have been made on time.

Education Bureau
January 2014

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

Terms of Reference

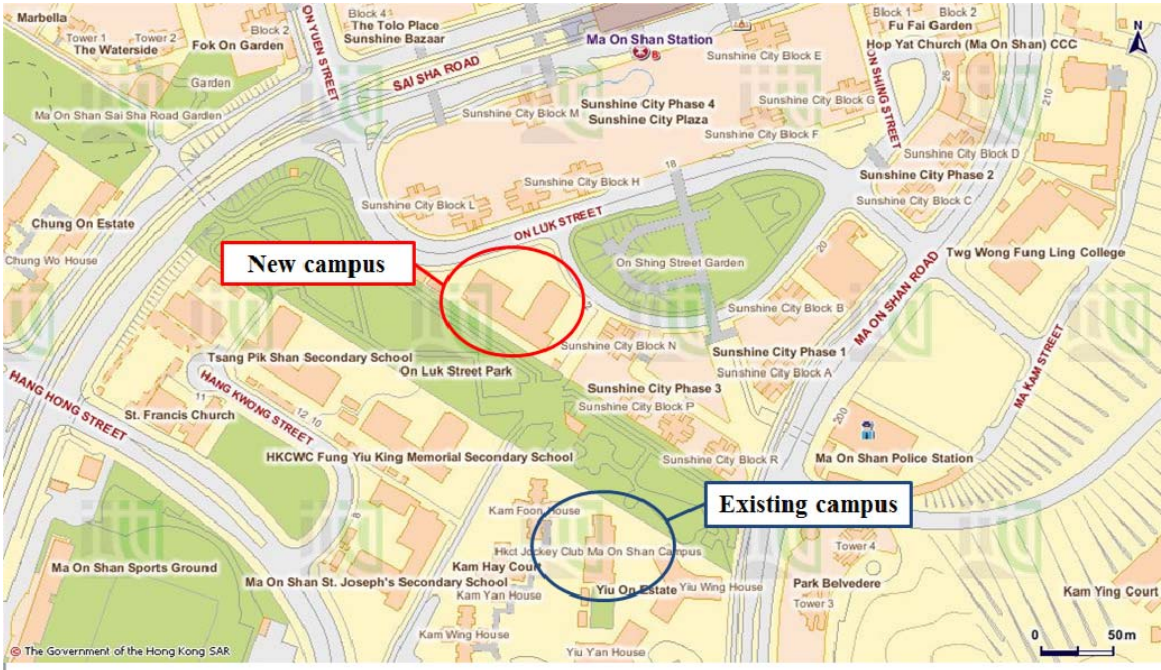
1. To examine and assess applications under the Land Grant Scheme (LGS) for the allocation of sites, including vacant government premises and land for purpose-built premises, for the provision of self-financing post-secondary education programmes; and advise and make recommendations to the Secretary 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.

In discharging its functions, the Vetting Committee may set up sub-committees, conduct studies, engage professional services and co-opt members as and when necessary.

Membership (as at 31 December 2013)

Name	Professional Background
<u>Chairman</u>	
Mr LAM Siu Lo, Andrew, JP	Chairman, AN Group (Holdings) Ltd
<u>Members</u>	
<i>Non-official</i>	
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	Non-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
Ms Jacqueline A. LEUNG	President & Managing Director, Leighton Investments Limited
Professor TAM Kar-yan	Associate Provost & Dean of Students, Hong Kong University of Science and Technology
Mr WONG Tak Wai, Alvin	Partner, Pricewaterhouse Coopers
<i>Official</i>	
Principal Assistant Secretary (Further Education), Education Bureau	

Location Map of Campuses in Ma On Shan



For identification purpose only





Exterior design – view of campus from On Luk Street Park



Exterior design – view of campus from On Shing Street

List of Proposed Facilities

Facilities		Estimated floor area in net operational floor area (m²)
(a)	Teaching areas (Including 15 classrooms, 6 computer rooms and 1 lecture theatre)	1 577
(b)	Practice and training areas (Including 1 post-production project laboratory, 1 post-TV production suite, 2 audio dubbing studios, 1 dance and fitness room, 1 digital creation studio, 2 design workshops, 3 art studios, 1 visual and photography laboratory, 1 Cisco Network laboratory, 2 IT project laboratories, 1 practice centre for social development and innovation, 1 psychology interviewing room and other related areas)	1 489
(c)	Administrative areas (Including 9 staff offices, 4 meeting rooms, 1 staff common room, 1 academic office, 2 filing areas, 1 printing room and other related areas)	719
(d)	Learning support areas (Including 1 library, 1 student development centre, 1 language centre, 1 auditorium/sports centre, learning commons and other related areas)	1 593
(e)	Service areas (Including 1 tuck shop, student common area, 1 health room, 1 changing room, 1 server room, several storerooms and other related areas)	308
Total		5 686

Proposed Programmes to be operated at the Campus

1. Bachelor of Arts (Hons) in Journalism
2. Bachelor of Arts (Hons) in Public Relations and Communication
3. Bachelor of Social Sciences (Hons) in Psychology
4. Bachelor of Social Sciences (Hons) Social Work
5. Bachelor of Social Sciences (Hons) in Social Development Studies
6. Higher Diploma in Computer Studies (Software Development)*
7. Higher Diploma in Computer Studies (Network and Security)*
8. Higher Diploma in Creative Design (Integrated Graphic Communication)*
9. Higher Diploma in Management of Sports, Fitness and Health*
10. Higher Diploma in Television Producing and Broadcasting*

** denotes programmes being offered*

Enclosure 6 to FCR(2013-14)58

**List of Loans Approved under Start-up Loan Scheme
(as at 31 December 2013)**

Loan No.	Applicant (Operator)	Premises	Loan Amount	Date of Approval
1	The University of Hong Kong (for HKU School of Professional and Continuing Education)	Renting and renovating a commercial premises in Wan Chai	\$35,402,000	7 Dec 2001 by Finance Committee (FC)
2	The University of Hong Kong (for HKU School of Professional and Continuing Education)	Purchasing and renovating a commercial premises in North Point	\$176,124,000	7 Dec 2001 by FC
3	Hong Kong Baptist University (for School of Continuing Education)	Purchasing and renovating a commercial premises in Kowloon Tong	\$86,201,000	7 Dec 2001 by FC
4	The Hong Kong Polytechnic University (for Hong Kong Community College)	Renting and renovating the Professional Complex at the Hung Hom campus	\$32,700,000	7 Dec 2001 by FC
5	Lingnan University (for its Community College)	Renting and renovating commercial premises in Tuen Mun and Causeway Bay	\$10,597,000	7 Dec 2001 by FC
6	Lingnan University (for its Community College)	Constructing new buildings in the Tuen Mun campus	\$205,735,000	7 Dec 2001 by FC
7	The Hong Kong Institute of Education (for School of Continuing and Professional 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 (for School of Continuing and Professional Studies)	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 (for its Community College)	Renting and renovating a commercial premises in Kowloon Bay	\$44,756,000	21 Jun 2002 by FC
11	Vocational Training Council (for School of Business and Information Systems)	Constructing new buildings in the 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 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 (for Hong Kong Learning Community College)	Renting and renovating a commercial premises in Causeway Bay	\$4,000,000	4 Mar 2003 by SEM
14	The University of Hong Kong (for HKU School of Professional and Continuing Education)	Constructing a new campus in Kowloon Bay	\$279,256,000	27 Jun 2003 by FC

Loan No.	Applicant (Operator)	Premises	Loan Amount	Date of Approval
15	Hong Kong Baptist University (for School of Continuing Education)	Constructing a new campus in Shek Mun	\$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 (for Hong Kong Community College)	Constructing a new campus in Hung Hom	\$424,714,000	27 Jun 2003 by FC
18	The Chinese University of Hong Kong-Tung Wah Group of Hospitals Community College	Constructing a new campus in Mong Kok	\$346,050,000	5 Dec 2003 by FC
19	The Hong Kong Polytechnic University (for Hong Kong Community College)	Constructing a new campus in West Kowloon	\$458,100,000	4 Mar 2005 by FC
20	City University of Hong Kong (for its Community College)	Constructing new buildings in the Kowloon Tong campus	\$599,500,000	24 Jun 2005 by FC
21	Po Leung Kuk (for HKU SPACE Po Leung Kuk Community College)	Constructing new buildings in the Headquarters in Causeway Bay	\$254,000,000	24 Jun 2005 by FC
22	Open University of Hong Kong	Constructing new buildings in the 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 Hung Hom	\$10,875,000	3 Jan 2006 by SEM
24	Hang Seng School of Commerce	Constructing a new building in the Siu Lek Yuen campus	\$32,400,000	24 Mar 2006 by FC
25	The Chinese University of Hong Kong (for School of Continuing and Professional Studies)	Renting and renovating a commercial premises in Central	\$22,743,000	24 Mar 2006 by FC
26	Hong Kong Arts Centre (for Hong Kong Art School)	Renovating a vacant school premises in Shau Kei Wan	\$5,500,000	16 Feb 2009 by Secretary for Education (SED)
27	HKCT Group Limited (for Hong Kong College of Technology)	Renovating a vacant school premises in Ma On Shan	\$29,000,000	19 Jun 2009 by FC
28	The University of Hong Kong (for HKU School of Professional and Continuing Education)	Renovating a vacant school premises in Pok Fu Lam	\$40,344,000	19 Jun 2009 by FC
29	Chu Hai College of Higher Education	Constructing a new campus in Tuen Mun	\$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 (for Hang Seng Management College)	Constructing a new building in the Siu Lek Yuen campus	\$308,000,000	28 Jan 2011 by FC
32	International Education and Academic Exchanges Foundation Company Limited (for Hong Kong Institute of Technology)	Renovating a vacant school premises in Sham Shui Po	\$11,000,000	21 Feb 2011 by SED
33	The Chinese University of Hong Kong (for School of Continuing and Professional Studies)	Renovating a vacant school premises in Tseung Kwan O	\$40,000,000	11 May 2012 by FC

Loan No.	Applicant (Operator)	Premises	Loan Amount	Date of Approval
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 (for Technological and Higher Education Institute of Hong Kong)	Constructing a new campus in Chai Wan	\$670,000,000	13 July 2012 by FC
36	Hong Kong Arts Centre (for Hong Kong Art School)	Renovating campuses in Chai Wan and Shau Kei Wan	\$2,500,000	2 May 2013 by SED
37	Hang Seng School of Commerce (for Hang Seng Management College)	Constructing a teaching block and a student hostel in the Siu Lek Yuen campus	\$800,000,000	21 June 2013 by FC
Total Loan Amount approved:			\$7,002,519,000	
