

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 \$970 million, under the Start-up Loan Scheme for post-secondary education providers, from the Loan Fund –

- (a) \$300 million to Caritas-Hong Kong for the operation of Caritas Institute of Higher Education; and
- (b) \$670 million to the Vocational Training Council for the operation of Technological and Higher Education Institute of Hong Kong.

PROBLEM

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

PROPOSAL

2. Pursuant to the Start-up Loan Scheme (SLS) approved by Members on 6 July 2001, the Secretary for Education (SED) proposes to grant interest-free loans totaling \$970 million to two institutions as follows –

/(a)

- (a) Caritas-Hong Kong (Caritas-HK) for the operation of Caritas Institute of Higher Education (CIHE): a loan of \$300 million; and
- (b) Vocational Training Council (VTC) for the operation of Technological and Higher Education Institute of Hong Kong (THEi): a loan of \$670 million.

JUSTIFICATION

Encl. 1

3. To promote the development of the self-financing post-secondary sector in Hong Kong, the Administration has launched various support measures. At the Finance Committee (FC) meeting on 6 July 2001, Members approved the introduction of the SLS (vide FCR(2001-02)30) to help non-profit-making self-financing post-secondary education providers to meet their initial start-up costs, with a commitment of \$5,000 million under the Loan Fund. Members noted that the then Secretary for Education and Manpower (SEM) would consider the loan applications on the advice of an independent Vetting Committee (VC) (see Enclosure 1 for its terms of reference and current membership). SEM may approve applications at or below \$15 million¹ 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 November 2011, and the application was closed in February 2012. Having regard to the advice of the VC, the SED recommends granting a loan of \$300 million to Caritas-HK and a loan of \$670 million to VTC. Details are set out in paragraphs 6 to 15 below.

5. In considering the applications, the VC had 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, associate degree or professional diploma). It had also taken into account the proposed use of the loan, the estimated costs and the financial viability of the application.

/CARITAS

¹ 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.

CARITAS – HONG KONG

6. CIHE, formerly known as Caritas Francis Hsu College (CFHC), is a registered post-secondary college established by Caritas-HK to offer higher diploma and associate degree programmes in various disciplines. CIHE currently operates at three campuses in Kowloon Tong, Caine Road and Tseung Kwan O with about 650 full-time students in total. In April 2011, CFHC successfully underwent an Institutional Review conducted by the Hong Kong Council for Accreditation of Academic and Vocational Qualifications (HKCAAVQ) for the provision of bachelor's degree programmes. Subsequently, CFHC was granted the approval to change its English name to CIHE in May 2011 and started to offer degree programmes in the 2011/12 academic year.

7. In June 2002, Caritas-HK was approved a Start-up Loan of \$15 million for setting up a temporary campus for Caritas Bianchi College of Career (CBCC), another post-secondary college operated by Caritas-HK, at MTR Kowloon Station. In June 2003, Caritas-HK was approved another Start-up Loan of \$188 million for constructing a purpose-built campus in Tseung Kwan O for CBCC. Extension of repayment period for the latter loan from ten years to 20 years was approved in 2009. Caritas-HK started repaying the two loans in 2003 and 2010 respectively and all repayments have been made on time.

Encl. 2

8. Caritas-HK now applies for a Start-up Loan to fund part of the construction costs of a new purpose-built campus in Tseung Kwan O for the operation of the CIHE. The location map of the campus is at Enclosure 2. The area of the concerned site is around 7 500 square metres. Caritas-HK proposes to construct a 10-storey academic and administration building with a total gross floor area (GFA) of about 30 000 square metres. The total construction cost of the building is estimated to be \$698 million².

Encl. 3

9. CIHE's proposed campus is planned to serve about 3 200 students. According to CIHE's proposal, it plans to offer at the new campus 20 bachelor's degree programmes and four postgraduate programmes listed at Enclosure 3. Subject to the FC's approval, Caritas-HK targets to commence construction works in late 2013 and put the new campus into operation in the 2015/16 academic year.

/10.

² The money-of-the-day construction cost of the new building is \$803 million.

10. We are of the view that CIHE's proposed new campus will increase the provision of self-financing degree places in Hong Kong and improve the learning environment of its students. In addition, there would be possible synergies between the new CIHE's campus and the adjoining CBCC campus. Supporting the construction of CIHE's new campus is in line with the Government's policy of promoting the healthy development of the self-financing post-secondary sector.

VOCATIONAL TRAINING COUNCIL

11. VTC is a statutory body offering vocational education, training and professional development education in Hong Kong. Being one of the member institutions of VTC, THEi was established in February 2011 to offer self-financing degree programmes with strong vocational orientation and close industry collaboration. The Institute successfully underwent the Institutional Review conducted by HKCAAVQ in March 2012 and will be ready for its first intake for the 2012/13 academic year with the launch of six 4-year vocationally-oriented bachelor's degree programmes.

12. In June 2002, VTC was approved a Start-up Loan of \$266.4 million for constructing an additional premises, namely the School of Business and Information System (SBI) Building, within its Hong Kong Institute of Vocational Education (Tsing Yi) campus to provide accommodation for its SBI. VTC started loan repayment in 2005 and had fully repaid the loan early in March 2012.

Encl. 4 13. VTC now applies for a Start-up Loan to fund part of the construction costs of a new purpose-built campus for the operation of THEi in Chai Wan East. The location map of the campus is at Enclosure 4. The area of the concerned site is around 10 750 square metres. VTC proposes to construct a 6-storey building with customized teaching and learning facilities. These facilities include classrooms, lecture theatres, learning resources centre, laboratory and workshops etc, with a GFA of about 30 000 square metres. The total construction cost of the new building is estimated to be around \$768 million³.

Encl. 5 14. THEi's proposed campus is planned to serve around 3 300 students⁴. According to THEi's proposal, it plans to offer at the new campus 11 degree programmes listed at Enclosure 5. Subject to the FC's approval, the Institute targets to commence construction works in the fourth quarter of 2013 and put the new campus into operation in the 2016/17 academic year.

/15.

³ The money-of-the-day construction cost of the new building is \$1,072 million.

⁴ All students of THEi will be accommodated at the SBI Building at its Hong Kong Institute of Vocational Education (Tsing Yi) campus before the Chai Wan Campus operates.

15. We are of the view that THEi's proposed new campus will increase the provision of self-financing vocational-oriented degree places in Hong Kong and enhance the quality of the learning environment for its prospective students. In addition, there would be possible synergies between the new THEi's campus and an existing campus of VTC nearby. Supporting the construction of THEi's new campus is also in line with the Government's policy of promoting the healthy development of the self-financing sector, thereby widening the choice and opportunities for our students and facilitating the diversification of the higher education sector.

FINANCIAL IMPLICATIONS

16. 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 2012, the uncommitted loan balance of the SLS is about \$3,770 million and is sufficient to meet the requirements of the two applications totalling to \$970 million. Subject to the actual construction schedule of the two institutions, the tentative loan disbursement schedules are as follows –

Institution	2013-14 \$ million	2014-15 \$ million	2015-16 \$ million	2016-17 \$ million	Total \$ million
Caritas-HK	50	200	50	-	300
VTC	220	340	-	110	670

17. The total interest foregone for granting the above loans will be around \$390.6million based on the assumptions that loans will be drawn down in accordance with the above schedule, interests calculated at the cost of capital of the Government⁵, and without the extension of repayment period. There are no recurrent financial implications.

PUBLIC CONSULTATION

18. We consulted the Legislative Council Panel on Education on 11 June 2012 regarding the two loan applications. Members had no objection to the proposals.

/BACKGROUND

⁵ The interest forgone is calculated based on the investment return for placing fiscal reserves with Hong Kong Monetary Authority, currently at 5.6% p.a..

BACKGROUND

19. 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) reprovisioning existing college campuses operating in sub-optimal environment; and
- (c) refurbishing the vacant school premises allocated to them to enhance students' learning environment.

At 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.

20. 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.

21. Since the introduction of the SLS, the FC has approved 26 loans to 14 institutions, amounting to about \$5,161 million in total. In addition, the SED has approved under delegated authority a total of seven loan applications amounting to about \$69 million in total. The list of Start-up Loans approved is at Enclosure 6. As at the end of May 2012, a total of \$1,579 million has been repaid and all repayments have been made on time.

Encl. 6

Education Bureau
June 2012

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

Terms of Reference

1. To examine and assess applications for start-up loan 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 (EDB) concerning the policy and execution of the post-secondary loan scheme.

Membership (as at 31 May 2012)

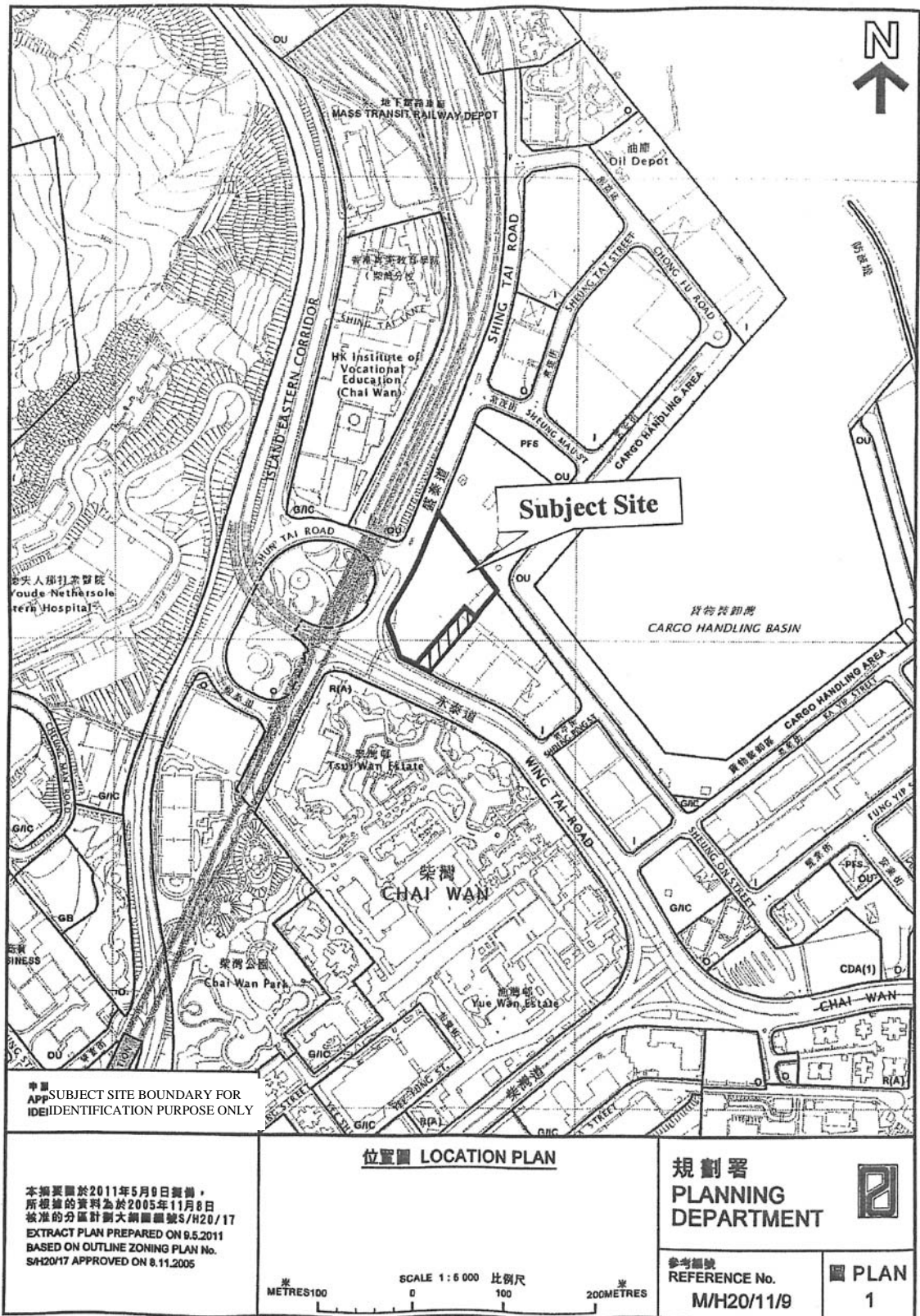
Name	Professional Background
<u>Chairman</u>	
Professor TAM Man Kwan, BBS, MH, J.P.	Supervisor, Pak Kau College
<u>Members</u>	
<i>Non-official</i>	
Mr KUNG Lin Cheng, Leo, BBS, J.P.	Executive Vice President, Bangkok Bank Public Company Limited
Mr WONG Tak Wai, Alvin	Partner, PricewaterhouseCoopers
Ms CHEUNG Sau Yu, Stephanie	Solicitor and Notary Public, F. Zimmern & Co Solicitors & Notaries
Dr LAI Yuk Fai, Stephen	Managing Director, Rider Levett Bucknall Limited
Dr HUI Ho Ming, Herbert, J.P.	Executive Director, Hong Kong Resources Holdings Company Limited
Ms Jacqueline A. LEUNG	Managing Director, Leighton Textiles Company Limited
<i>Official</i>	
Principal Assistant Secretary (Further Education), EDB	

**Caritas - Hong Kong
Caritas Institute of Higher Education**

**Proposed programmes to be operated at the proposed
Tseung Kwan O campus**

1. Bachelor of Arts with Honours (Fashion Design, Graphic Design, Interior Architecture, Visual Arts)
2. Bachelor of Arts with Honours in Bilingual Studies
3. Bachelor of Arts with Honours in Chinese and Philosophy
4. Bachelor of Arts with Honours in Creative Writing and Film Studies
5. Bachelor of Arts with Honours in English and Communication
6. Bachelor of Arts with Honours in Language Studies
7. Bachelor of Business Administration (Honours) (Accountancy, Corporate Management, Information Systems)
8. Bachelor of Business Administration with Honours (Hotel Management, Tourism Management, Marketing and Event Management)
9. Bachelor of Business Administration with Honours in Sustainability and Ethics
10. Bachelor of Management with Honours
11. Bachelor of Nursing with Honours
12. Bachelor of Philosophy with Honours
13. Bachelor of Science in Podiatry
14. Bachelor of Social Science with Honours (Applied Psychology, Applied Sociology)
15. Bachelor of Social Science with Honours (Social Work)
16. Bachelor of Science with Honours in Environmental Science
17. Bachelor of Science with Honours in Dietetics and Nutrition
18. Bachelor of Science with Honours in Applied Computing
19. Bachelor of Science with Honours in Health Care Informatics
20. Bachelor of Theology with Honours
21. Master of Corporate Governance
22. Master of Nursing
23. Master of Professional Accounting
24. Master of Science in Hospitality Management

Location Map of Land Site in Chai Wan East



**Vocational Training Council
Technological and Higher Education Institute of Hong Kong**

**Proposed programmes to be operated at the proposed
Chai Wan East campus**

1. Bachelor of Arts (Hons) in Advertising
2. Bachelor of Arts (Hons) in Chinese Culinary Management with Design
3. Bachelor of Arts (Hons) in Fashion Design
4. Bachelor of Arts (Hons) in Hospitality Operations Management
5. Bachelor of Arts (Hons) in International Fashion Business
6. Bachelor of Arts (Hons) in Landscape Architecture
7. Bachelor of Arts (Hons) in Product Design
8. Bachelor of Business (Hons) in Accountancy
9. Bachelor of Science (Hons) in Healthcare Services and Management
10. Bachelor of Science (Hons) in Multimedia Technologies
11. Bachelor of Social Sciences (Hons) in Sports and Recreation Management

Enclosure 6 to FCR(2012-13)51

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

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 and 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	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 (Hong Kong Institute of Technology)	Renting and renovating a commercial premises in Cheung Sha Wan and TST	\$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	Constructing a new campus in TKO Area 73B	\$188,000,000	27 Jun 2003 by FC

Loan No.	Applicant	Premises	Loan Amount	Date of Approval
17	The Hong Kong Polytechnic University	Constructing a new campus in Hunghom	\$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 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 (HKU SPACE – Po Leung Kuk Community College)	Constructing new buildings in its HQ 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 Ltd. (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 Ltd. (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 Exchange Foundation Company Limited (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
Total Loan Amount approved:			\$5,230,019,000	
