

**For discussion  
on 30 May 2013**

**Legislative Council Panel on Education  
Start-up Loan for Post-secondary Education Provider**

**PURPOSE**

This paper informs Members of the Administration's proposal to seek the approval of the Finance Committee (FC) to provide from the Loan Fund a loan of \$800 million to Hang Seng School of Commerce (HSSC) to cover the development costs of campus and student hostels for the operation of full-time locally accredited degree programmes by Hang Seng Management College (HSMC).

**BACKGROUND**

2. In order to promote the healthy development of the self-financing post-secondary education sector in Hong Kong, the Administration has introduced various support measures. In July 2001, the FC approved a commitment of \$5,000 million for the Start-up Loan Scheme (SLS) to provide interest-free loans to non-profit-making post-secondary education providers in meeting their start-up costs, including purchasing, renting or building campuses, as well as enhancing teaching and other ancillary facilities. Since then, the commitment for the SLS has been increased by a total of \$4,000 million to \$9,000 million with the approval of the FC in 2010 and 2012 respectively. In May 2012, the FC also approved the extension of the ambit of the SLS to support the development of student hostels for the self-financing tertiary education sector.

3. Applications for the start-up loans are assessed by an independent Vetting Committee. The terms of reference and membership of the Vetting Committee are at Annex A; and the vetting criteria adopted by the Vetting Committee are at Annex B. Since the introduction of the SLS, the FC has approved 28 loans to 14 institutions, amounting to about \$6,131 million in total. In addition, the Secretary for Education (SED) has approved under delegated authority<sup>1</sup> a total of seven loan applications amounting to about

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<sup>1</sup> 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.

\$69 million in total. The list of start-up loans approved is at Annex C. As at the end of April 2013, 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.

## **JUSTIFICATIONS**

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 Vetting Committee, SED plans to recommend for the FC's approval the granting of a loan of \$800 million to HSSC. Details on the use of the loan are set out in the paragraphs below.

5. HSSC 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 established in 2010, is wholly owned by HSSC 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 operation starting from the 2012/13 academic year following the implementation of the New Academic Structure.

6. In March 2006, HSSC was approved a start-up loan of \$32.4 million 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, HSSC was further approved a start-up loan of \$308 million 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 10 instalments for 10 years and so far all repayments have been made on time.

7. HSSC now applies for a start-up loan of \$800 million to fund part of the latest development of the campus and student hostels of HSMC. 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 Annex D. The development

has a total gross floor area (GFA) of about 34 000 square metres, and the total development cost is estimated to be \$1,107 million<sup>2</sup>.

8. 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 Annex E. 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.

9. 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. We recommend **granting a start-up loan of \$800 million to HSSC**.

## FINANCIAL IMPLICATIONS

10. 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. Subject to the actual construction and renovation schedule of HSSC, the tentative loan disbursement schedule is as follows –

<b>Institution</b>	<b>FY 2013-14 \$ million</b>	<b>FY 2014-15 \$ million</b>	<b>Total \$ million</b>
HSSC	677	123	800

11. The total interest foregone<sup>3</sup> for granting the above loan, with a repayment period of 10 years, will be around \$254 million based on the assumptions that loan will be drawn down in accordance with the above

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<sup>2</sup> In money-of-the-day price.

<sup>3</sup> 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.

schedule without extension of repayment period. There are no recurrent financial implications.

## **WAY FORWARD**

12. If Members have no objection, we intend to submit the proposal to the FC for approval on 21 June 2013.

**Education Bureau**  
**May 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.

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 1 May 2013)

Chairman: Professor WONG Yuk-shan, BBS, JP

Non-official  
Members: Mr Wilbert CHING Tak-keung  
Mr Stephen HUI Chin-yim, MH  
Dr Herbert HUI Ho-ming, JP  
Mr Alex LAI Ting-hong  
Sr Stephen LAI Yuk-fai  
Mr Andrew LAM Siu-lo, JP  
Ms Jacqueline A. LEUNG  
Mr Alvin WONG Tak-wai

Official Member: Principal Assistant Secretary (Further Education), EDB

Secretary: Assistant Secretary (Further Education)<sup>2</sup>, EDB

**Vetting Criteria for Start-up Loan Scheme**

- (a) The applicant's organization and management structure, and track record in delivering post-secondary education services;
- (b) Proposed use of the loan;
- (c) The estimated development/refurbishment costs; and
- (d) Financial viability of the applicant.

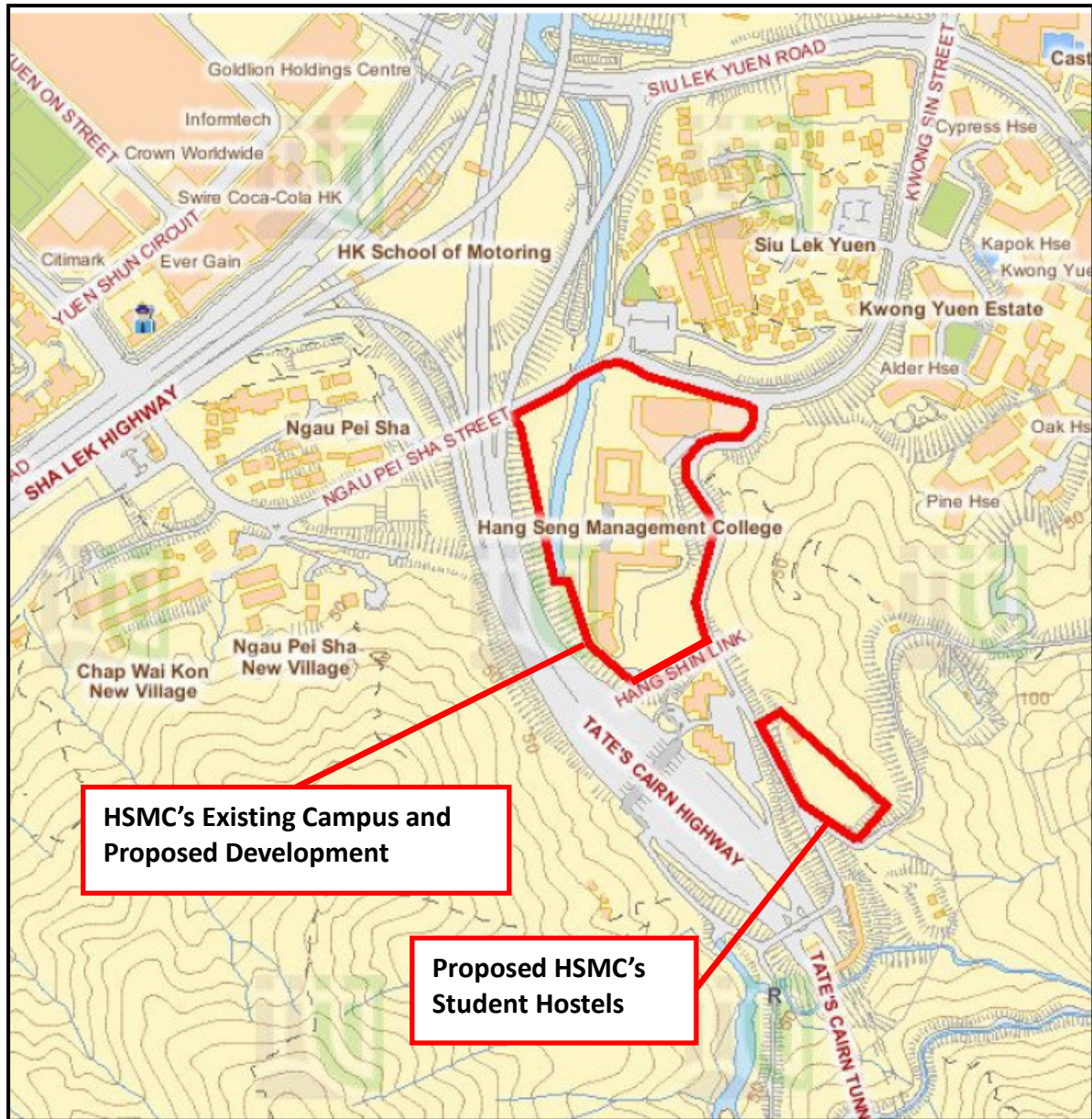
**List of Loans Approved under Start-up Loan Scheme  
(As at 30 April 2013)**

<b>Loan No.</b>	<b>Applicant</b>	<b>Premises</b>	<b>Loan Amount</b>	<b>Date of Approval</b>
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	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	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 (for Caritas Bianchi College of Careers)	Constructing a new campus in TKOTL No. 92, Area 73B	\$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
18	The Chinese University of	Constructing a new campus in	\$346,050,000	5 Dec 2003 by FC

<b>Loan No.</b>	<b>Applicant</b>	<b>Premises</b>	<b>Loan Amount</b>	<b>Date of Approval</b>
	Hong Kong-Tung Wah Group of Hospitals Community College	Mongkok		
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 HKUSPACE – 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 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	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 11 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 TKOTL No. 97, Area 73B	\$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
<b>Total Loan Amount approved:</b>			<b>\$6,200,019,000</b>	



**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*