

**For discussion  
on 13 January 2014**

## **Legislative Council Panel on Education**

### **Start-up Loan for Post-secondary Education Providers**

#### **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 \$30 million to 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).

#### **BACKGROUND**

2. In order to promote 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. 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.

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 29 loans to 14 institutions, amounting to about \$6,931 million in total. In addition, the Secretary for Education (SED) has approved under delegated authority<sup>1</sup> a total of eight loan applications amounting to about \$72 million in total. The list of start-up loans approved is at Annex C. As at

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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.

end December 2013, a loan amount of about \$5,012 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.

## JUSTIFICATIONS

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 Vetting Committee, SED recommends for the FC's approval the granting of a loan of \$30 million to HKCT Group Limited. Details on the use of the loan are set out in the paragraphs below.

5. HKCT Group Limited is the sponsoring body of HKCT, a post-secondary institution registered under 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.

6. In January 2006, HKCT Group Limited was approved a start-up loan of about \$10.9 million to support its operation of a teaching centre in Hung Hom. The loan was fully repaid in September 2012. In June 2009, HKCT Group Limited was approved another start-up loan of \$29 million to fund the refurbishment costs of converting a 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, and HKCT Group Limited started repaying the loan in December 2011. All repayments have been made on time so far.

7. HKCT Group Limited now applies for a start-up loan of \$30 million to fund part of the renovation costs of converting **another** vacant school premises in Ma On Shan into a campus suitable for post-secondary education use by HKCT and the proposed CTIHE. 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 million<sup>2</sup>, including furniture and equipment cost of

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<sup>2</sup> The cost estimate was prepared in the first quarter of 2013 in money-of-the-day price.

about \$2 million. The location map of the two campuses at Ma On Shan is at Annex D. 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 reprovision one of its existing HKCT's campus at Ho Man Tin, which is a rented premises with the current lease due to expire in August 2015.

8. The new campus is planned for the operation of 10 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 Annex E.

9. We are of the view that the proposed campus will enable HKCT Group Limited to provide a better teaching and learning environment, enhance the quality of teaching and improve students' learning experience. This is in line with the Government's policy of promoting the healthy and sustainable development of the self-financing post-secondary sector. We recommend seeking the approval of FC to grant a **Start-up Loan of \$30 million to HKCT Group Limited**.

## 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 10 years from the date of the final drawdown. Subject to the actual renovation schedule of HKCT Group Limited, the tentative loan disbursement schedule is as follows –

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

11. The total interest foregone<sup>3</sup> for granting the loan, with a repayment period of 10 years, will be around \$9.7 million based on the assumptions that the loan will be drawn down in accordance with the above schedule. There are no recurrent financial implications.

<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.

## **WAY FORWARD**

12. If Members have no objection, we intend to submit the proposal to the FC for approval on 7 February 2014.

**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)

Chairman: Mr Andrew LAM Siu-lo, JP

Member

Non-official: 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  
Ms Jacqueline A. LEUNG  
Professor TAM Kar-yan  
Mr Alvin WONG Tak-wai

Official: Principal Assistant Secretary (Further Education), 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.

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

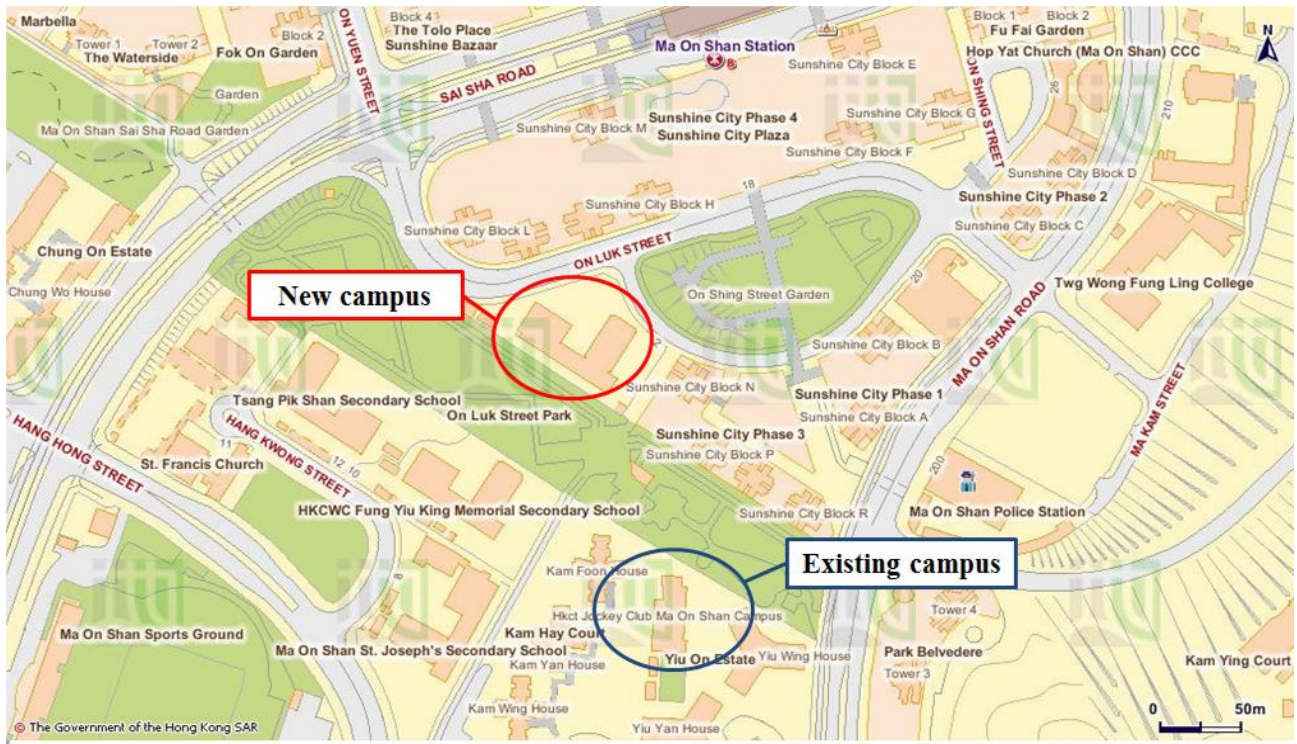
<b>Loan No.</b>	<b>Applicant (Operator)</b>	<b>Premises</b>	<b>Loan Amount</b>	<b>Date of Approval</b>
1	The University of Hong Kong (for HKU School of Professional and Continuing Education)	Renting and renovating a commercial premises in Wan Chai	\$35,402,000	7 Dec 2001 by Finance Committee (FC)
2	The 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

<b>Loan No.</b>	<b>Applicant (Operator)</b>	<b>Premises</b>	<b>Loan Amount</b>	<b>Date of Approval</b>
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	The 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



<b>Loan No.</b>	<b>Applicant (Operator)</b>	<b>Premises</b>	<b>Loan Amount</b>	<b>Date of Approval</b>
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
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
<b>Total Loan Amount approved:</b>			<b>\$7,002,519,000</b>	

**Location of Campuses in Ma On Shan**



*For identification purpose only*

**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*