

**For discussion
on 8 May 2020**

Legislative Council Panel on Education

**Interest-free Loans to
Four Non-profit-making International Schools**

PURPOSE

This paper seeks Members' support on the Government's proposal to provide interest-free loans under the Loan Fund for the construction of school buildings to four non-profit-making international schools (viz., Christian Alliance International School (CAIS), Malvern College Hong Kong (MCHK), Shrewsbury International School Hong Kong (SISHK) and French International School (FIS)) for submission to the Finance Committee (FC) of the Legislative Council for approval.

BACKGROUND

2. The Government is committed to supporting the development of a vibrant international schools sector so as to meet the demand for school places from non-local families living in Hong Kong/coming to Hong Kong for work or investment. This policy objective is crucial in sustaining Hong Kong as an international financial and business centre. Whilst international schools are private schools operating on a self-financing and market-driven principle, the Government has been supporting the development of the sector by providing greenfield sites or vacant school premises for international schools via School Allocation Exercises (SAE) when there is a projected shortage of such school places and by providing interest-free loans to non-profit-making international school operators, on an application basis, for the construction of new school buildings on greenfield sites allocated or for extension purposes¹. The loan is capped at 100% of the cost for constructing a standard-design public sector school accommodating the same number of students. Over the years, FC has approved applications for interest-free loan by a number of international schools² to finance their school building projects.

¹ Details of the policy are set out in the LegCo Brief (Ref EMBCR15/581/94 III) issued to Members in October 1995.

² Examples include the Kellett School's new campus in Kowloon Bay, Hong Kong Academy in Sai Kung, and Harrow International School Hong Kong in Tuen Mun.

JUSTIFICATIONS

Provision of international school places in meeting demand

3. As an initiative to expand the international school sector in Hong Kong, an SAE was launched in 2008 to allocate, among others, a greenfield site in Cheung Sha Wan for international school use. The subject site was allocated to the Trustees of the Kowloon Tong Church of the Chinese Christian and Missionary Alliance (KTAC) for the development of a new international school (i.e. CAIS). As KTAC is a statutory organisation and is not empowered to borrow loan from other parties, KTAC transferred the sponsorship of the new international school to Christian Alliance International School Limited (CAIS Limited), which is KTAC's wholly owned subsidiary, in April 2015. With the completion of the construction of the school building in May 2017, CAIS has commenced operation at the site in late August 2017.

4. To meet the projected shortfall of international school places according to the consultancy study on provision of international school places completed in end 2012, another three greenfield sites were identified in Tai Po and Tseung Kwan O for international school development. Following the completion of the 2014 SAE, the Tai Po site was allocated to the Malvern College Hong Kong Limited (MCHK Limited) and two Tseung Kwan O sites were allocated to the Shrewsbury International School Hong Kong Limited (SISHK Limited) and French International School "Victor Segalen" Association Limited (FISVSA Limited) respectively in April 2015 for the development of new international schools. With the completion of the construction of the respective school buildings in 2018, the three international schools commenced operation at the sites between late August and early September 2018. Together with the other five international schools with vacant school premises allocated under the SAEs launched in 2012 and 2014, a total of some 6 000 international school places have progressively been provided by these eight international schools since the 2014/15 school year. According to the findings of the last round of consultancy study on provision of international school places as released in February 2017, there will be no shortfall in international school places at primary and secondary levels till the 2022/23 school year.

Capital assistance for the construction of school buildings

5. When the abovementioned four greenfield sites in Cheung Sha Wan,

Tai Po and Tseung Kwan O were allocated, the Government undertook to, subject to FC approval, provide interest-free loans to the school operators concerned for construction of their school premises. All the four school operators mentioned in paragraphs 3 and 4 above have submitted applications for the interest-free loan to cover part of the construction cost of their respective school premises. Key features of the four school premises are set out in paragraphs 8 to 11 below.

6. The loan applicants are non-profit-making organisations which can only obtain bridging loans for the construction of school buildings from private or commercial sources. The four loans under consideration, if approved, will contribute towards repayment of the bridging loans which the applicants have taken out to finance the construction of their new school premises.

7. International schools are facing unprecedented challenging times due to the high attrition rates of non-local students and the uncertainty in receipts of school fees caused by the long period of class suspension in the wake of COVID-19 infection. It is important to maintain a stable international school sector so that demands for international school places from non-local families could be met when the infection situation subsides and the economy re-bounces. There is imminent need for provision of capital assistance in the form of interest-free loans to the school operators concerned to help ease their stringent financial situation.

Key features of the four school premises

(i) CAIS

8. A new school premises was constructed on a greenfield site of 19 552 square metres (sq.m.) in area at King Lam Street, Cheung Sha Wan to accommodate 1 600 primary and secondary students. The premises has 70 classrooms and 20 special rooms as well as other educational related facilities, including a library, two covered playgrounds, a fitness room and an indoor sports hall, to meet the teaching and learning needs of students. The site plan and photo of the exterior of the school premises are at **Enclosure 1**.

(ii) MCHK

9. A new school premises was constructed on a greenfield site of 6 147 sq.m. at Fo Chun Road, Tai Po to accommodate 960 primary and secondary students. The premises has 53 classrooms and over 20 special

rooms, as well as other education related facilities, including a library, an artificial turf sports field, a six-lane swimming pool and an indoor multi-purpose sports hall, to meet the teaching and learning needs of students. The site plan and photo of the exterior of the school premises are at **Enclosure 2**.

(iii) SISHK

10. A new school premises was constructed on a greenfield site of 6 028 sq.m. at Shek Kok Road, Tseung Kwan O to accommodate 864 primary students. The premises has 44 classrooms and nine special rooms, as well as other education related facilities, including a library, an artificial sports field, a six-lane swimming pool, a training pool and an indoor sports hall, to meet the teaching and learning needs of students. The site plan and photo of the exterior of the school premises are at **Enclosure 3**.

(iv) FIS

11. A new school premises was constructed on a greenfield site of 8 200 sq.m. at Tong Yin Street, Tseung Kwan O to accommodate 950 primary and secondary students. The premises has 47 classrooms and 13 special rooms, as well as other education related facilities, including a library, four playgrounds, a six-lane swimming pool and an indoor sports hall, to meet the teaching and learning needs of students. The site plan and photo of the exterior of the school premises are at **Enclosure 4**.

LOAN PROPOSALS

12. In accordance with prevailing Government policy, the interest-free loans to the four schools will be capped at 100% of the cost for constructing a standard-design public sector school accommodating the same number of students. On this basis, the maximum loan amount available to the four school operators will be as follows -

School Operator	Loan Amount (\$ million)
CAIS Limited	518.7
MCHK Limited	319.7
SISHK Limited	287.0
FISVSA Limited	317.9

13. Subject to the approval of the loan fund applications by FC, loan

agreements will be signed between the Government and the successful applicants. The loans shall each be secured by a legal charge on the property in favour of the Government. The relevant school operators may draw down the respective loans upon the completion of the legal formalities. Each approved loan is to be repaid over a period of ten years. For the four loan applications under consideration, we propose that the first instalment would be due two years after the loan was drawn³ with a view to easing their cash flow amidst the epidemic of COVID-19. This would be in line with the Government's recent relief measure to offer an interest-free one-off deferral of loan repayment for two years for non-profit making international schools with loans due to the Government as approved by FC on 18 April 2020.

FINANCIAL IMPLICATIONS

14. The interest foregone⁴ for granting the above four loans, with a repayment period of 10 years, is estimated to be around \$297 million. There are no recurrent financial implications.

WAY FORWARD

15. Subject to Members' comments and support, we plan to seek the approval of FC for the proposed interest-free loans to four international schools within the current legislative session.

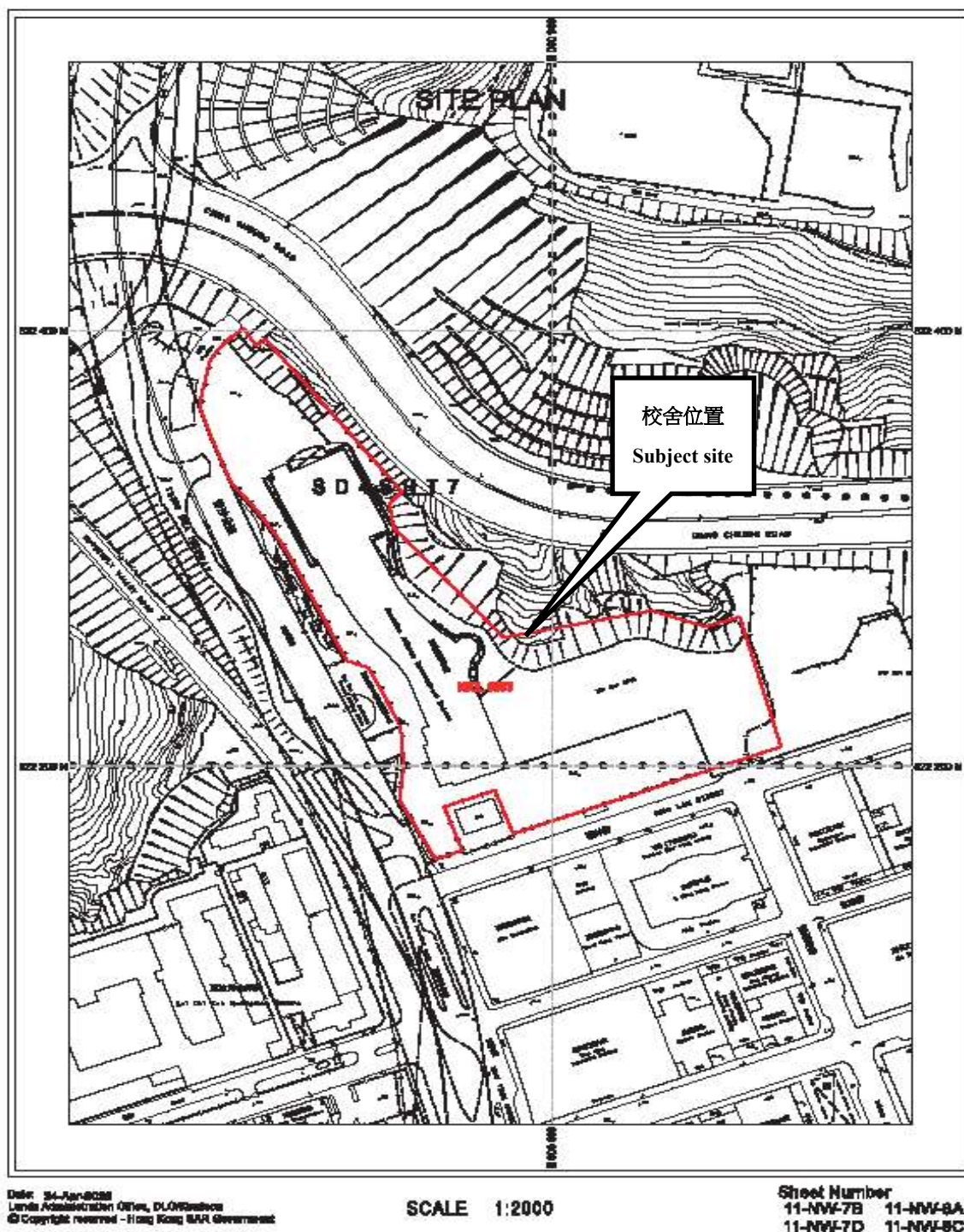
Education Bureau
May 2020

³ There were three existing loans drawn by non-profit making international schools which have yet been fully repaid. For each of the loans, the first instalment was due one year after the loan was drawn.

⁴ The interest foregone is calculated based on the fixed rate of return for the investment portfolio of 3.7% applied to fiscal reserves placed with the Exchange Fund in 2020.

宣道國際學校 Christian Alliance International School

校舍位置圖 Site plan (長沙灣瓊林街 King Lam Street, Cheung Sha Wan)



校舍外觀照片 Photo of exterior of school premises



香港墨爾文國際學校 Malvern College Hong Kong

校舍位置圖 Site plan (大埔科進路 Fo Chun Road, Tai Po)

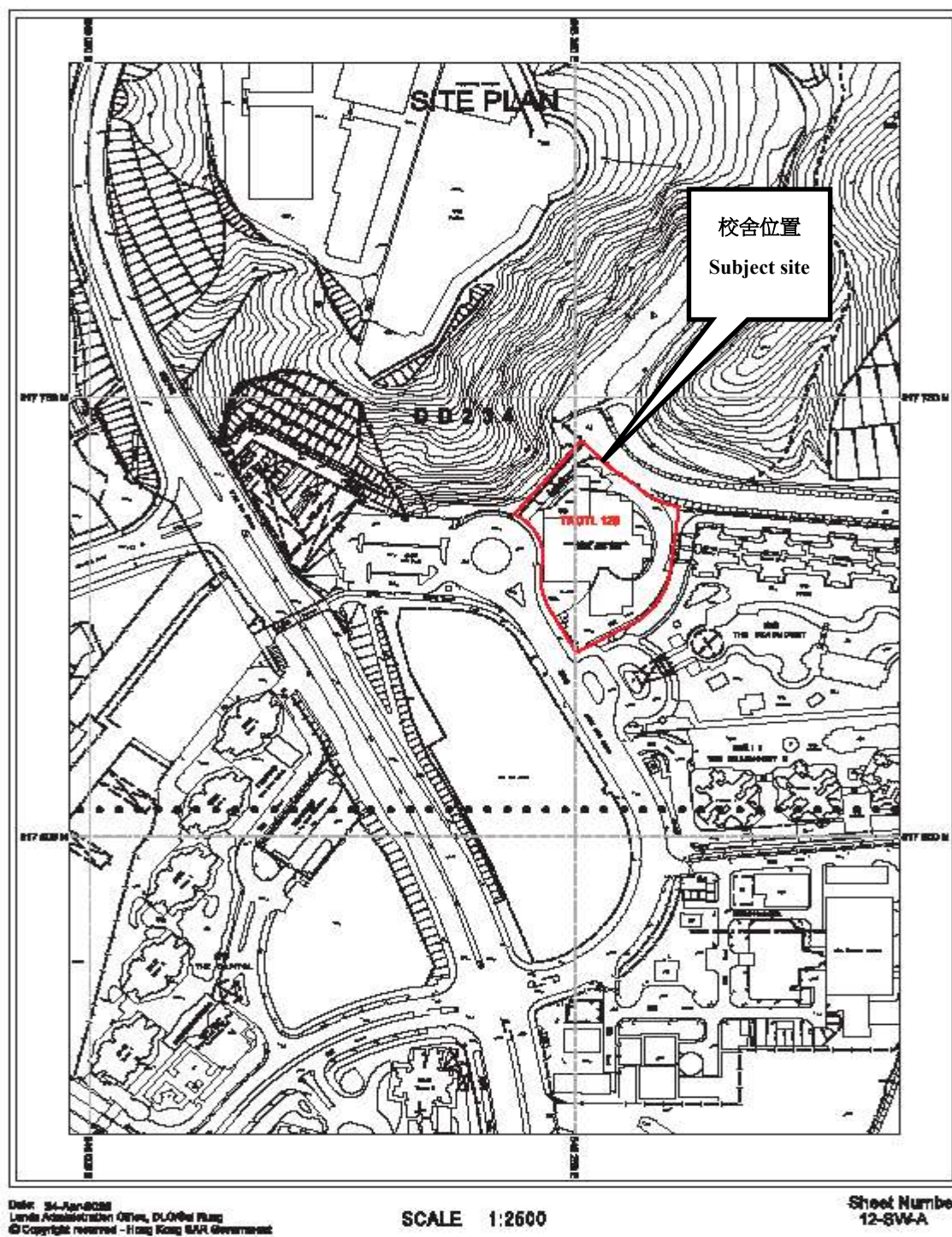


校舍外觀照片 Photo of exterior of school premises



香港思貝禮國際學校 Shrewsbury International School Hong Kong

校舍位置圖 Site plan (將軍澳石角路 Shek Kok Road, Tseung Kwan O)

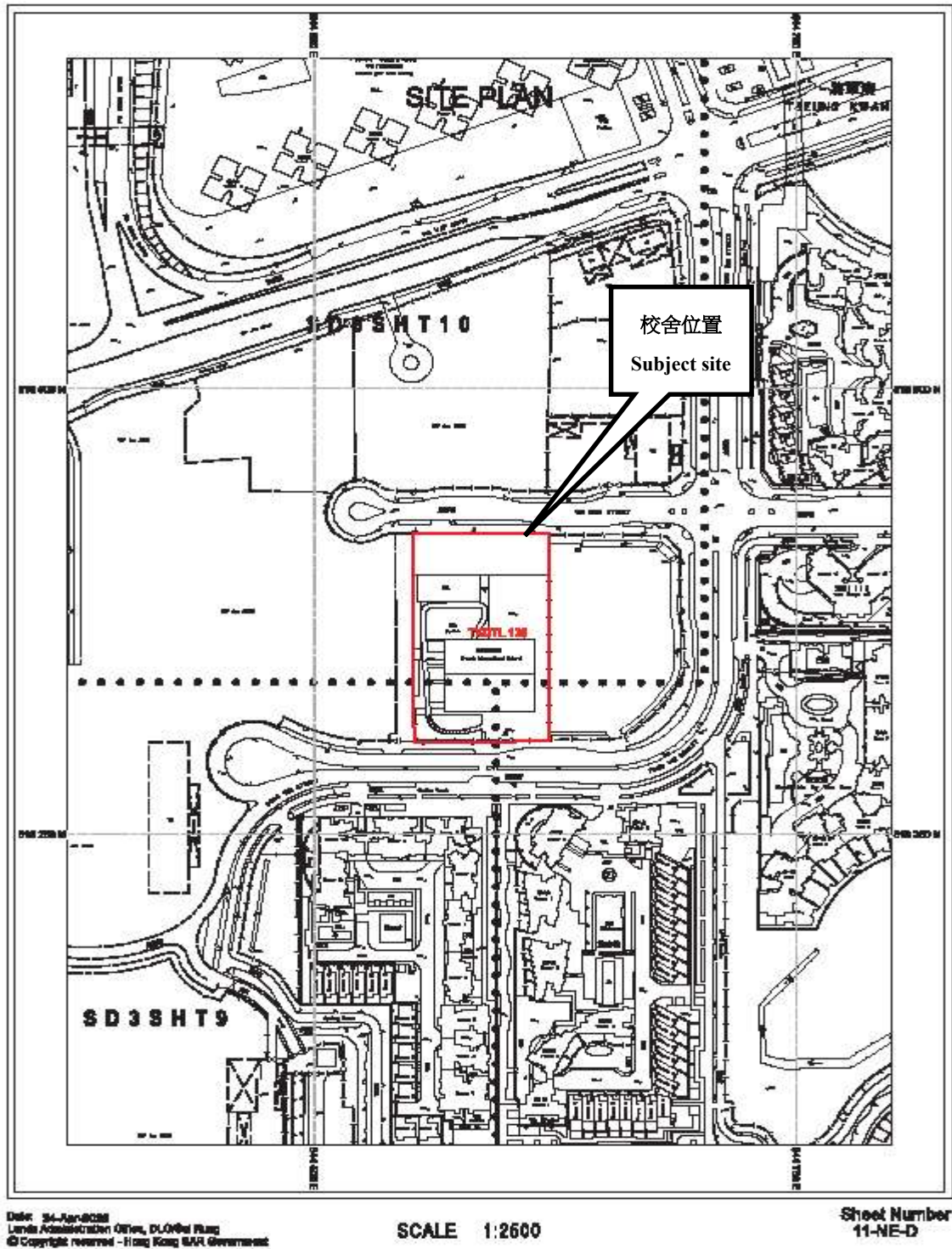


校舍外觀照片 Photo of exterior of school premises



法國國際學校 French International School

校舍位置圖 Site plan (將軍澳唐賢街 Tong Yin Street, Tseung Kwan O)



校舍外觀照片 Photo of exterior of school premises

