

Guidance Notes on Application for Start-up Loan for Post-secondary Education Providers under the Start-up Loan Scheme

Eligibility Requirements

1. The eligibility requirements¹ for application for a loan under the Start-up Loan Scheme from the Government of the Hong Kong Special Administrative Region (“the Lender”) for running an/a institution/college offering courses at post-secondary level are as follows –
 - (a) The Applicant must be non-profit making. This should be supported by documentary evidence that –
 - (i) the Applicant is an approved charitable institution or trust of a public character exempt from tax under section 88 of the Inland Revenue Ordinance;

and
 - (ii)(A) the Applicant is incorporated under the Companies Ordinance and its Memorandum and Articles of Association contain all the standard clauses and articles required for the operation of a post-secondary course in a college/institution;

or
 - (ii)(B) the Applicant is incorporated or established under other ordinances and the Secretary for Education (“SED”) is satisfied, having regard to its constitution, that it is fit to be considered for the grant of a start-up loan under the Start-up Loan Scheme.

¹ *The applicant should provide documentary proof showing that it has fulfilled all the eligibility requirements or has at least made an application to the relevant government department(s)/quality assurance body for the fulfillment of these requirements (for local accreditation to be conducted by the Hong Kong Council for Accreditation of Academic and Vocational Qualifications (“HKCAAVQ”), the applicant should have already signed a Service Agreement for accreditation with the HKCAAVQ and paid a deposit).*

- (b) The Applicant must provide self-financing full-time locally-accredited post-secondary programmes leading to a qualification at sub-degree (i.e. higher diploma or associate degree) and/or degree levels.
- (c) For face-to-face teaching programmes, “full-time” study should normally have a curriculum of not less than 450 contact hours per year. For non-face-to-face teaching programmes, “full-time” study should normally have a curriculum of not less than 1 350 study hours.
- (d) Accredited programmes are those that have successfully undergone accreditation. In case of programmes offered by self-accrediting institutions or its self-financing arms, these programmes must undergo their own internal quality assurance mechanism as applied to their regular publicly-funded programmes. For non-self-accrediting institutions, their post-secondary programmes should be validated by a quality assurance agency recognised by SED (i.e. the Hong Kong Council for Accreditation of Academic and Vocational Qualifications (“HKCAAVQ”)).
- (e) The Applicant is required to furnish a copy of the results of Institutional Review/Initial Evaluation, Programme Validation reports and/or Summary Statement of Accreditation Approval by the HKCAAVQ, as appropriate. They are also required to furnish copies of further periodic reviews to the Education Bureau throughout the subsistence of the loan, if approved.

Coverage of the Scheme

- 2. Eligible Applicant may, without the need to provide additional student places, apply for the interest-free loans for –
 - (a) building permanent college premises or refurbishing vacant premises allocated to institutions for enhancing the learning environment of self-financing post-secondary students;
 - (b) re-provisioning existing college campuses operating in sub-optimal

environment;

- (c) providing or enhancing teaching and other ancillary facilities (e.g. library, laboratories, student guidance/career counseling centre, etc.) which serve to enhance the learning experience of or support for students; and/or
 - (d) developing student hostels for students taking full-time undergraduate and research postgraduate programmes to enhance the learning experience of the students.
3. The level of loan support for student hostels will be considered subject to a set of broad policy parameters including but not limited to –
- (i) the number of students taking full-time undergraduate² and research postgraduate programmes, the Educational Development Proposal, location of the college campus(es) and the number of non-local students, etc. As an indicative reference, the level of loan support would be capped at the range of 25% to 50% of the total number of the full-time undergraduate and research postgraduate students;
 - (ii) as with the existing practice, the availability of land for hostel development would continue to be subject to competition with other land uses such as Government/Institution/Community and residential uses, including development of student hostels of the University Grants Committee (UGC)-funded institutions, and development of academic facilities of the UGC-funded or self-financing institutions, and each case needs to be considered on its own merit. Loans will only be provided if the sites which are suitable and ready for development of student hostels are identified, and such sites may take the form of land granted through the Land Grant Scheme or other land grant arrangements or acquired by the institutions from other sources;

² Referring to a full bachelor's degree programme of four years or more.

- (iii) in-situ development of student hostels should not be at the expense of existing or planned academic developments; and
- (iv) student hostels are expected to operate on a self-financing basis, through charges levied on hostel places and determined by the institutions themselves.

Payment and Repayment Terms

- 4. In general, loan shall be disbursed and repaid as described below –
 - (a) The loan will be disbursed by instalment(s) over a maximum of three years based on the expenditure pattern of the successful Applicant. The final instalment will be disbursed upon project completion.
 - (b) The loan shall be repaid by equal annual instalments within ten years from the date of final drawdown. No interest will be payable during the 10-year period.
 - (c) Institutions borrowing loans for constructing new college premises and/or student hostels may apply for an extension of the loan repayment period to no more than 20 years, subject to proven financial difficulties, payment of first five repayment instalments as described in paragraph 4(b) above and interest at the no-gain-no-loss rate after the first 10-year interest-free period.
- 5. The successful Applicant (“the Borrower”) may draw down the loan on completion of the execution of all requisite legal documentation prepared by the solicitors appointed by and acting for the Lender (see paragraph 13 below).

Submission of Application

- 6. Eligible institutions will be invited for each round of application exercise under the Start-up Loan Scheme. A total of **fifteen** copies of the completed

application form and a copy of the completed summary of application, including documentary proof detailed in the application form in support of the eligibility of the Applicant, should be sent to the following address –

Further Education Division
Education Bureau
7/F, East Wing, Central Government Offices
2 Tim Mei Avenue, Tamar
Hong Kong

7. The Applicant shall submit all information of his/her application by close of the application deadline. No supplementary information should be submitted after the application deadline unless otherwise requested by the Lender. The Lender reserves the right not to further consider a loan application should the Applicant fails to submit the information as and when required.

Vetting and Approving Applications

8. An independent Committee will be responsible for examining and assessing the applications and offering recommendations to SED on whether to accept, modify or reject the applications having regard to the merits of each case and parameters as approved by the Legislative Council (LegCo) Finance Committee (FC).
9. In considering the applications, the Committee will follow the eligibility criteria and the merits of the applications. Vetting criteria include –
 - (a) the Applicant's organisation and management structure, and track record in delivering post-secondary education services;
 - (b) proposed use of the loan;
 - (c) estimated development/refurbishment costs; and
 - (d) financial viability of the Applicant.
10. SED has the authority to approve applications at or below \$15 million and will submit recommended applications for loans exceeding \$15 million (or an

application at or below \$15 million but the outstanding loan balance for the same provider exceeds \$15 million when the loan application under processing is factored in) to the LegCo FC for approval.

11. The time required for processing an application upon the close of application up to the approval by SED ranges from around 3 to 6 months subject to a number of factors including but not limited to the number of applications received, clarity of the applications, proposed uses of the loans, etc.
12. Funds available for applications are limited. The Lender is not obliged to approve any application or to grant any loan to any Applicant. The granting of loan is at the absolute discretion of the Lender.

Additional Information

13. The Committee may request additional information from the Applicants and where appropriate, invite the Applicants to make presentations on their proposals.

Appeal

14. Appeals to the recommendations of the Committee, if any, may be made to SED, within fourteen days from the date of issue of notification. Having reviewed the recommendations from the Committee and the justifications set out in the appeals, SED will make a decision which shall be final.

Agreement between the Lender and the Borrower

15. The Applicant (or the Borrower) for the start-up loan will be required to provide security and to sign a Loan Agreement, a legal charge/mortgage deed (if applicable) and any other legal documents with the Lender as deemed necessary by the Lender's legal adviser. The Borrower may offer property as security and enter into a legal charge, charging the secured property/properties to the Lender. During the subsistence of the loan and upon demand by the

Lender, the Borrower shall at its costs submit valuation report(s) of the property/properties charged to the Lender at such intervals as the Lender shall deem fit. Such valuation report(s) is/are to be prepared by qualified and reputable surveyor in the form to the satisfaction of the Lender. After all the instalments of the loan have been fully repaid and all the sums (together with interest) demanded under the legal charge have been duly received, arrangements will be made for the property/properties to be released/discharged at the Borrower's costs and the title to the property/properties will revert back to the Borrower.

16. Where mortgage of the property is not applicable in the Borrower's case (e.g. where there is no property or if the property is of insufficient security), the Lender may require –
 - (a) the Borrower to provide other sufficient security to the satisfaction of the Lender;
 - (b) the parent organisation of the Borrower to enter into an unconditional and continuing guarantee on an irrevocable basis with the Lender for the liabilities of the Borrower in the form to the satisfaction of the Lender; and/or
 - (c) charging on the future income ("the Receivables") of the Borrower in the manner and in the form to the satisfaction of the Lender.
17. As regards other types of security required, the Borrower may note that a Bank Guarantee on an irrevocable basis or a Deed on "Charge over Deposit" or "Charge over Securities" are common forms of security. The Lender will also consider a personal guarantee on an irrevocable basis to be given by the Board of Directors of the Applicant on the condition that they would execute a guarantee in the form acceptable to Lender subject to satisfactory credit review.
18. In making recommendations to SED on the loan applications, the Committee will also take into account the security arrangements proposed by the

Applicant.

Administration of the loans

19. The Secretariat of the Committee will be responsible for the administration of the loans, including the execution of legal documents, the release of the loans, collection of loan repayments and monitoring record of individual loans.
20. The successful Applicant is required to submit, on an annual basis, audited statements of accounts showing the position of the loan and/or a progress report. If the Applicant fails to submit the requested documents in a timely manner, the Lender may demand the immediate return of all disbursed funds.

Enquiries

21. The Guidance Notes are intended for explanatory purposes only.
22. Enquiries relating to application under the Start-up Loan Scheme may be directed to the Further Education Division, Education Bureau at 7/F, East Wing, Central Government Offices, 2 Tim Mei Avenue, Tamar, Hong Kong (telephone number: 3509 7413 and fax number: 3579 5097).

Education Bureau

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