

Explanation of The English Schools Foundation's support for Private Independent Schools run by ESF Educational Services Limited

The English Schools Foundation ('ESF') was established by the Hong Kong government to provide a modern liberal education through the medium of English.

ESF Educational Services Limited ('ESL') is run by common management with ESF. It is a charity and since 1994 has provided kindergartens, English Language and Sports classes.

In recent years ESF has been unable to expand its Government subvented schools sufficiently to meet the demand for the type of English language education which it provides. It has therefore, together with ESL, committed to build and run Renaissance College Hong Kong ('RCHK') and Discovery College ('DC') in the form of Private Independent Schools ('PIS') as agreed by the Hong Kong Government. The principles underlying ESF and ESL's policy for the PIS schools are:

1. The quality of education provided by the PIS will be similar to that provided by ESF schools.
2. School fees for both ESF schools and PIS are set to produce, over the long term, a surplus of between 3% and 5% per annum to finance the improvement and expansion of their school systems.
3. There is no cross subsidy between ESF schools and PIS schools.

The mechanics of arrangements between ESF and ESL for the PIS schools are:

1. ESL is the qualified sponsoring body running RCHK and DC under separate service agreements with the Education Bureau of the Hong Kong Government.
2. There is a Development and Operating Agreement between ESF and ESL under which ESF pays for the fixed assets for these schools to the extent they are not covered by Government Grant and ESL pays fees to ESF to cover the cost of this investment plus a return equivalent to HIBOR + 1% in the long run.
3. ESL pays ESF overhead costs attributed to the assistance it provides to the PIS schools.

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