

## **ITEM FOR FINANCE COMMITTEE**

### **LOAN FUND**

#### **HEAD 252 – LOANS TO SCHOOLS/TEACHERS**

##### **Subhead 106 Start-up loan for post-secondary education providers**

Members are invited to approve a start-up loan of \$400 million to The Open University of Hong Kong, under the Start-up Loan Scheme for post-secondary education providers, from the Loan Fund.

### **PROBLEM**

The Open University of Hong Kong (OUHK) has applied for a start-up loan from the Government for the operation of full-time locally-accredited post-secondary programmes on a self-financing basis.

### **PROPOSAL**

2. The Secretary for Education (SED) proposes to grant a start-up loan of \$400 million to OUHK for covering part of the development costs of the proposed Nursing and Healthcare Complex (NHC) for the operation of full-time locally-accredited post-secondary programmes.

### **JUSTIFICATION**

3. To promote the development of the self-financing post-secondary education sector in Hong Kong, the Government has launched a number of support measures. At the Finance Committee (FC) meeting on 6 July 2001, Members approved the introduction of the Start-up Loan Scheme (SLS) (vide FCR(2001-02)30) to provide interest-free loans to post-secondary education providers which are non-profit making and self-financing in meeting their start-up costs. SED considers the start-up loan applications on the advice of an independent Vetting Committee (VC). The terms of reference and membership

/of .....

Encl. 1 of VC are at Enclosure 1. SED may approve start-up loan applications at or below \$15 million under delegated authority<sup>1</sup> and would recommend applications for loans exceeding \$15 million to the FC for approval.

Encl. 2 4. On the advice of the VC, SED recommends for the FC's approval the granting of a loan of \$400 million to OUHK to fund part of the development costs of the proposed NHC at Sheung Shing Street, Ho Man Tin, for the operation of full-time locally-accredited post-secondary programmes. The location map of the proposed NHC and the three existing purpose-built campuses (including Campus Phase (CP) I, CPII and Jockey Club Campus (JCC)) in Ho Man Tin is at Enclosure 2.

Encl. 3 5. The area of the site concerned is about 2 180 square metres. OUHK  
Encl. 4 proposes to construct the proposed NHC with a total gross floor area (GFA) of about 18 680 square metres for accommodation of 1 200 students. The total construction cost is estimated to be \$800 million<sup>2</sup>. The conceptual design of the proposed NHC and the list of proposed facilities to be provided are at Enclosure 3 and Enclosure 4 respectively. Upon completion of the proposed NHC, OUHK plans to operate thereat one Higher Diploma (HD) and six bachelor's degree programmes as listed at Enclosure 5. Subject to finalisation of the private treaty grant, OUHK targets to commence construction works in late 2017 and put the new campus into operation by late 2020.

6. The total GFA of the three OUHK's existing campuses is about 54 300 square metres, accommodating about 8 400 full-time students. The space provision for each student is around 6.5 square metres at present. After the proposed NHC is put into operation, the total GFA of OUHK's campuses will increase to about 72 980 square metres to accommodate about 9 600 full-time students. The space provision for each student will then be increased to around 7.6 square metres.

7. We are of the view that OUHK's proposed NHC will improve the learning environment of its student. In addition, there would be possible synergies between the proposed NHC and the existing campuses in the vicinity. The construction of the proposed NHC also helps to provide the students with more choices and opportunities, facilitating the diversification of the higher education sector.

**/FINANCIAL .....**

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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.

<sup>2</sup> The cost estimate was prepared in the fourth quarter of 2015 in money-of-the-day price.

## FINANCIAL IMPLICATIONS

8. As approved by the FC in July 2001, loans to be granted under the SLS will be interest-free and be repaid by equal installments over ten years from the date of the final drawdown. As at 30 April 2017, the uncommitted loan balance of the SLS is about \$1,717 million which is sufficient to meet the \$400 million sought by OUHK. Subject to the construction and renovation schedules of OUHK, the tentative drawdown schedule is as follows –

| <b>FY 2017-18</b><br><b>\$ million</b> | <b>FY 2018-19</b><br><b>\$ million</b> | <b>FY 2019-20</b><br><b>\$ million</b> | <b>Total</b><br><b>\$ million</b> |
|--|--|--|-----------------------------------|
| 72.5                                   | 313.1                                  | 14.4                                   | 400                               |

9. The interest foregone<sup>3</sup> for granting the above loan, with a repayment period of ten years, will be around \$74.4 million based on the above drawdown schedule. There are no recurrent financial implications.

## PUBLIC CONSULTATION

10. We consulted the Legislative Council Panel on Education on 10 April 2017 regarding the loan application. Members supported the proposal.

## BACKGROUND

11. The FC approved a commitment of \$5,000 million for the introduction of the SLS in July 2001. Subsequently, the FC approved vide FCR(2008-09)17 on 23 May 2008 the modification of the SLS in support of enhancing the quality of post-secondary education. Under the modified SLS, course providers of full-time locally-accredited self-financing post-secondary programmes may, without the need to provide additional student places, apply for interest-free loans for –

- (a) providing or enhancing teaching and other ancillary facilities (e.g. library, laboratories, student guidance/career counselling centres, etc) which serve to enhance the learning experience of and support for students;
- (b) reprovisioning existing college campuses operating in sub-optimal environment; and

/(c) .....

<sup>3</sup> The interest forgone is calculated based on the fixed rate of return for the investment portfolio of 2.8% applied to fiscal reserves placed with the Exchange Fund in 2017.

- (c) refurbishing the vacant school premises allocated to them to enhance students' learning environment.

On the same occasion, the FC also approved that loans granted in or before May 2008 might be eligible for extension of repayment period from ten years to no more than 20 years subject to proven financial difficulty of the borrowing institutions. The outstanding loans would however be subject to interest payment at the no-gain-no-loss rate to the Government after the interest-free period in the first ten years.

12. At the FC meeting on 5 February 2010, Members approved an increase of \$2,000 million in the commitment for the SLS from \$5,000 million to \$7,000 million to meet the prospective loan requirements from institutions for the development of degree programmes; and an extension of the loan repayment period from no more than ten years to no more than 20 years for institutions borrowing loans after May 2008 for constructing new college premises, subject to proven financial difficulties, payment of first five repayment instalments and interest at the no-gain-no-loss rate to the Government after the interest-free period in the first ten years. At the FC meeting on 11 May 2012, Members approved an increase of \$2,000 million in the commitment for the SLS from \$7,000 million to \$9,000 million and an extension of the ambit of the SLS to support the development of student hostels for the self-financing tertiary education sector.

13. In considering the loan applications, the VC follows the eligibility criteria set out in paragraph 14(a) of FCR(2001-02)30 (i.e. that the institution concerned must be non-profit making and must provide self-financing, full-time accredited post-secondary programmes leading to a qualification at or above the level of HD, associate degree or professional diploma). It would also take into account the applicant's organisation and management structure, its track record in delivering post-secondary education services, the proposed use of the loan, the estimated development/refurbishment costs and the financial viability of the applicant.

14. Since the introduction of the SLS, the FC has approved 31 loans to 14 institutions, amounting to about \$7,211 million in total. In addition, SED has approved under delegated authority a total of eight loan applications amounting to about \$72 million in total. A list of start-up loans approved is at Enclosure 6. As at 30 April 2017, a loan amount of about \$7,167 million was drawn and a total of about \$3,066 million was repaid with an outstanding loan balance of about \$4,101 million.

Encl. 6

/15. ....

15. OUHK, formerly known as the Open Learning Institute of Hong Kong (OLI), was set up under the OLI Ordinance<sup>4</sup> (Cap. 1145) in 1989 to provide distance learning programmes to working adults in Hong Kong. OUHK attained the self-accrediting status in October 1996 and the university title in May 1997. As a self-financing institution, OUHK has been providing full-time degree programmes since 2001 and currently operates 2 HD programmes and 43 bachelor's degree programmes in full-time mode.

16. In June 2005, OUHK was approved a start-up loan of \$120 million for covering 70% of the development costs of the CPII at its main campus (i.e. CPI) at Good Shepherd Road, Ho Man Tin. In January 2011, OUHK was approved another start-up loan of \$317 million for funding half of the development costs of a new purpose-built campus (i.e. the JCC) at Chung Hau Street, Ho Man Tin. Both campuses were completed and OUHK has started repaying the two approved loans in October 2009 and February 2015 respectively<sup>5</sup>. As at 30 April 2017, the outstanding balance for the two loans was \$24 million and \$221.9 million and they are expected to be fully repaid in October 2018 and February 2024 respectively.

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Education Bureau  
July 2017

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<sup>4</sup> The ordinance has been retitled as The Open University of Hong Kong Ordinance since 1997.

<sup>5</sup> The loan shall be repaid in ten instalments within ten years.

**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 SED on whether to accept, modify or reject the applications.
3. To advise SED on any other matters that may be referred to the Vetting Committee (VC) 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 VC may set up sub-committees, conduct studies, engage professional services and co-opt members as and when necessary.

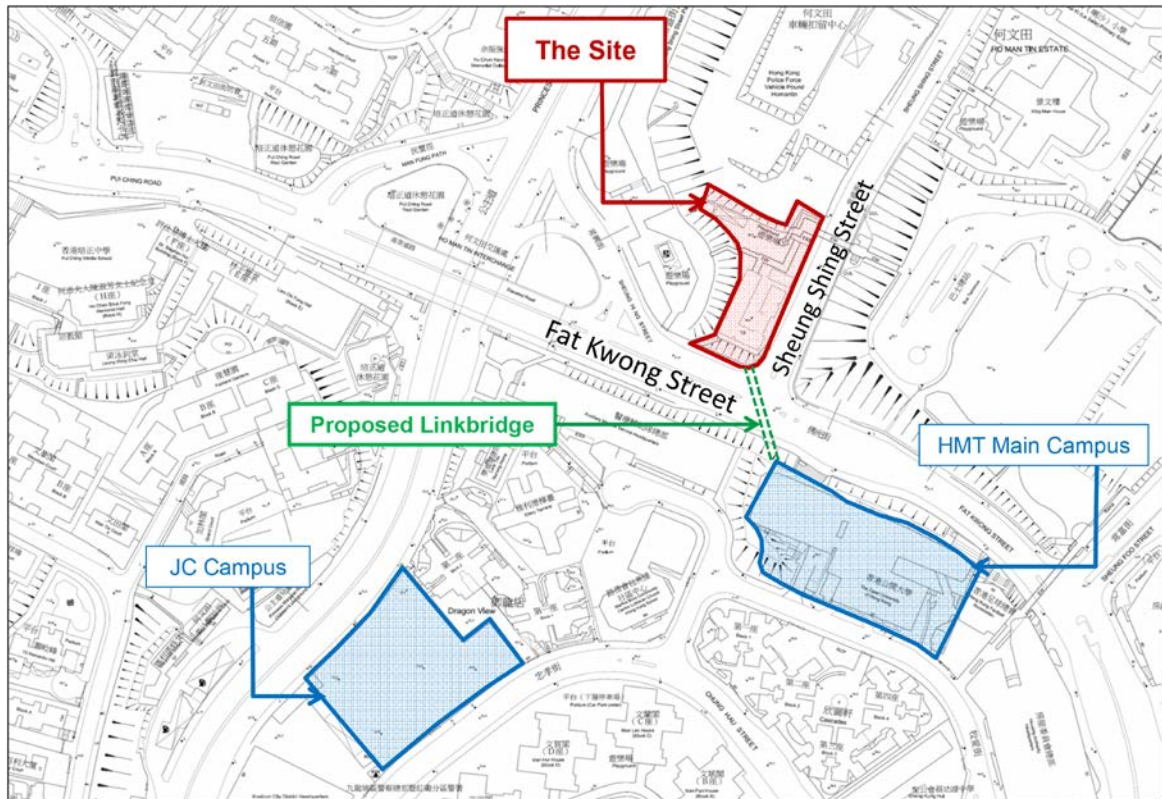
**/Membership .....**

**Membership (as at 30 April 2017)**

| <b>Name</b>   | <b>Professional Background</b>  |
|---|---|
| <u>Chairman</u>   |   |
| Mr LAM Siu Lo, Andrew, JP   | Chairman, AN Group (Holdings) Ltd   |
| <u>Members</u>  |   |
| <i>Non-official</i>   |   |
| Mr CHING Tak Keung, Wilbert   | Director & Partner, Chung Wah Nan Architects Ltd  |
| Mr HUI Chin Yim, Stephen, MH  | Ex-Director of Education Services, The Hong Kong Council of the Church of Christ in China |
| Mr LAI Ting Hong, Alex  | Partner and Solicitor, Deacons  |
| Sr LAI Yuk Fai, Stephen   | Managing Director, Rider Levett Bucknall Ltd  |
| Ms Jacqueline A. LEUNG  | President & Managing Director, Leighton Investments Limited                               |
| Professor TAM Kar Yan   | Dean of Business and Management, Hong Kong University of Science and Technology           |
| Mr WONG Tak Wai, Alvin  | Partner, Pricewaterhouse Coopers  |
| <i>Official</i>   |   |
| Principal Assistant Secretary (Further Education), Education Bureau |   |

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**Location of campuses of The Open University of Hong Kong in Ho Man Tin**



*For identification purpose only*

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**Conceptual Design of the Proposed Nursing and Healthcare Complex  
of The Open University of Hong Kong (OUHK)**



**View from OUHK's Main Campus**



**View from Fat Kwong Street**

**List of Facilities in the Proposed Nursing and Healthcare Complex of  
The Open University of Hong Kong**

| <b>Facilities</b> |  | <b>Gross Floor Area<br/>(m<sup>2</sup>)</b> |
|-------------------|--|---|
| (a)               | <b>Teaching facilities</b><br><br>(including classrooms, tutorial rooms, lecture halls, nursing laboratories, psychology laboratory, physiotherapy laboratories, special education needs service/training centre, dietician kitchen) | 3 320                                       |
| (b)               | <b>Learning support and student services</b><br><br>(including student amenities such as student service centre, student activities centre, fitness centre, etc.)  | 800   |
| (c)               | <b>Administrative support and others</b><br><br>(including staff offices, meeting rooms, IT facilities, storage, maintenance support and management office, car park, etc.)  | 2 480                                       |
| (d)               | <b>Communal area</b><br><br>(including break out and circulation areas)  | 4 400                                       |
| (e)               | <b>Service areas</b><br><br>(including toilets, pantries, planters, M&E rooms, vehicular circulation etc)  | 7 680                                       |
| <b>Total</b>      |  | <b>18 680</b>                               |

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**Programmes to be Operated by  
The Open University of Hong Kong  
at the Proposed Nursing and Healthcare Complex**

1. Higher Diploma in Nursing Studies (General/Mental Health Care)
2. Bachelor of Nursing (Hons) (General/Mental Health)
3. Bachelor of Education (Hons) in Early Childhood Education: Leadership and Special Educational Needs \*
4. Bachelor of Social Sciences (Hons) in Mental Health and Psychology \*
5. Bachelor of Science (Hons) in Physiotherapy \*
6. Bachelor of Science (Hons) in Nutrition and Dietetics \*
7. Bachelor of Sports and Recreation Management (Hons) \*

*\* Proposed new programmes under planning*

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**Enclosure 6 to FCR(2017-18)25**

**List of Loans Approved under the  
Start-up Loan Scheme for Post-secondary Education Providers**

| <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<br>(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<br>(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<br>(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<br>(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<br>(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<br>(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<br>(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<br>(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<br>(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<br>(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<br>(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 Exchanges Foundation Company Limited<br>(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                                      |

| <b>Loan No.</b> | <b>Applicant</b>  | <b>Premises</b>  | <b>Loan Amount</b> | <b>Date of Approval</b>                      |
|-----------------|---|--|--------------------|--|
| 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                            |
| 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 (for Hang Seng Management College)                                 | 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 government 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 government premises in Ma On Shan          | \$29,000,000       | 19 Jun 2009 by FC                            |

| <b>Loan No.</b>                    | <b>Applicant</b>  | <b>Premises</b>   | <b>Loan Amount</b>     | <b>Date of Approval</b> |
|------------------------------------|---|---|------------------------|-------------------------|
| 28                                 | The University of Hong Kong (for HKU School of Professional and Continuing Education)                             | Renovating a vacant government 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                                 | The 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 government premises in Sham Shui Po   | \$11,000,000           | 21 Feb 2011 by SED      |
| 33                                 | The Chinese University of Hong Kong (for School of Continuing and Professional Studies)                           | Renovating a vacant government 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 an academic and administrative building, a sports and student amenities centre and a student hostel in the Siu Lek Yuen campus | \$800,000,000          | 21 June 2013 by FC      |
| 38                                 | HKCT Group Limited (for Hong Kong College of Technology and HKCT Institute of Higher Education)                   | Renovating a vacant government premises in Ma On Shan   | \$30,000,000           | 7 Feb 2014 by FC        |
| 39                                 | Chu Hai College of Higher Education   | Constructing a new campus and a student hostel in Tuen Mun East   | \$250,000,000          | 20 Mar 2015 by FC       |
| <b>Total Loan Amount approved:</b> |   |   | <b>\$7,282,519,000</b> |                         |

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