

## 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 the following loans totalling \$625 million, under the Start-up Loan Scheme for post-secondary education providers, from the Loan Fund –

- (a) \$317 million to The Open University of Hong Kong; and
- (b) \$308 million to the Hang Seng School of Commerce for the operation of Hang Seng Management College.

### PROBLEM

We need to make a decision on applications from two institutions for start-up loans from the Government to provide accredited post-secondary programmes on a self-financing basis.

### PROPOSAL

2. Pursuant to the Start-up Loan Scheme (SLS) approved by Members on 6 July 2001, the Secretary for Education (SED) proposes to grant interest-free loans totalling \$625 million to two institutions, as follows –

- (a) The Open University of Hong Kong (OUHK): a loan of \$317 million; and
- (b) Hang Seng School of Commerce (HSSC) for the operation of Hang Seng Management College (HSMC): a loan of \$308 million.

/JUSTIFICATION .....

## JUSTIFICATION

3. To promote the development of the self-financing post-secondary sector in Hong Kong, the Administration has launched various support measures. At the Finance Committee (FC) meeting on 6 July 2001, Members approved the introduction of the SLS to help non-profit-making self-financing post-secondary education providers to meet their initial start-up costs, with a commitment of \$5,000 million under the Loan Fund (vide FCR(2001-02)30). Members noted that the then Secretary for Education and Manpower (SEM) would consider the loan applications on the advice of an independent Vetting Committee (VC) (see Encl. 1 Enclosure 1 for its terms of reference and current membership). SEM may approve applications at or below \$15 million<sup>1</sup> and would recommend applications for loans exceeding \$15 million to the FC for approval.

4. We launched the latest round of Start-up Loan application exercise in March 2010. Having regard to the advice of the VC, the SED recommends granting a loan of \$317 million to OUHK and a loan of \$308 million to HSSC. Details are set out in paragraphs 6 to 13 below.

5. In considering the applications, the VC has followed 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 higher diploma, associate degree or professional diploma). It has also taken into account the proposed use of the loan, the estimated costs and the financial viability of the application.

## THE OPEN UNIVERSITY OF HONG KONG

6. First established as the Open Learning Institute of Hong Kong in 1989, OUHK provides sub-degree, degree and postgraduate study opportunities through distance learning to working adults in Hong Kong. Governed by The Open University of Hong Kong Ordinance (Cap. 1145), OUHK attained self-accrediting status in October 1996 and the current university title in May 1997. The institution has been providing degree programmes since 2003. Apart from offering 148 distance learning programmes, OUHK currently operates 29 full-time bachelor's degree programmes on campus. OUHK was approved a Start-up Loan of \$120 million in June 2005 for the development of its Campus Phase II. It has started repaying the loan in 2009 and all repayments have been made on time<sup>2</sup>.

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<sup>1</sup> To further enhance accountability, we also seek the approval of this Committee in the case of an application at or below \$15 million but where the outstanding loan balance for the same course provider exceeds \$15 million when the loan application under processing is factored in.

<sup>2</sup> The loan shall be repaid in 10 instalments for 10 years.

Encl. 2 7. OUHK now applies for a Start-up Loan to fund half of the construction costs (i.e. \$317 million) of a new purpose-built campus at Ho Man Tin. The location map of the campus is at Enclosure 2. The area of the concerned site is around 4 300 square metres. OUHK proposes to construct an 11-storey academic and administration building with a total gross floor area (GFA) of about 21 500 square metres. The total construction cost of the new building is estimated to be \$634 million.

Encl. 3 8. The new campus can serve up to about 2 400 students. OUHK proposes to offer six degree and one higher diploma programmes there (please see Enclosure 3 for the list of programmes). Subject to the approval of the FC, the construction works will commence in the third quarter of 2011 and the new campus will be put into operation in the 2013/14 academic year. It is estimated that the total enrolment in the new campus will increase from 950 students in the 2013/14 academic year to 2 400 starting from the 2018/19 academic year. The existing and new campuses, of a total GFA of 54 500 square metres, will be used by a total of 6 150 students.

9. We are of the view that OUHK's proposed new campus will increase the provision of self-financing degree places in Hong Kong and improve the learning environment of some of its existing sub-degree students. The seven programmes to be offered in the new campus also support the development of three of the six priority industries, i.e. testing and certification, medical services, and cultural and creative industries as announced by the Chief Executive. Supporting the construction of OUHK's new campus is in line with the Government's policy of promoting the healthy development of the self-financing post-secondary sector, thereby providing our students with more choices and opportunities and facilitating the diversification of the higher education sector.

## **HANG SENG SCHOOL OF COMMERCE**

10. HSSC was founded in 1980 to provide mainly business diploma courses. It started to provide matriculation courses in 1992 and associate degree and pre-associate degree courses in 2003 and 2005 respectively. HSMC, a newly established entity, is wholly owned by HSSC for the operation of self-financing degree programmes. Following the approval of the Chief Executive-in-Council in May 2010, HSMC has been registered under the Post-secondary Colleges Ordinance (Cap. 320) and has offered three bachelor's degree programmes starting from the 2010/11 academic year. HSSC was approved a Start-up Loan of \$32.4 million in March 2006 for constructing an extension of a teaching block in its existing Siu Lek Yuen campus. It started repaying the loan in 2009 and all repayments have been made on time<sup>2</sup>.

Encl. 4 11. HSSC now applies for a Start-up Loan to fund the total construction costs (estimated to be \$308 million) of a new purpose-built campus at Siu Lek Yuen, a land site adjacent to its existing campus. The location map of the campus is at Enclosure 4. The area of the concerned site is around 6 000 square metres. HSSC proposes to construct a teaching block with customised teaching and learning facilities simulating the dynamic business world. These facilities include Trading Floor, Model Bank, TV Studio, Audio Studio and Supply Chain Management Laboratory, etc., with a GFA of about 11 200 square metres.

Encl. 5 12. HSSC's existing campus can accommodate 2 000 students. With the new campus, HSSC plans to serve up to 1 500 additional students. HSMC proposes to offer two sub-degree programmes and four degree programmes in the two campuses (see Enclosure 5 for the list of programmes). Subject to the approval of the FC, the institution will commence the construction works in early 2012 and put the new campus into operation in the 2013/14 academic year. It estimates that the total enrolment will increase from 2 075 students in the 2013/14 academic year to 3 600 in the 2019/20 academic year. The existing and new campuses, of a total GFA of around 29 000 square metres, will be used by a total of around 3 500 students.

13. We are of the view that HSMC's new campus will both increase the provision of self-financing degree places in Hong Kong and enhance the quality of the learning environment for its existing students. There are possible synergies between the existing and new campuses, which are adjoining each other. Supporting the construction of HSMC's new campus is also in line with the Government's policy of promoting the healthy development of the self-financing sector, thereby widening the choice and opportunities for our students and facilitating the diversification of the higher education sector.

## FINANCIAL IMPLICATIONS

14. The above two applications will be subject to the arrangement endorsed by the FC in July 2001, whereby loans to be granted under the SLS will be interest-free, to be repaid by instalments over ten years from the date of the final drawdown. As at 31 December 2010, the uncommitted loan balance of the SLS is \$2,445.981 million and is sufficient to meet the requirements of the two applications totalling \$625 million.

15. Subject to the actual construction schedule of the two institutions, the tentative loan disbursement schedules are as follows –

Institution	Financial Year			Total \$ million
	2011-12 \$ million	2012-13 \$ million	2013-14 \$ million	
OUHK	64.7	219.8	32.5	317
HSSC	193	61	54	308

16. Assuming no application for extension of repayment period, we estimate that the total interest foregone for granting the above loans will be around \$89 million calculated on the basis of the “no-gain-no-loss” interest rate, currently at 2.099% per annum. There are no recurrent financial implications.

## **PUBLIC CONSULTATION**

17. In January 2011, we briefed the Legislative Council Panel on Education about the two loan applications. Members generally supported the applications.

## **BACKGROUND**

18. 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 Scheme in support of enhancing the quality of post-secondary education. Under the modified Scheme, institutions 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) refurbishing the vacant school premises allocated to them to enhance students’ learning environment.

At 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 after the interest-free period in the first ten years.

19. At the FC meeting on 5 February 2010, Members subsequently 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 after the interest-free period in the first ten years.

20. Since the introduction of the SLS, FC has already approved 23 loans to 14 institutions, amounting to about \$4,496 million in total. In addition, the SED has approved under delegated authority a total of six loan applications amounting to about \$58 million in total. The list of Start-up Loans approved is at Encl. 6 Enclosure 6. As at the end of December 2010, a total of \$992 million has been repaid and all repayments have been made on time.

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Education Bureau  
January 2011

**Vetting Committee for  
Start-up Loan for Post-secondary Education Providers**

**Terms of Reference**

1. To examine and assess applications for start-up loans for post-secondary education providers in accordance with prevailing policies, and advise the Secretary for Education (SED) on whether to accept, modify or reject the applications, where the loan amount to be approved is at or below \$15 million.
2. To examine and assess applications for start-up loan for post-secondary education providers in accordance with prevailing policies, and advise SED on whether to recommend the applications for approval by the Finance Committee of the Legislative Council, where the loan amount to be approved exceeds \$15 million.
3. To advise SED on any other matters that may be referred to Vetting Committee by the Education Bureau concerning the policy and execution of the post-secondary loan scheme.

**Membership**

Chairman : Professor TAM Man Kwan, BBS, J.P.

Members : **Non-officials**

Ms CHEUNG Sau Yu, Stephanie

Mr HUI Ho Ming, Herbert, J.P.

Mr KUNG Lin Cheng, Leo, J.P.

Mr LAI Yuk Fai, Stephen

Ms LEUNG Alee, Jacqueline

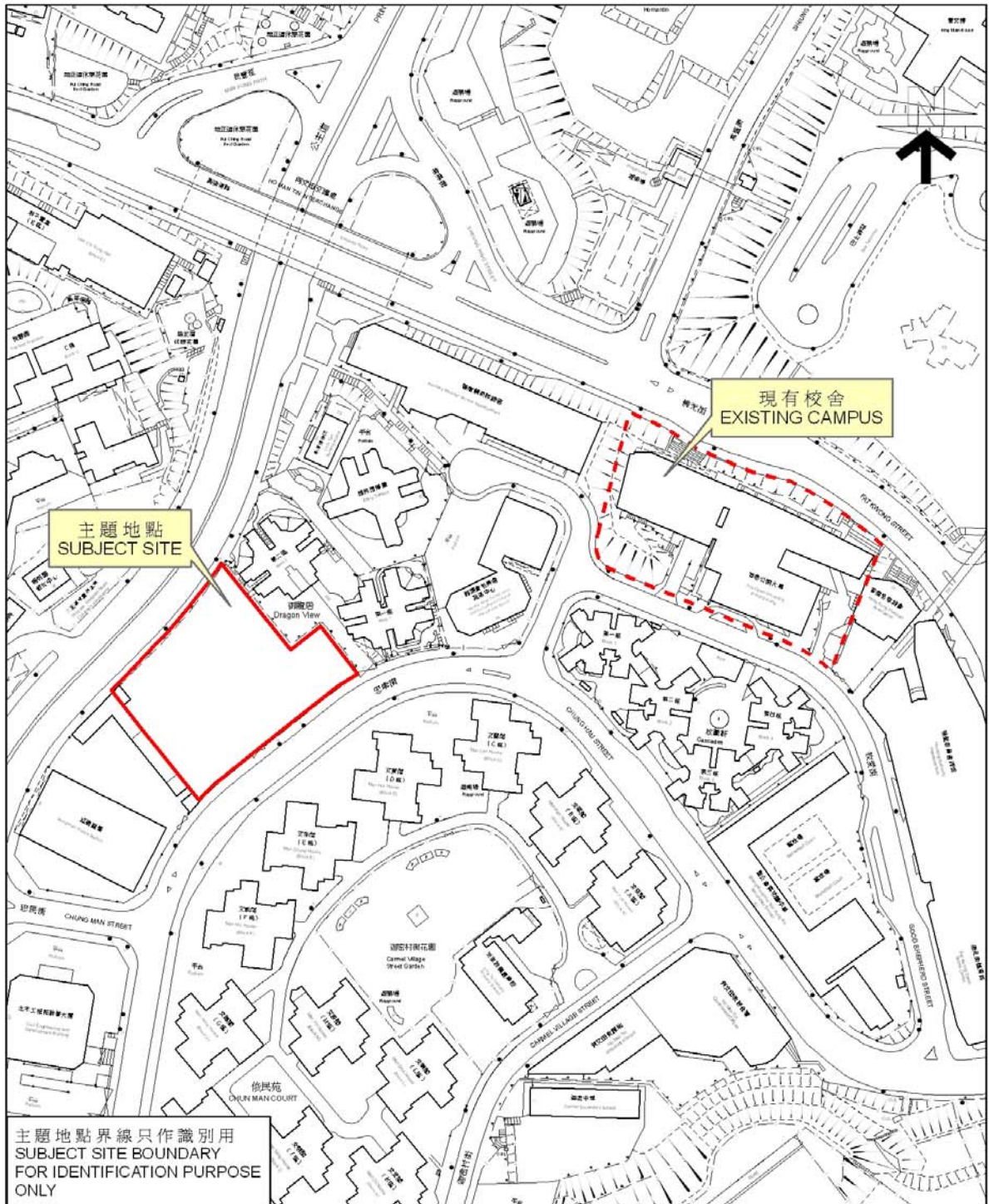
Mr WONG Tak Wai, Alvin

**Official**

Principal Assistant Secretary (Further Education), EDB

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Enclosure 2 to FCR(2010-11)57



主題地點界線只作識別用  
SUBJECT SITE BOUNDARY  
FOR IDENTIFICATION PURPOSE  
ONLY

Reference

Extracted from  
1:1000 Survey Sheet No :  
11-NW-20C  
11-NW-20A

Date : 12-January-2011

位置圖 LOCATION PLAN  
Open University of Hong Kong

Scale 1: 2000  
Site Boundary Subject to Detailed Land Survey

KOWLOON DISTRICT  
PLANNING  
OFFICE  
**PLANNING DEPARTMENT**



圖 PLAN  
1



**List of programmes to be offered by The Open University of Hong Kong at the new campus**

BA (Hons) in Advertising and Media Studies

BA (Hons) in Animation and Graphic Design

BA (Hons) in Photography and Visual Arts

BSc (Hons) in Testing and Certification Technology (Engineering Materials)

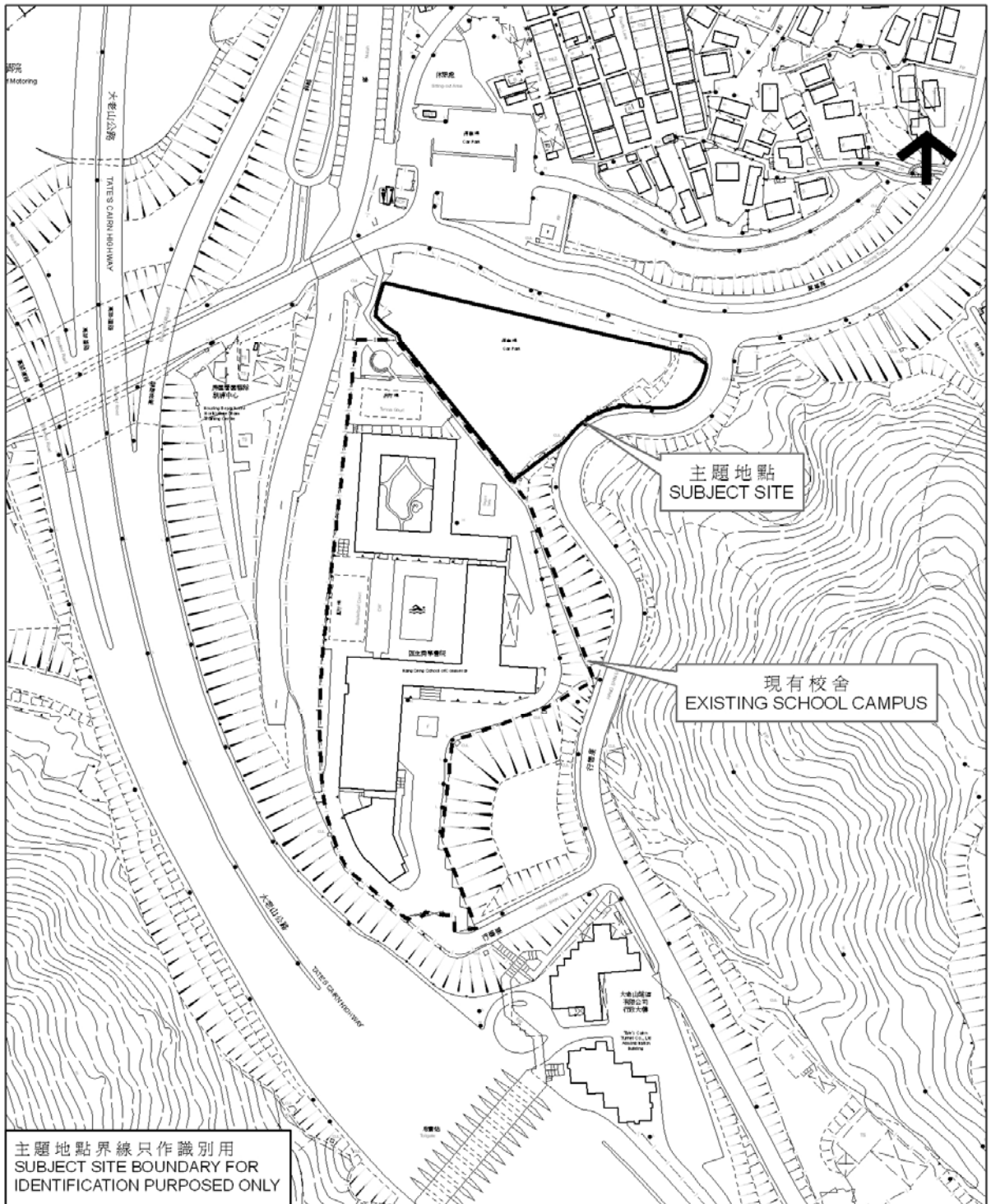
BSc (Hons) in Testing and Certification Technology (Produce Design)

Bachelor of Nursing (Hons) (General/Mental Health Care)

Higher Diploma in Nursing Studies (General/Mental Health Care)

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Enclosure 4 to FCR(2010-11)57



主題地點界線只作識別用  
SUBJECT SITE BOUNDARY FOR  
IDENTIFICATION PURPOSED ONLY

本摘要圖於2011年1月11日擬備  
所根據的資料為測圖編號  
7-SE-12C 和 12D  
EXTRACTED PLAN PREPARED ON 11.1.2011  
BASED ON SURVEY SHEET No.  
7-SE-12C & 12D

位置圖 LOCATION PLAN

Scale 1: 2000  
Site Boundary Subject to Detailed Land Survey

SHA TIN, TAI PO AND  
NORTH DISTRICT  
PLANNING OFFICE  
**PLANNING DEPARTMENT**



圖 PLAN  
1

**List of programmes to be offered by Hang Seng Management College at Hang Seng School of Commerce's existing campus and the new campus**

Bachelor of Business Administration (Hons)

Bachelor of Business Administration (Hons) in Supply Chain Management

Bachelor of Translation with Business (Hons)

Bachelor of Journalism and Communication (Hons)

Associate in Business Administration

Pre-Associate Degree in Business Administration

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**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	Renting and renovating a commercial premises in Wanchai	\$35,402,000	7 Dec 2001 by Finance Committee (FC)
2	The University of Hong Kong	Purchasing and renovating a commercial premises in North Point	\$176,124,000	7 Dec 2001 by FC
3	Hong Kong Baptist University	Purchasing and renovating a commercial premises in Kowloon Tong	\$86,201,000	7 Dec 2001 by FC
4	The Hong Kong Polytechnic University	Renting and renovating Professional Complex at Hung Hom Campus	\$32,700,000	7 Dec 2001 by FC
5	Lingnan University	Renting and renovating a commercial premises in Tuen Mun and Causeway Bay	\$10,597,000	7 Dec 2001 by FC
6	Lingnan University	Constructing new buildings in Tuen Mun Main campus	\$205,735,000	7 Dec 2001 by FC
7	The Hong Kong Institute of 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	Purchasing and renovating a commercial premises in Central	\$135,274,000	26 Apr 2002 by FC
9	Caritas-Hong Kong	Renting and renovating a commercial premises at MTR Kowloon Station	\$15,000,000	21 Jun 2002 by SEM
10	City University of Hong Kong	Renting and renovating a commercial premises in Kowloon Bay	\$44,756,000	21 Jun 2002 by FC
11	Vocational Training Council	Constructing new buildings in IVE Tsing Yi Campus	\$266,400,000	21 Jun 2002 by FC
12	International Education and Academic Exchange Foundation Company Limited	Renting and renovating a commercial premises in Cheung Sha Wan and TST	\$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	Renting and renovating a commercial premises in Causeway Bay	\$4,000,000	4 Mar 2003 by SEM
14	The University of Hong Kong	Constructing a new campus in Kowloon Bay	\$279,256,000	27 June 2003 by FC
15	Hong Kong Baptist University	Constructing a new campus in Shek Mun, Shatin	\$359,200,000	27 June 2003 by FC
16	Caritas - Hong Kong	Constructing a new campus in TKO Area 73B	\$188,000,000	27 June 2003 by FC
17	The Hong Kong Polytechnic University	Constructing a new campus in Hunghom	\$424,714,000	27 June 2003 by FC
18	The Chinese University of Hong Kong-Tung Wah Group of Hospitals Community College	Constructing a new campus in Mongkok	\$346,050,000	5 Dec 2003 by FC
19	The Hong Kong Polytechnic University	Constructing a new campus in West Kowloon	\$458,100,000	4 Mar 2005 by FC
20	City University of Hong Kong	Constructing new buildings in its Kowloon Tong main campus	\$599,500,000	24 Jun 2005 by FC
21	Po Leung Kuk (for The HKUSPACE – Po Leung Kuk Community College)	Constructing new buildings in its HQ in Causeway Bay	\$254,000,000	24 Jun 2005 by FC
22	The Open University of Hong Kong	Constructing new buildings in its Ho Man Tin campus	\$120,000,000	24 Jun 2005 by FC
23	HKCT Group Ltd. (for Hong Kong College of Technology)	Renting and renovating a commercial premises in Hunghom	\$10,875,000	3 Jan 2006 by SEM
24	Hang Seng School of Commerce	Constructing a new building in its Siu Lek Yuen campus	\$32,400,000	24 Mar 2006 by FC
25	The Chinese University of Hong Kong	Renting and renovating a commercial premises in Central	\$22,743,000	24 Mar 2006 by FC

<b>Loan No.</b>	<b>Applicant</b>	<b>Premises</b>	<b>Loan Amount</b>	<b>Date of Approval</b>
26	Hong Kong Arts Centre	Renovating the ex-premises of PLK Ho To Shui Hing Primary School in Shaukeiwan	\$5,500,000	16 Feb 2009 by Secretary for Education
27	Hong Kong College of Technology	Renovating the ex-premises of Ho Fai Primary (sponsored by Sik Sik Yuen) in Ma On Shan	\$29,000,000	19 Jun 2009 by FC
28	The University of Hong Kong	Renovating the ex-premises of Kwong Yuet Tong Excel Foundation Primary School in Pokfulam	\$40,344,000	19 Jun 2009 by FC
29	Chu Hai College of Higher Education	Constructing a new campus in Tuen Mun East	\$350,000,000	19 Jun 2009 by FC
<b>Total Loan Amount approved:</b>			\$4,554,019,000	

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