

**For discussion  
on 10 November 2014**

**Legislative Council Panel on Education  
Start-up Loan for Post-secondary Education Provider**

**PURPOSE**

This paper informs Members of the Administration's proposal to seek the approval of the Finance Committee (FC) to provide from the Loan Fund a further loan of \$250 million to Chu Hai College of Higher Education Limited to cover part of the development costs of a purpose-built campus and student hostels for the operation of full-time locally accredited degree programmes by Chu Hai College of Higher Education (Chu Hai College).

**BACKGROUND**

*Setting up of the Start-up Loan Scheme*

2. In order to promote the healthy development of the self-financing post-secondary education sector in Hong Kong, the Administration has introduced various support measures, inter alia, the Start-up Loan Scheme (SLS) to provide interest-free loans to non-profit-making post-secondary education providers in meeting their start-up costs, including purchasing, renting or building campuses, as well as enhancing teaching and other ancillary facilities. The SLS was approved by the FC in July 2001 with an initial commitment of \$5,000 million. Since then, the commitment for the SLS has been increased by a total of \$4,000 million to \$9,000 million with the approval of the FC in 2010 and 2012 respectively. In May 2012, the FC also approved the extension of the ambit of the SLS to support the development of student hostels for the self-financing tertiary education sector.

3. Applications for the start-up loans are assessed by an independent Vetting Committee. The terms of reference and membership of the Vetting Committee are at **Annex A**; and the vetting criteria adopted by the Vetting Committee are at **Annex B**. Since the introduction of the SLS, the FC has approved 30 loans to 14 institutions, amounting to about \$6,961 million in total. In addition, the Secretary for Education (SED) has approved under

delegated authority<sup>1</sup> a total of eight loan applications amounting to about \$72 million in total. The list of start-up loans approved is at **Annex C**. As at the end of October 2014, a loan amount of about \$5,986 million has been drawn and a total of about \$2,462 million has been repaid with an outstanding loan balance of about \$3,523 million. All repayments have been made on time.

#### *Start-up Loan Approved for Chu Hai College in 2009*

4. In 2009, the FC approved vide FCR(2009-10)28 a start-up loan of \$350 million to Chu Hai College of Higher Education Limited under the SLS to finance part of the project cost of a purpose-built campus of Gross Floor Area (GFA) of about 22 500 square metres on a piece of land to be granted in Tuen Mun East for the operation of Chu Hai College. The estimated project cost at that time was \$421 million. Chu Hai College originally planned to put the proposed campus into operation in 2013 the earliest.

5. Chu Hai College of Higher Education Limited is a non-profit-making company formed for the operation of Chu Hai College. In 2004, Chu Hai College was registered under the Post Secondary Colleges Ordinance (Cap. 320) to offer degree programmes. It is currently offering 11 locally-accredited degree programmes with an enrolment of about 1 700 full-time students.

## **JUSTIFICATIONS**

#### *The Supplementary Application by Chu Hai College*

6. In the process of obtaining the land grant in 2009, a number of site limitations and technical issues were identified by Chu Hai College. For instance, part of an archaeological investigation area falls within the site where no building works should be carried out without detailed archaeological investigation; a drainage reserve area within the site above which no building should be erected; as well as site setback requirements for road widening purpose, causing the proposed development to sit on part of the slope which also heightened the development cost and difficulty. As a result, Chu Hai College had to modify the design of the proposed campus. In the new design, the College proposed an addition of around 1 500 square metres of GFA of teaching and learning facilities and 2 500 square metres of GFA of

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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.

student hostels with about 170 places for further enhancement of students' learning experience (i.e. an addition of 4 000 square meters in total). Chu Hai College intended to cover any additional cost involved out of its own fund at that time. The Education Bureau thus endorsed the additional 4 000 square metres of GFA in the project scope when Chu Hai College submitted the revised School Development Plan (SDP) in relation to the land grant back in 2010.

7. To facilitate the implementation of the revised SDP, Chu Hai College successfully applied for a lease modification in 2012. After that, in light of the tree compensation requirement<sup>2</sup> and the other architectural considerations, Chu Hai College had to further modify the campus design. The latest campus design was confirmed in early 2013.

8. Under the latest campus design, the proposed campus would have a total GFA of about 26 500 square metres and the project cost of the whole campus and student hostels is estimated to be \$998 million taking into account the site complications referred to in paragraphs 6 and 7 above, which were unforeseen before 2009. To finance part of the increased costs arising from a new campus design due to the identification of site constraints; as well as the provision of additional teaching and learning facilities, student hostels<sup>3</sup> and furniture and equipment, Chu Hai College of Higher Education Limited applied for an additional start-up loan of \$250 million in September 2013. In order to cover the inflated project cost<sup>4</sup> and complete the whole development project, Chu Hai College has also secured a donation of \$200 million from the Hong Kong Jockey Club and is prepared to deploy another \$200 million from its own funding and other donations.

9. Under the established mechanism as set out in paragraph 3 above, the independent Vetting Committee recommended that an additional loan of \$250 million be provided to Chu Hai College for constructing the relevant facilities and the recommendation was endorsed by SED.

10. Chu Hai College has made an effort to minimize the cost required in the design of the proposed campus and student hostels by having a campus design which requires only the use of standard construction methods and providing only the facilities which are fundamental to its sustainable development. Details of the increase in estimated costs arising from the new

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<sup>2</sup> The tree felling proposal was first approved in 2011 when Chu Hai College was allowed under lease to develop the site with GFA of not more than 22 515 square metres.

<sup>3</sup> The SLS has extended its ambit to support the development of student hostels since 2012.

<sup>4</sup> The project cost increased by around \$215 million due to inflation in construction costs in general over the past few years.

campus design and provision of additional facilities are at **Annex D**.

11. It is noteworthy that the site formation and foundation works of the project were completed in June 2014. To get the whole project going without further delay and escalation of cost, Chu Hai College of Higher Education Limited invited tender for the superstructure works in March 2014 when the foundation works were still in progress. With the superstructure works commenced upon the award of the main contract in July 2014, the possibility of substantial deviation from the estimated project cost and delay from the latest project schedule is considered slim. Under the current schedule, the related construction works will be completed by early 2016. The location map and conceptual design of the campus and student hostels is at **Annex E**.

12. With the campus and student hostels development, Chu Hai College will continue to offer 11 existing locally-accredited degree programmes with about 2 400 students by the 2019/20 academic year. Some new degree programmes are also under planning. The list of existing programmes to be provided by Chu Hai College at the proposed campus is at **Annex F**. In fact, Chu Hai College has obtained earlier this year the Programme Area Accreditation (PAA) status<sup>5</sup> from the Hong Kong Council for Accreditation of Academic and Vocational Qualifications (HKCAAVQ) in the areas of Journalism, Mass Communication, and Chinese Literature and Chinese Language. Upon gaining PAA, an institution may develop and operate learning programmes within the approved scope of programme area(s) at specified QF Level(s) for an approved period of time, and have the qualifications of those learning programmes entered into the Qualifications Register for recognition under the Qualifications Framework without going through Programme Validation by HKCAAVQ<sup>6</sup>.

13. We are of the view that the proposed campus and student hostels will not only enable Chu Hai College to enhance the quality of teaching and learning and promote all-round student development, but also facilitate the diversification of the higher education sector in Hong Kong and widen the choice and opportunities for students. Supporting such development is in line with the Government's policy of promoting the healthy development of the self-financing post-secondary sector. We therefore recommend seeking the

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<sup>5</sup> PAA is conferred on operators with sufficient quality assurance competency and maturity at the organisational level and a good track record in their validated programme(s).

<sup>6</sup> Since Chu Hai College is registered under the Post Secondary Colleges Ordinance (Cap. 320), it has to nonetheless obtain the prior approval of the Chief Executive-in-Council for awarding degree for each proposed programme at degree level.

approval of FC for granting a **Start-up Loan of \$250 million to Chu Hai College of Higher Education Limited.**

## **FINANCIAL IMPLICATIONS**

14. As approved by the FC in July 2001, loans to be granted under the SLS will be interest-free, to be repaid by equal installments over ten years from the date of the final drawdown. Subject to the actual construction and renovation schedules of Chu Hai College of Higher Education Limited, the tentative loan disbursement schedule is as follows –

<b>Institution</b>	<b>FY 2014-15 \$ million</b>	<b>FY 2015-16 \$ million</b>	<b>FY 2016-17 \$ million</b>	<b>Total \$ million</b>
Chu Hai College	150	95	5	250

15. The total interest foregone<sup>7</sup> for granting the above loan, with a repayment period of 10 years, will be around \$63.7 million based on the assumptions that loans will be drawn down in accordance with the above schedule. There are no recurrent financial implications.

## **WAY FORWARD**

16. If Members have no objection, we intend to submit the proposal to the FC for approval in December 2014.

**Education Bureau  
November 2014**

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<sup>7</sup> The interest forgone is calculated based on the investment return for placing fiscal reserves with Hong Kong Monetary Authority, currently at 3.6% per annum.

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

**Membership** (as at 31 October 2014)

Chairman: Mr Andrew LAM Siu-lo, JP

Non-official  
Member: Mr Wilbert CHING Tak-keung  
Mr Stephen HUI Chin-yim, MH  
Mr Alex LAI Ting-hong  
Sr Stephen LAI Yuk-fai  
Ms Jacqueline A. LEUNG  
Professor TAM Kar-yan  
Mr Alvin WONG Tak-wai

Official Member: Principal Assistant Secretary (Further Education), EDB

**Vetting Criteria for Start-up Loan Scheme**

- (a) The applicant's organization and management structure, and track record in delivering post-secondary education services;
- (b) Proposed use of the loan;
- (c) The estimated development/refurbishment costs; and
- (d) Financial viability of the applicant.

**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 (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 (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 (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 (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 (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 (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 (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 (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 (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 (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 (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 Exchange Foundation Company Limited (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
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



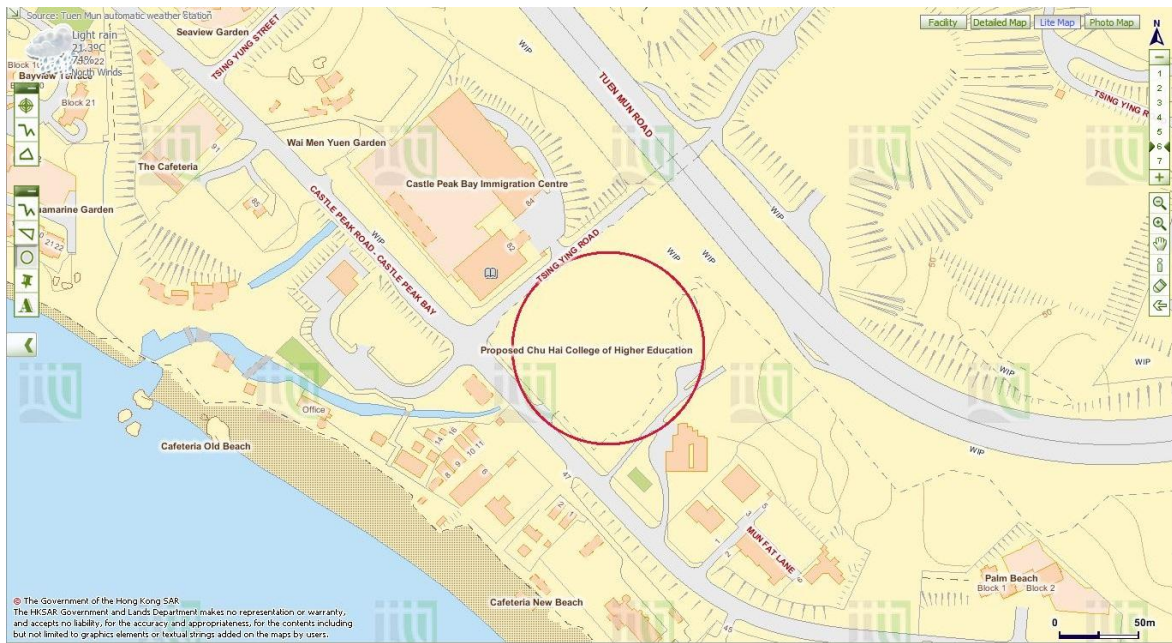
<b>Loan No.</b>	<b>Applicant</b>	<b>Premises</b>	<b>Loan Amount</b>	<b>Date of Approval</b>
16	Caritas-Hong Kong (for Caritas Bianchi College of Careers)	Constructing a new campus in Tseung Kwan O	\$188,000,000	27 Jun 2003 by FC
17	The Hong Kong Polytechnic University (for Hong Kong Community College)	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 school 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 school premises in Ma On Shan	\$29,000,000	19 Jun 2009 by FC
28	The University of Hong Kong (for HKU School of Professional and Continuing Education)	Renovating a vacant school 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 school 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 school premises in Tseung Kwan O	\$40,000,000	11 May 2012 by FC

<b>Loan No.</b>	<b>Applicant</b>	<b>Premises</b>	<b>Loan Amount</b>	<b>Date of Approval</b>
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 a teaching block 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)	Renovating a vacant school premises in Ma On Shan	\$30,000,000	7 Feb 2014 by FC
<b>Total Loan Amount approved:</b>			<b>\$7,032,519,000</b>	

**Details on Increase in Estimated Project Cost  
with New Campus Design and Provision of Additional Facilities**

<b>Items</b>	<b>Amount (\$m)</b>
1. New design arising from the site constraints	133
2. Additional Gross Floor Area of around 4 000 m <sup>2</sup>	100
3. Furniture and equipment costs not included in the 2009 estimate	60
4. Increase in consultants' fees	49
5. Contingencies	20
<b>Total</b>	<b>362</b>

## Location Map of the Chu Hai College of Higher Education



**Chu Hai College of Higher Education**  
**Conceptual Design of the Proposed Campus and Student Hostels**



**Existing Programmes to be Operated by  
Chu Hai College of Higher Education at the Proposed Campus**

1. Bachelor of Architecture (Hons)
2. Bachelor of Arts (Hons) in Chinese Literature
3. Bachelor of Arts (Hons) in English for Professional Communication
4. Bachelor of Arts (Hons) in Journalism and Communication
5. Bachelor of Business Administration (Hons)
6. Bachelor of Business Administration (Hons) in Finance
7. Bachelor of Business Administration (Hons) in Business Information Systems
8. Bachelor of Commerce (Hons) in Accounting and Banking
9. Bachelor of Engineering (Hons) in Civil Engineering
10. Bachelor of Science (Hons) in Computer Science
11. Bachelor of Science (Hons) in Architecture