

**Head 155 — GOVERNMENT SECRETARIAT:
INNOVATION AND TECHNOLOGY COMMISSION**

Controlling officer: the Commissioner for Innovation and Technology will account for expenditure under this Head.

Estimate 2004–05	\$412.1m
Establishment ceiling 2004–05 (notional annual mid-point salary value) representing an estimated 178 non-directorate posts as at 31 March 2004 reducing by 12 posts to 166 posts as at 31 March 2005.....	\$70.3m
In addition there will be an estimated seven directorate posts as at 31 March 2004 and as at 31 March 2005.	
Commitment balance	\$210.4m

Controlling Officer's Report

Programmes

<p>Programme (1) Support for Research and Development</p> <p>Programme (2) Fostering University-Industry Collaboration</p> <p>Programme (3) Promotion of Technological Entrepreneurship</p> <p>Programme (4) Planning for Innovation and Technology Development</p> <p>Programme (5) Infrastructural Support</p> <p>Programme (6) Quality Support</p>	<p>These programmes contribute to Policy Area 17: Information Technology and Broadcasting (Secretary for Commerce, Industry and Technology).</p> <p>This programme contributes to Policy Area 15: Health (Secretary for Health, Welfare and Food) and Policy Area 17: Information Technology and Broadcasting (Secretary for Commerce, Industry and Technology).</p> <p>This programme contributes to Policy Area 17: Information Technology and Broadcasting (Secretary for Commerce, Industry and Technology).</p>
<p>Programme (7) Subvention: Hong Kong Productivity Council, Hong Kong Applied Science and Technology Research Institute Company Limited</p>	<p>This programme contributes to Policy Area 17: Information Technology and Broadcasting (Secretary for Commerce, Industry and Technology).</p>

Detail

Programme (1): Support for Research and Development

	2002–03 (Actual)	2003–04 (Original)	2003–04 (Revised)	2004–05 (Estimate)
Financial provision (\$m)	24.0	28.0	25.4 (–9.3%)	24.7 (–2.8%)
				(or –11.8% on 2003–04 Original)

Aim

2 The aim is to promote and support applied research and development (R&D) activities which can contribute to innovation and technology upgrading in industry.

Brief Description

3 The Commission achieves this aim by providing funding support and putting in place appropriate infrastructural facilities to encourage applied R&D activities. Of particular relevance is the Innovation and Technology Support Programme (ITSP) under the Innovation and Technology Fund (ITF) administered by the Commission. ITSP supports applied R&D projects of which the results have to be transferred to companies in the relevant industry. We also administer the Patent Application Grant (PAG) to provide funding assistance to local companies and individuals applying for patent registration of their own inventions so as to help ensure that the outcome of their R&D efforts is properly protected.

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4 With the aims to strengthen Hong Kong's research capability for technological development and to stimulate the growth of technology-based industry in Hong Kong, we have been working closely with the Hong Kong Applied Science and Technology Research Institute Company Limited (ASTRI) in building up its institutional and research capabilities to support its R&D activities, and formulating its strategic plan and business policy. ASTRI's subsidiary, the Hong Kong Jockey Club Institute of Chinese Medicine Limited (HKJCICM) promotes and supports the modernisation and further development of Chinese medicine in Hong Kong. The work of ASTRI and HKJCICM will be further described under Programme (7).

5 During 2003–04, we continued to solicit projects with publicised themes for ITSP. With the technology focuses and project objectives clearly set out at the outset, this approach seeks to strengthen R&D in areas where Hong Kong has the advantage, to give depth to the existing R&D programmes; and to enable proposal initiators to plan projects in a more focused manner. It also encourages both competition and collaboration among the universities and research institutions.

6 To further promote innovation in development and design of products in the consumer electronics sector, a new Innovative Product Development Assistance Scheme (IPDAS) was introduced under ITSP on a trial basis for one year starting from 1 April 2003.

7 Apart from the technical monitoring of the progress of funded projects, we continued to conduct inspection checks on the recipient organisations of ITF in 2003–04 to ensure proper use of public money. Also, a new computer system has been developed to enable more efficient administration of ITF.

8 The performance under this programme is reflected in the extent to which the applied R&D activities receiving funding support are of relevance to industry and the extent to which ASTRI and HKJCICM accomplish their research programmes effectively. Performance indicators in respect of ITSP, ASTRI and PAG are as follows:

Indicators

	2002 (Actual)	2003 (Actual)	2004 (Estimate)
ITSP			
applications received and processed.....	114	150	150
projects funded and being monitored	216	164	152
IPDAS@			
applications received and processed.....	N.A.	34	12
projects approved	N.A.	16	9
ASTRI projects funded by ITF‡.....	4	9	9
PAG			
applications received and processed.....	193	183	183
projects funded.....	55	59	59

@ IPDAS was introduced on a trial basis for one year from 1 April 2003 to 31 March 2004.

‡ Out of the 13 projects funded in 2002 and 2003, one was completed. The remaining 12 projects will be continued in 2004, in addition to nine new projects to be funded in 2004.

Matters Requiring Special Attention in 2004–05

9 During 2004–05, the Commission will:

- solicit projects with publicised themes with a view to enhancing the focus and depth of ITF-funded projects;
- continue to review the implementation of the streamlined procedures in administering ITSP and give more emphasis to the technology transfer plans of the funded projects;
- conduct inspection checks on the recipient organisations;
- evaluate the performance of completed ITF projects;
- continue to work closely with ASTRI and HKJCICM in building up their research capabilities and developing and implementing their research projects and transferring technologies to industry for commercialisation; and
- review the results of the IPDAS trial scheme.

Programme (2): Fostering University-Industry Collaboration

	2002–03 (Actual)	2003–04 (Original)	2003–04 (Revised)	2004–05 (Estimate)
Financial provision (\$m)	6.3	7.5	7.3 (–2.7%)	7.0 (–4.1%)

(or –6.7% on
2003–04 Original)

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Aim

10 The aim is to promote university-industry partnership in R&D projects.

Brief Description

11 We achieve this aim through administering the University-Industry Collaboration Programme (UICP) under ITF to support commercial R&D projects undertaken by private companies in collaboration with local universities. Companies in the private sector are encouraged to invest and to leverage on the knowledge and resources of local universities through three schemes under UICP, namely, the Teaching Company Scheme, Matching Grant for Joint Research, and Industrial Research Chair Scheme. The Teaching Company Scheme provides financial incentives to local companies to take on graduate students from local universities to assist in proprietary R&D work. Under the Matching Grant for Joint Research, private companies will contribute half of the project cost in respect of R&D projects taken up jointly with local universities. They will also be able to hold the intellectual property rights arising from the projects. The Industrial Research Chair Scheme provides funding support to research efforts of universities and industry in technology fields which are not yet developed in Hong Kong but which have good development potential.

12 UICP received a total of 36 applications requesting \$37 million in 2003.

13 The key performance indicators are:

Indicators

	2002 (Actual)	2003 (Actual)	2004 (Estimate)
UICP			
applications received and processed.....	34	36	36
projects funded and being monitored	97	113	104

Matters Requiring Special Attention in 2004–05

14 During 2004–05, the Commission will continue to administer UICP and to monitor progress of the funded projects.

Programme (3): Promotion of Technological Entrepreneurship

	2002–03 (Actual)	2003–04 (Original)	2003–04 (Revised)	2004–05 (Estimate)
Financial provision (\$m)	6.9	8.6	7.8 (–9.3%)	7.7 (–1.3%)
				(or –10.5% on 2003–04 Original)

Aim

15 The aim is to promote technological entrepreneurship in Hong Kong and to provide essential support to technology-based entrepreneurial activities.

Brief Description

16 We provide funding support to technology-based entrepreneurial activities through the Small Entrepreneur Research Assistance Programme (SERAP) of ITF and the Applied Research Fund (ARF). SERAP provides financing at the pre-venture capital stage for start-ups to carry out R&D activities and to conduct market validation. ARF provides funding to technology companies in Hong Kong at the venture capital stage. In addition, we work closely with the Hong Kong Science and Technology Parks Corporation (HKSTPC), which operates an incubation programme to provide technology start-ups with support in marketing, finance, technology and management in their critical initial years of operation.

17 During 2003–04, we:

- publicised widely the SERAP funding scheme via promotion at universities and HKSTPC organised incubation programme events;
- published the SERAP Company Directory for 2004;
- provided networking support to companies participating in SERAP; and
- monitored the management of ARF and investee companies.

18 The key performance measures are:

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Indicators

	2002 (Actual)	2003 (Actual)	2004 (Estimate)
SERAP			
applications received and processed.....	189	143	150
projects funded and being monitored	29	64	80
New projects funded by ARF	3	2	3

The performance under this programme is also reflected in the extent to which the incubation programme is successfully run by HKSTPC.

Matters Requiring Special Attention in 2004–05

19 During 2004–05, the Commission will:

- continue to administer SERAP and oversee ARF to support technology start-ups;
- provide further value-adding services to companies participating in SERAP; and
- continue to monitor progress of the funded projects.

Programme (4): Planning for Innovation and Technology Development

	2002–03 (Actual)	2003–04 (Original)	2003–04 (Revised)	2004–05 (Estimate)
Financial provision (\$m)	14.2	30.3	18.2 (–39.9%)	31.7 (+74.2%)
				(or +4.6% on 2003–04 Original)

Aim

20 The aim is to support the formulation and co-ordination of innovation and technology policies and to sustain public awareness of innovation and technology.

Brief Description

21 The Council of Advisors on Innovation and Technology (CAIT) is a high-level standing advisory body responsible for making recommendations to the Chief Executive on matters related to innovation and technology with a view to optimising their contributions to Hong Kong's economic development. The Commission provides secretariat support and policy input to CAIT.

22 The Commission also provides Secretariat support and policy input to a new high-level Steering Committee on Innovation and Technology, chaired by Secretary for Commerce, Industry and Technology, in examining policy issues and co-ordinating the various elements of the Government's programme and resources to promote innovation and technology.

23 The Commission supports technology co-operation with the Mainland, and participates actively in relevant regional activities which help promote innovation and technology.

24 To enhance public awareness and understanding of the importance of innovation and technology, the Commission organises promotional events locally and administers the General Support Programme (GSP) under ITF to fund projects such as seminars and exhibitions which help foster an innovation and technology culture.

25 During 2003–04, the Commission:

- supported and provided input to the policy deliberations of CAIT;
- established the Steering Committee on Innovation and Technology;
- signed co-operation arrangements with the Ministry of Science and Technology, as well as Guangdong under the Hong Kong-Guangdong Cooperation Joint Conference;
- organised the Hong Kong Student Science Project Competition and arranged a delegation comprising the winning teams to attend the London International Youth Science Forum held in London, United Kingdom in July/August 2003;
- participated in two categories of the State Science and Technology Awards;

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- organised a “Hong Kong Pavilion” at the China Hi-Tech Fair 2003 to showcase the latest technological achievements of Hong Kong enterprises and to underline the Government’s commitment to promote innovation and technology; and
- participated actively in the Asia-Pacific Economic Cooperation (APEC) Industrial Science and Technology Working Group, and assumed the role of Lead Shepherd starting from January 2004.

26 The key performance indicators are:

Indicators

	2002 (Actual)	2003 (Actual)	2004 (Estimate)
GSP			
applications received and processed.....	28	28	28
projects funded and being monitored§	41	16	14

§ Most of the projects funded in previous years were completed in 2002, hence the drop in the number of projects for 2003 and 2004.

Matters Requiring Special Attention in 2004–05

27 During 2004–05, the Commission will continue to:

- provide secretariat support to CAIT and the Steering Committee on Innovation and Technology;
- promote and support technology co-operation with the Mainland, through the framework established with the Ministry of Science and Technology, and under the Hong Kong-Guangdong Cooperation Joint Conference;
- administer GSP and monitor the progress of funded projects;
- organise the Hong Kong Student Science Project Competition;
- participate in the State Science and Technology Awards;
- organise the “Hong Kong Pavilion” at the China Hi-Tech Fair 2004; and
- participate in meetings of the APEC Industrial Science and Technology Working Group as Lead Shepherd.

Programme (5): Infrastructural Support

	2002–03 (Actual)	2003–04 (Original)	2003–04 (Revised)	2004–05 (Estimate)
Financial provision (\$m)	14.4	15.0	15.2 (+1.3%)	12.7 (–16.4%)
				(or –15.3% on 2003–04 Original)

Aim

28 The aim is to develop world-class support infrastructure to facilitate technological upgrading and development of the industry.

Brief Description

29 We achieve the aim through planning, supporting and overseeing technological infrastructural projects; and participating actively in the formulation and implementation of policies by other government bureaux and departments which impinge on innovation and technology development in Hong Kong. We work closely with relevant industry support organisations such as HKSTPC, ASTRI, HKJCICM and the Hong Kong Productivity Council (HKPC) in the process.

30 During 2003–04, the Commission:

- worked closely with HKSTPC on its policy directions and development plans, as well as the planning and construction of Phase Two of the Hong Kong Science Park (HKSP) at Pak Shek Kok;
- worked closely with ASTRI and HKJCICM on building up their institutional and research capabilities to support their research programmes;
- monitored the delivery of value-added support services to the manufacturing and related service industries by HKPC;

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- worked closely with HKPC to follow up on the recommendations made in the consultancy study on its public mission, role, management and operations; and
- worked closely with the Hong Kong Design Centre (HKDC) to promote design as a value-added activity and integrate it into business processes.

Matters Requiring Special Attention in 2004–05

31 During 2004–05, the Commission will continue to:

- work closely with HKSTPC on its various development and business plans;
- assist in the planning and construction of Phase Two of HKSP;
- assist ASTRI in formulating its business policy, building up its institutional and research capabilities and relocation to HKSP;
- assist HKJCICM in building up its institutional capabilities and developing and implementing its research programmes; and
- assist HKDC in promoting design as part and parcel of the innovative capability essential for our industry's progression into higher value-added activities.

Programme (6): Quality Support

	2002–03 (Actual)	2003–04 (Original)	2003–04 (Revised)	2004–05 (Estimate)
Financial provision (\$m)	64.1	67.2	62.3 (–7.3%)	57.2 (–8.2%)
				(or –14.9% on 2003–04 Original)

Aim

32 The aim is to promote internationally accepted standards and conformity assessment services to underpin technological development and international trade.

Brief Description

33 We achieve this aim through operation of the Standards and Calibration Laboratory (SCL), the Product Standards Information Bureau (PSIB), and the Hong Kong Accreditation Service (HKAS).

34 During 2003–04, SCL participated in five international comparison of standards projects. Its capabilities in the areas of dimension, mass and electromagnetic metrology have been listed in the technical schedules of the Global Mutual Recognition Arrangement operated by the International Bureau of Weights and Measures. HKAS provides a comprehensive range of accreditation services under the Hong Kong Laboratory Accreditation Scheme (HOKLAS), the Hong Kong Certification Body Accreditation Scheme (HKCAS) and the Hong Kong Inspection Body Accreditation Scheme (HKIAS). Accreditation services have been extended to cover construction products certification bodies and medical testing laboratories in 2003–04. HKAS was evaluated by the joint evaluation team of the Asia Pacific Laboratory Accreditation Co-operation (APLAC) and the European Co-operation for Accreditation (EA) in August 2003. The evaluation team recommended that the signatory status of HKAS in the APLAC Mutual Recognition Arrangement (MRA) and the bilateral MRA with the EA multilateral agreement group be re-confirmed and that HKAS be admitted to the APLAC Inspection Arrangement after its establishment in end 2003. PSIB represented Hong Kong, China in the APEC Sub-Committee on Standards and Conformance.

35 The key performance measures are:

Targets

	Target working days	2002 (Actual)	2003 (Actual)	2004 (Plan)
processing of quotation for calibration services.....	5	4	4	5
calibration of equipment.....	18¶	15	15	17
provision of technical advice in response to oral enquiries on product standards....	1	1	1	1
processing of simple written enquiries on product standards.....	1	1	1	1
processing of complicated written enquiries on product standards.....	8	8	8	8

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	Target working days	2002 (Actual)	2003 (Actual)	2004 (Plan)
issue of quotations for documented standards.....	1	1	1	1
processing of orders for photocopies of documented standards	2	2	2	2

¶ This target has been shortened from 20 days to 18 days as from 2003.

Indicators

	2002 (Actual)	2003 (Actual)	2004 (Estimate)
SCL			
calibrations performed.....	575	842 ϕ	842
revenue generated (\$).....	1,596,960	1,578,950 ϕ	1,578,950
revenue/post (\$).....	326,798	344,018	358,545
PSIBΔ			
technical enquiries.....	884	683	680
sales and photocopying of documented standards enquiries	919	763	760
quotations given	4 146	4 094	4 000
orders placed	743	466	460
revenue generated (\$).....	399,771	266,066	266,000
revenue/post (\$).....	189,465	126,098	126,000
HOKLAS			
accredited laboratories (cumulative)	109	117	122
assessments and reassessments conducted.....	215	235	250
overseas laboratory accreditation schemes with mutual recognition arrangement with HOKLAS (cumulative).....	44	46	46
HKCAS			
accredited certification bodies (cumulative).....	6	8	9
assessments, reassessments and surveillance conducted.....	12	8	11
HKIAS			
accredited inspection bodies (cumulative).....	5	7	8
assessments, reassessments and surveillance conducted.....	9	14	15

ϕ While the number of requests for calibrations increased in 2003 due to an increase in the requests from government departments, revenue generated in 2003 was similar to that in 2002 as fees were not charged on the calibrations performed for government departments.

Δ The drops in the indicators in respect of PSIB in 2003 were mainly due to the economic downturn and increasing avenues for obtaining standards, such as the Internet.

Matters Requiring Special Attention in 2004–05

36 During 2004–05, the Commission will:

- participate in activities to promote the Mutual Recognition Arrangements of APLAC and the International Laboratory Accreditation Co-operation, as well as the Multilateral Recognition Arrangements of the Pacific Accreditation Co-operation and the International Accreditation Forum;
- develop plans to extend accreditation services to other areas to support industry;
- participate in the activities of the Global Mutual Recognition Arrangement operated by the International Bureau of Weights and Measures, and in the activities of the Asia Pacific Metrology Programme;
- participate in more international comparison of standards projects;
- strengthen interactions between staff of SCL and local metrology users with a view to disseminating measurement techniques and knowledge to local industries;
- conduct a programme of visits to SCL customers to gauge their needs and to offer professional advice on-site; and
- participate in the APEC activities in the areas of standards and conformance.

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Programme (7): Subvention: Hong Kong Productivity Council, Hong Kong Applied Science and Technology Research Institute Company Limited

	2002-03 (Actual)	2003-04 (Original)	2003-04 (Revised)	2004-05 (Estimate)
Financial provision (\$m)#				
Hong Kong Productivity Council	200.8	195.4	194.6 (-0.4%)	184.4 (-5.2%)
Hong Kong Applied Science and Technology Research Institute Company Limited	87.2	92.6	86.2 (-6.9%)	86.7 (+0.6%)
Total	288.0	288.0	280.8 (-2.5%)	271.1 (-3.5%)
				(or -5.9% on 2003-04 Original)

The provisions for the Hong Kong Productivity Council and the Hong Kong Applied Science and Technology Research Institute Company Limited are transferred from the former Head 177—Subventions: Non-departmental public bodies to Head 155 with effect from 2004-05.

Hong Kong Productivity Council

Aim

37 The aim is to promote productivity excellence through the provision of integrated support across the value chain of the industry, in order to achieve more effective utilisation of resources, enhance the value-added content of products and services, and enhance the industry's international competitiveness.

Brief Description

38 Pursuant to a consultancy study completed in 2002 on its role, management and operations, HKPC has re-positioned its service focus to provide integrated support to innovative and growth oriented Hong Kong firms across the value chain. Its principal sectoral focus is on manufacturing, particularly on Hong Kong's foundation industries, and related service activities. The main geographical focus is Hong Kong and the Pearl River Delta (PRD).

39 The work of HKPC focuses on technology and process upgrading as well as new manufacturing opportunities arising from the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA). Its activities mainly fall in the following areas:

- providing one-stop services to the manufacturing industries, particularly the foundation industries, in the areas of manufacturing and materials technology, product design and development, technology commercialisation and e-manufacturing;
- promoting the application of good management practices and continuous benchmarking across the value chain for innovative and growth oriented enterprises, especially small and medium enterprises (SMEs), through operation management, human resources management, innovation management and strategic business management;
- assisting information technology (IT) service providers, in particular the SMEs, to improve their quality, capacity and productivity, and supporting the integration of IT services across the value chain; and
- providing environmental technology support in green manufacturing, efficient energy and resource usage, compliance with environmental legislation and internal standards, as well as environmental methods and technology transfer.

40 The subsidiaries of HKPC, namely, the Design Innovation (HK) Limited and the Clothing Technology Demonstration Centre Company Limited, operate along commercial lines and aim to increase efficiency and cost-effectiveness of the sectors involved to meet market needs.

41 In 2003-04, HKPC strengthened its services focusing primarily on the SMEs in manufacturing and related service sectors. At the same time, it started to withdraw from services in mature markets where there is ample supply of private service providers. Separately, in order to enhance its support to Hong Kong firms operating in PRD, HKPC established an office in Guangzhou which provided integrated support and services as those provided in Hong Kong to Hong Kong firms operating in PRD.

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42 From 2003–04, for greater financial accountability and strategic control, HKPC has categorised its activities into four programme areas, namely manufacturing technologies, management systems, information technologies and environmental technologies.

43 The key performance measures are:

Indicators

	2002–03 (Actual)	2003–04 (Revised Estimate)	2004–05 (Estimate)
overall income/expenditure ratio (%)	64.2	67.0	63.4
income from consultancy/technical assistance (\$m).....	221.1	201.7	158.2
income from training courses (\$m).....	75.0	67.2	58.2
income from exhibitions/study missions/conferences (\$m).....	11.0	13.7	12.5
income from manufacturing support/process control (\$m).....	30.0	30.8	25.6
no. of people who attended HKPC training courses.....	18 876	17 000	26 374
no. of people who attended HKPC exhibitions	38 750	39 200	41 160
no. of people who participated in HKPC study missions/conferences	6 556	4 650	4 160

Matters Requiring Special Attention in 2004–05

44 During 2004–05, HKPC will:

- continue to follow up on the recommendations of the consultancy study on its role, management and operation;
- realign its services and activities with reference to its new role and focus;
- provide integrated support to innovative and growth oriented Hong Kong firms across the value chain, with the main sectoral focus on manufacturing, particularly in Hong Kong's foundation industries, and related service activities;
- meet the needs of Hong Kong companies and industries to capitalise on the new opportunities arising from CEPA; and
- enhance its support to Hong Kong firms operating in PRD, through offices to be set up in Shenzhen, Dongguan and Zhuhai.

Hong Kong Applied Science and Technology Research Institute Company Limited

Aim

45 The aim is to provide research capability for Hong Kong's technological development and stimulate the growth of technology-based industry in Hong Kong.

Brief Description

46 ASTRI's missions are to:

- perform relevant and high quality R&D and transfer the technologies and results to industry;
- promote greater application of technology in industry;
- become a focal point for attracting outside R&D personnel to work in Hong Kong;
- enhance Hong Kong's technological human resources development;
- act as a spawning ground for technology entrepreneurs; and
- provide a focal point for industry-university collaboration.

47 ASTRI's initial research areas include photonic technologies, Internet software, wireless communications, integrated circuit design and biotechnology. Its operating strategy is to transfer the technologies and results developed from its R&D projects to industry for commercialisation. This process will elevate the technology level of Hong Kong industry and accelerate the expansion of the technology industry base, thereby creating new employment opportunities. The effectiveness of ASTRI should not be narrowly assessed only by the financial return on the public funds devoted to it but should also be assessed by the long term social and economic benefits brought about by ASTRI's endeavours. Hence, ASTRI's performance may be evaluated in due course by yardsticks including the number of technology transfer activities, joint ventures or start-ups created, number of jobs created, and financial returns from the licensing of its intellectual properties.

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48 In 2003–04, ASTRI continued to strengthen its institutional and research capabilities to support its R&D activities. Upon completion of the project to develop on-line interactive English learning software, ASTRI has licensed the related technology to industry for commercialisation. Major projects, including four on photonic technologies, seven on wireless communications and one on wireline communications, have also been making good progress.

49 ASTRI's subsidiary, HKJCICM, promotes and supports the modernisation and further development of Chinese medicine in Hong Kong. The Hong Kong Jockey Club Charities Trust has pledged to donate \$500 million to fund the R&D activities of HKJCICM while ASTRI provides premises and supporting facilities to HKJCICM and funds its recurrent operating costs.

50 In 2003–04, HKJCICM established its advisory, project management and approval mechanisms and identified endocrinology and neuroscience as its R&D platform areas. It has funded eight projects in collaboration with local universities and Mainland institutions, including the setting up of a Chinese medicine laboratory and associated network to strengthen pharmacognosy and quality control of Chinese medicine.

Matters Requiring Special Attention in 2004–05

51 During 2004–05, ASTRI will:

- continue to build up its R&D capabilities;
- continue with the research projects initiated in 2003–04 and before, and initiate new projects;
- set up a new research group of biotechnology to initiate research programme in collaboration with local universities;
- promote and transfer technologies developed from its R&D projects to industry;
- work closely with the local industry and universities on the latest development of manufacturing technology and the market trend with a view to fostering closer collaboration;
- promote ASTRI's R&D activities with a view to raising public awareness of the work of ASTRI;
- relocate ASTRI's offices to HKSP; and
- assist HKJCICM in building and promoting its identity to pursue its public mission; strengthening its capabilities in project and intellectual property management, information management and business development; fully operating its Chinese medicine laboratory for better quality control of Chinese medicine; and starting up its R&D programmes in the two identified platform areas.

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ANALYSIS OF FINANCIAL PROVISION

Programme	2002-03 (Actual) (\$m)	2003-04 (Original) (\$m)	2003-04 (Revised) (\$m)	2004-05 (Estimate) (\$m)
(1) Support for Research and Development.....	24.0	28.0	25.4	24.7
(2) Fostering University-Industry Collaboration	6.3	7.5	7.3	7.0
(3) Promotion of Technological Entrepreneurship.....	6.9	8.6	7.8	7.7
(4) Planning for Innovation and Technology Development.....	14.2	30.3	18.2	31.7
(5) Infrastructural Support.....	14.4	15.0	15.2	12.7
(6) Quality Support.....	64.1	67.2	62.3	57.2
(7) Subvention: Hong Kong Productivity Council, Hong Kong Applied Science and Technology Research Institute Company Limited.....	288.0	288.0	280.8	271.1
	417.9	444.6	417.0 (-6.2%)	412.1 (-1.2%)
				(or -7.3% on 2003-04 Original)

Analysis of Financial and Staffing Provision

Programme (1)

Provision for 2004-05 is \$0.7 million (2.8%) lower than the revised estimate for 2003-04. This is mainly due to the redeployment of resources to Programme (4) to strengthen the support for planning innovation and technology development, effect of the 2004 and 2005 civil service pay cut, reduced departmental expenses to achieve efficiency savings and full-year savings from post deleted in 2003-04, partly offset by the increased requirement for employment of non-civil service contract staff to meet short term operational needs.

Programme (2)

Provision for 2004-05 is \$0.3 million (4.1%) lower than the revised estimate for 2003-04. This is mainly due to the redeployment of resources to Programme (4) to strengthen the support for planning innovation and technology development.

Programme (3)

Provision for 2004-05 is \$0.1 million (1.3%) lower than the revised estimate for 2003-04. This is mainly due to the reduced departmental expenses to achieve efficiency savings, partly offset by the provision for filling a vacant post.

Programme (4)

Provision for 2004-05 is \$13.5 million (74.2%) higher than the revised estimate for 2003-04. This is mainly due to the redeployment of resources from other programmes and increased provision to strengthen the support for planning innovation and technology development, as well as increased cashflow requirement for non-recurrent items, partly offset by the effect of the 2004 and 2005 civil service pay cut.

Programme (5)

Provision for 2004-05 is \$2.5 million (16.4%) lower than the revised estimate for 2003-04. This is mainly due to the redeployment of resources to Programme (4) to strengthen the support for planning innovation and technology development, effect of the 2004 and 2005 civil service pay cut and deletion of two posts, partly offset by the provision for filling vacancies.

Programme (6)

Provision for 2004-05 is \$5.1 million (8.2%) lower than the revised estimate for 2003-04. This is mainly due to the redeployment of resources to Programme (4) to strengthen the support for planning innovation and technology development, deletion of ten posts, reduced cashflow requirement for existing capital projects as well as effect of the 2004 and 2005 civil service pay cut, partly offset by the increased provision for HOKLAS in relation to the expansion of its services to cover medical testing laboratories.

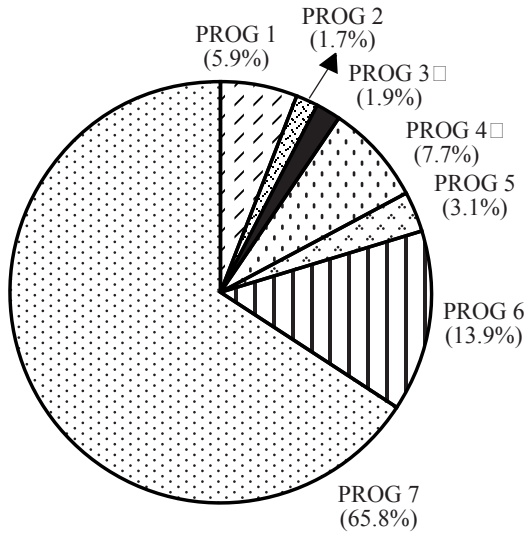
**Head 155 — GOVERNMENT SECRETARIAT:
INNOVATION AND TECHNOLOGY COMMISSION**

Programme (7)

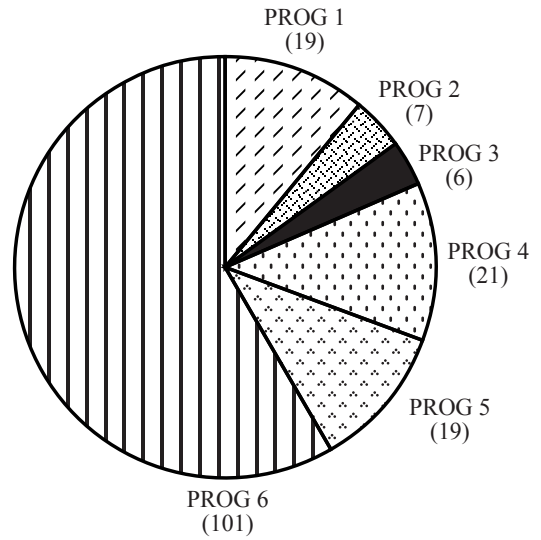
Provision for 2004–05 is \$9.7 million (3.5%) lower than the revised estimate for 2003–04. This is mainly due to the reduced staff cost and operating expenses for HKPC, partly offset by the increased provision for ASTRI to cater for its expanding operational needs.

**Head 155 — GOVERNMENT SECRETARIAT:
INNOVATION AND TECHNOLOGY COMMISSION**

*Allocation of provision
to programmes
(2004-05)*

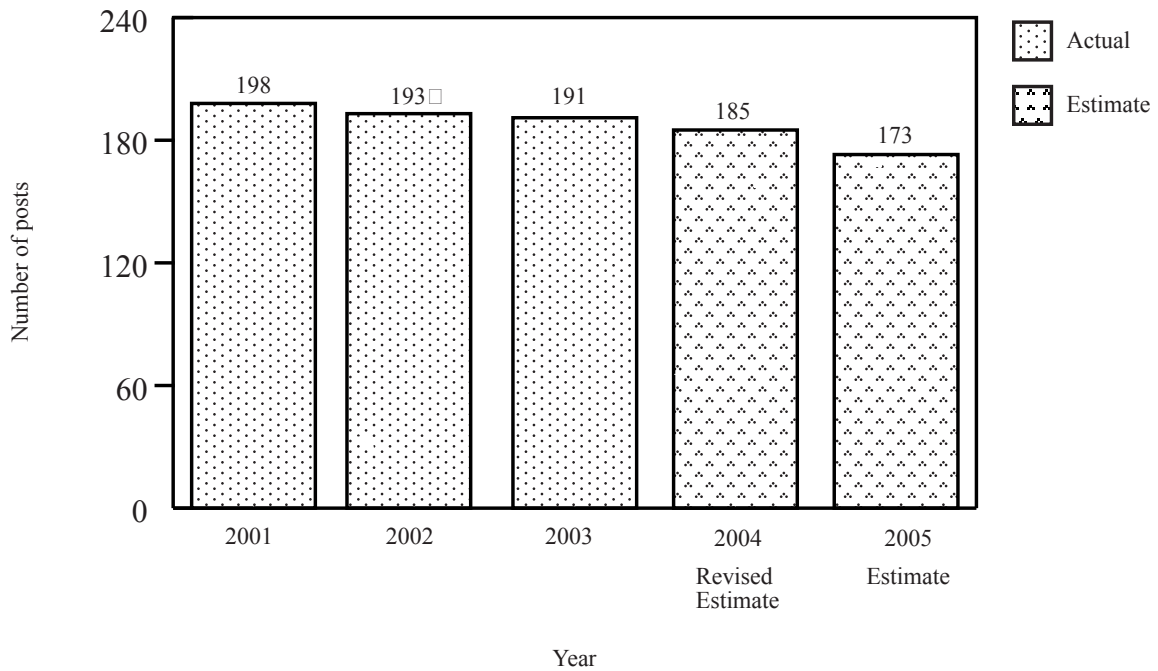


*Staff by programme
(as at 31 March 2005)*



(No government staff under PROG 7)

*Changes in the size of the establishment
(as at 31 March)*



**Head 155 — GOVERNMENT SECRETARIAT:
INNOVATION AND TECHNOLOGY COMMISSION**

Sub-head (Code)	Actual expenditure 2002-03	Approved estimate 2003-04	Revised estimate 2003-04	Estimate 2004-05	
	\$'000	\$'000	\$'000	\$'000	
Operating Account					
Recurrent					
000	Operational expenses.....	125,134	135,552	127,722	381,346
	Total, Recurrent	<u>125,134</u>	<u>135,552</u>	<u>127,722</u>	<u>381,346</u>
Non-Recurrent					
700	General non-recurrent.....	2,092	15,110	4,774	27,901
	Total, Non-Recurrent	<u>2,092</u>	<u>15,110</u>	<u>4,774</u>	<u>27,901</u>
	Total, Operating Account.....	<u>127,226</u>	<u>150,662</u>	<u>132,496</u>	<u>409,247</u>
Capital Account					
Plant, Equipment and Works					
603	Plant, vehicles and equipment	382	3,012	840	30
661	Minor plant, vehicles and equipment (block vote).....	2,270	2,900	2,900	2,801
	Total, Plant, Equipment and Works	<u>2,652</u>	<u>5,912</u>	<u>3,740</u>	<u>2,831</u>
	Total, Capital Account	<u>2,652</u>	<u>5,912</u>	<u>3,740</u>	<u>2,831</u>
	Total Expenditure.....	<u><u>129,878</u></u>	<u><u>156,574</u></u>	<u><u>136,236</u></u>	<u><u>412,078</u></u>

Head 155 — GOVERNMENT SECRETARIAT: INNOVATION AND TECHNOLOGY COMMISSION

Details of Expenditure by Subhead

The estimate of the amount required in 2004–05 for the salaries and expenses of the Innovation and Technology Commission is \$412,078,000. This represents an increase of \$275,842,000 over the revised estimate for 2003–04 and of \$282,200,000 over actual expenditure in 2002–03.

Operating Account

Recurrent

2 Provision of \$381,346,000 under *Subhead 000 Operational expenses* is for the salaries, allowances and other operating expenses of the Innovation and Technology Commission. The increase of \$253,624,000 (198.6%) over the revised estimate for 2003–04 is mainly due to the transfer of provisions for HKPC and ASTRI from the former Head 177—Subventions: Non-departmental public bodies to Head 155 with effect from 2004–05.

3 The establishment as at 31 March 2004 will be 185 permanent posts. It is expected that 12 posts will be deleted in 2004–05. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2004–05, but the notional annual mid-point salary value of all such posts must not exceed \$70,273,000.

4 An analysis of the financial provision under *Subhead 000 Operational expenses* is as follows:

	2002–03 (Actual) (\$'000)	2003–04 (Original) (\$'000)	2003–04 (Revised) (\$'000)	2004–05 (Estimate) (\$'000)
Personal Emoluments				
- Salaries.....	92,235	98,238	92,367	89,599
- Allowances.....	1,839	1,575	1,665	1,830
- Job-related allowances.....	—	4	—	4
Personnel Related Expenses				
- Mandatory Provident Fund contribution.....	—	22	22	22
Departmental Expenses				
- General departmental expenses.....	31,060	35,713	33,668	36,891
Subventions				
- Hong Kong Productivity Council.....	—	—	—	166,262
- Hong Kong Applied Science and Technology Research Institute Company Limited.....	—	—	—	86,738
	125,134	135,552	127,722	381,346

**Head 155 — GOVERNMENT SECRETARIAT:
INNOVATION AND TECHNOLOGY COMMISSION**

Commitments

Sub-head (Code)	Item (Code)	Ambit	Approved commitment	Accumulated expenditure to 31.3.2003	Revised estimated expenditure for 2003-04	Balance
			\$'000	\$'000	\$'000	\$'000
<i>Operating Account</i>						
700		<i>General non-recurrent</i>				
	002	Consultancy studies on Hong Kong - Mainland technological collaboration	5,000	120	2,000	2,880
	003	Consultancy study on biotechnology industry in Hong Kong.....	1,300	—	500	800
	005	Provision of advisory service on the procurement of IT equipment for Science Park Phase I.....	2,190	826	774	590
	006	Impact studies on Innovation and Technology Fund projects	5,000	—	1,000	4,000
	008	Innovation Expo	10,000	—	500	9,500
	047	Hong Kong Productivity Council : Repayment of loan to the Loan Fund#.....	548,690	337,757	18,381	192,552
			<u>572,180</u>	<u>338,703</u>	<u>23,155</u>	<u>210,322</u>
<i>Capital Account</i>						
603		<i>Plant, vehicles and equipment</i>				
	208	Equipment and associated expenses for the expansion of the laboratory accreditation scheme to cover laboratories testing concrete and concrete reinforcing steel.....	21,627	20,757	840	30
			<u>21,627</u>	<u>20,757</u>	<u>840</u>	<u>30</u>
		Total.....	<u>593,807</u>	<u>359,460</u>	<u>23,995</u>	<u>210,352</u>

This item is transferred from the former Head 177—Subventions: Non-departmental Public Bodies *Subhead 905 Hong Kong Productivity Council* with effect from 2004-05.