

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

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

Estimate 2006–07	\$463.3m
Establishment ceiling 2006–07 (notional annual mid-point salary value) representing an estimated 164 non-directorate posts as at 31 March 2006 reducing by three posts to 161 posts as at 31 March 2007	\$62.2m
In addition, there will be an estimated seven directorate posts as at 31 March 2006 and as at 31 March 2007.	
Commitment balance	\$370.1m

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>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 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>

Detail

Programme (1): Support for Research and Development

	2004–05 (Actual)	2005–06 (Original)	2005–06 (Revised)	2006–07 (Estimate)
Financial provision (\$m)	20.3	23.7	24.5 (+3.4%)	22.2 (–9.4%)
				(or –6.3% on 2005–06 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 the results of which 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 To strengthen Hong Kong's research capability for technological development and to stimulate the growth of technology-based industry in Hong Kong, the Commission has been working closely with the Hong Kong Applied Science and Technology Research Institute Company Limited (ASTRI) in strengthening its institutional and research capabilities to become an R&D Centre for Information and Communications Technologies. 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 To support the further development of innovation and technology with emphasis on five key elements, i.e. focus, market relevance, industry participation, leverage on the Mainland, and better co-ordination among different elements of the innovation and technology programme, five R&D centres will be established to drive and co-ordinate R&D efforts in the technology areas of nanotechnology and advanced materials, textile and clothing, automotive parts and accessory systems, logistics and supply chain management enabling technologies, and information and communications technologies. The R&D projects carried out by these centres will be funded by ITF.

6 To enhance the level of collaboration on R&D between organisations in Hong Kong and those in the Guangdong Province, the Guangdong-Hong Kong Technology Cooperation Funding Scheme (TCFS) was introduced under the ITSP in September 2004. The TCFS supports applied R&D projects which will facilitate the economic development in the Greater Pearl River Delta (PRD) region. In 2005, the Commission and the Guangdong Provincial Department of Science and Technology jointly invited applications under six technology areas.

7 Apart from the technical monitoring of the progress of funded projects, the Commission continued to conduct inspection checks on the recipient organisations of the ITF in 2005–06 to ensure proper use of public money.

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 the ITSP, TCFS, R&D centres, ASTRI and the PAG are as follows:

Indicators

	2004 (Actual)	2005 (Actual)	2006 (Estimate)
ITSP ^λ			
applications received and processed.....	— [#]	6 [#]	161
projects funded and being monitored	147	121	163
TCFS			
applications received and processed.....	79	89	89
projects funded and being monitored	—	23	57
R&D centres ^φ			
proposals received and processed.....	—	9	4
centres funded and being monitored.....	—	—	5
Innovative Product Development Assistance Scheme (IPDAS) [@]			
applications received and processed.....	42	—	—
projects approved.....	17	—	—
ASTRI projects			
new projects.....	4	7	14
projects funded and being monitored	16	20	25
PAG			
applications received and processed.....	173	163	163
projects funded	84	92	92

^λ The figures include projects to be carried out by R&D centres not hosted by ASTRI.

[#] Due to the review of the funding approach for innovation and technology development, ITSP applications were not invited in 2004. Applications were invited under the new funding approach since 2005.

^φ New indicator as from 2005.

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

Matters Requiring Special Attention in 2006–07

9 During 2006–07, the Commission will:

- fund the establishment of R&D centres in selected technology areas;
- solicit projects with publicised themes with a view to enhancing the focus and depth of ITF-funded projects, and collaboration on R&D between Hong Kong and Guangdong;

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- continue to give more emphasis to the technology transfer plans of funded projects;
- evaluate the performance of completed ITF projects; and
- continue to work closely with ASTRI and HKJCICM in strengthening their research capabilities and developing and implementing their research projects and transferring technologies to industry for commercialisation.

Programme (2): Fostering University-Industry Collaboration

	2004–05 (Actual)	2005–06 (Original)	2005–06 (Revised)	2006–07 (Estimate)
Financial provision (\$m)	6.4	6.6	7.1 (+7.6%)	6.8 (–4.2%)
				(or +3.0% on 2005–06 Original)

Aim

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

Brief Description

11 The Commission achieves 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 have good development potential.

- 12** UICP received a total of 18 applications requesting \$16 million in 2005.

- 13** The key performance indicators are:

Indicators

	2004 (Actual)	2005 (Actual)	2006 (Estimate)
UICP			
applications received and processed.....	48	18	19
projects funded and being monitored	100	90	74

Matters Requiring Special Attention in 2006–07

- 14** During 2006–07, the Commission will continue to administer the UICP and monitor progress of the funded projects.

Programme (3): Promotion of Technological Entrepreneurship

	2004–05 (Actual)	2005–06 (Original)	2005–06 (Revised)	2006–07 (Estimate)
Financial provision (\$m)	6.7	7.2	7.4 (+2.8%)	8.5 (+14.9%)
				(or +18.1% on 2005–06 Original)

Aim

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

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Brief Description

16 The Commission provides funding support to technology-based entrepreneurial activities through the Small Entrepreneur Research Assistance Programme (SERAP) of the 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 2005–06, the Commission:

- administered the SERAP and ARF programme;
- publicised the SERAP funding scheme via talks and seminars;
- published the SERAP Company Directory for 2006;
- organised topical seminars (e.g. entrepreneurship and intellectual property rights) for SERAP companies;
- ran a pilot mentorship programme for SERAP companies;
- reviewed the SERAP programme to enhance effectiveness;
- provided networking support to some SERAP and ARF companies; and
- monitored the management of SERAP and ARF investee companies.

18 The key performance measures are:

Target

	Target working days	2004 (Actual)	2005 (Actual)	2006 (Plan)
informing applicants of the results of their SERAP applications after receipt of full information.....	50	35.5	41.1	40

Indicators

	2004 (Actual)	2005 (Actual)	2006 (Estimate)
SERAP			
applications received and processed.....	114	69	85
projects funded and being monitored	44	80	90
new projects funded by the ARF [∞]	0	2	0

[∞] Following a review of the strategy of innovation and technology development, ARF has ceased making new investment since March 2005.

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

Matters Requiring Special Attention in 2006–07

19 During 2006–07, the Commission will continue to:

- administer SERAP and oversee ARF to support technology start-ups;
- provide value-adding services to companies participating in SERAP and ARF;
- monitor progress of the funded projects; and
- pursue the exit of ARF projects through fund managers.

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Programme (4): Planning for Innovation and Technology Development

	2004–05 (Actual)	2005–06 (Original)	2005–06 (Revised)	2006–07 (Estimate)
Financial provision (\$m)	21.4	34.6	33.9 (–2.0%)	25.3 (–25.4%)
				(or –26.9% on 2005–06 Original)

Aim

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

Brief Description

21 The Commission provides secretariat support and policy input to the 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.

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

23 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.

24 An Internship Programme was introduced under the GSP in July 2004 for universities with projects funded under the ITSP or the Matching Grant for Joint Research Scheme of the UICP to recruit interns to assist in the projects. It aims to provide opportunities for fresh graduates from tertiary institutions to acquire research/industrial experience at local universities/companies, stimulate the interest of fresh graduates in applied R&D activities and help create a larger pool of research talents.

25 During 2005–06, the Commission:

- adopted a new strategic framework for innovation and technology development under which five R&D centres are being set up to drive and co-ordinate applied R&D in selected technology focus areas;
- supported and provided input to the policy deliberations of the Steering Committee on Innovation and Technology;
- enhanced technology co-operation with the Mainland at the central, regional and provincial levels through various co-operation mechanisms, including the Mainland/Hong Kong Science and Technology Cooperation Committee, the Pan-PRD Regional Conference on Cooperation in Science and Technology, and the Guangdong/Hong Kong Expert Group on Cooperation in Innovation and Technology;
- organised the Innovation Festival 2005 to promote an innovation and technology culture. Activities of the Festival included the Innovation Expo, roadshows and seminars, My Favourite Inventions for Quality Living Competition and launch of a thematic portal;
- organised the Hong Kong Student Science Project Competition and arranged a delegation comprising the winning teams to attend the 2005 Shanghai International Youth Science and Technology Expo;
- nominated entries from the Hong Kong Special Administrative Region in two categories of the State Science and Technology Awards;
- organised a 'Hong Kong Pavilion' at the China Hi-Tech Fair 2005 to introduce the R&D centres to be set up under the new strategic framework for innovation and technology development and to showcase the latest technological achievements of Hong Kong enterprises; and
- participated actively in the Asia-Pacific Economic Cooperation (APEC) Industrial Science and Technology Working Group and performed the role of the Lead Shepherd economy for two years until 31 December 2005.

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26 The key performance indicators are:

Indicators

	2004 (Actual)	2005 (Actual)	2006 (Estimate)
GSP			
applications received and processed.....	20	5	20
projects funded and being monitored	16	12	13
Internship Programme			
applications received and processed.....	39	12	36
projects funded and being monitored	30	33	45

Matters Requiring Special Attention in 2006–07

27 During 2006–07, the Commission will continue to:

- strengthen technology co-operation with the Mainland through the Mainland/Hong Kong Science and Technology Cooperation Committee, the Pan-PRD Regional Conference on Cooperation in Science and Technology, and the Guangdong/Hong Kong Expert Group on Cooperation in Innovation and Technology;
- administer the GSP (including Internship Programme) and monitor progress of the funded projects;
- organise the Hong Kong Student Science Project Competition and other events to foster and promote an innovation and technology culture in the community;
- nominate entries for the State Science and Technology Awards;
- organise the ‘Hong Kong Pavilion’ at the China Hi-Tech Fair 2006; and
- participate in the APEC Industrial Science and Technology Working Group.

Programme (5): Infrastructural Support

	2004–05 (Actual)	2005–06 (Original)	2005–06 (Revised)	2006–07 (Estimate)
Financial provision (\$m)	27.4	61.9	37.7 (–39.1%)	53.7 (+42.4%)
				(or –13.2% on 2005–06 Original)

Aim

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

Brief Description

29 The Commission achieves 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, the Hong Kong Productivity Council (HKPC) and the Hong Kong Design Centre (HKDC) in the process.

30 The Commission provides secretariat support and policy input to the Steering Group on the Promotion of Innovation and Design, 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 for the promotion of innovation and design in industry.

31 To strengthen Government’s support for design and innovation, and to promote wider use of design and innovation in industries to help them move up the value chain, the Commission implements the DesignSmart Initiative with a funding commitment of \$250 million. The Initiative comprises a Design Support Programme (DSP) and a one-stop shop for a design cluster. The DSP operates four funding schemes to support projects in four categories - design research; design/business collaboration; design professional continuing education; and fostering the culture of design. The one-stop shop, named InnoCentre, is jointly operated by HKSTPC and HKDC for creating and sustaining a cluster of high value-added design activities among design professionals and interns, and companies, where creative ideas with functionality will be stimulated, nurtured, researched, promoted, commercialised and branded.

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32 During 2005–06, 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 in strengthening their institutional and research capabilities to become an R&D Centre for Information and Communications Technologies;
- monitored the delivery of value-added support services to the manufacturing and related service industries by HKPC;
- worked closely with HKDC to promote design as a value-added activity and integrate it into business processes;
- supported and provided input to the policy deliberations of the Steering Group on the Promotion of Innovation and Design;
- administered the DSP and worked closely with HKSTPC and HKDC to develop the InnoCentre for the design cluster; and
- launched the Hong Kong Young Design Talent Awards 2005 to sponsor five promising local young designers to attend training at reputable overseas design institutions.

33 The key performance indicators are:

Indicators

	2004 (Actual)	2005 (Actual)	2006 (Estimate)
DSP			
applications received and processed.....	37	14	40
projects funded and being monitored	4	18	37

Matters Requiring Special Attention in 2006–07

34 During 2006–07, the Commission will continue to:

- work closely with HKSTPC on its various development and business plans;
- assist in the planning and construction of the Phase Two of the HKSP;
- assist ASTRI in building up its R&D capabilities and lead research programmes in the four focus areas of communications technologies, consumer electronics, integrated circuit (IC) design and opto-electronics;
- assist HKJCICM in initiating more R&D programmes under its key platform areas of ageing-related endocrinology and neuroscience;
- assist HKDC in promoting design as part and parcel of the innovative capability essential for our industry's progression into higher value-added activities;
- administer the DSP and monitor progress of the funded projects; and
- work closely with HKSTPC and HKDC in building up the InnoCentre for the design cluster.

Programme (6): Quality Support

	2004–05 (Actual)	2005–06 (Original)	2005–06 (Revised)	2006–07 (Estimate)
Financial provision (\$m)	55.5	51.8	50.8 (-1.9%)	52.1 (+2.6%)
				(or +0.6% on 2005–06 Original)

Aim

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

Brief Description

36 The Commission achieves this aim through the operation of the Standards and Calibration Laboratory (SCL), the Product Standards Information Bureau (PSIB), and the Hong Kong Accreditation Service (HKAS).

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37 During 2005–06, SCL participated in five projects on international comparison of standards. Its capabilities in the metrology areas of dimension, mass, electromagnetism, thermometry, and time and frequency 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 consumer products certification in 2005. Through the mutual recognition arrangements (MRAs) signed between HKAS and the international and regional organisations of accreditation bodies, reports and certificates bearing the HKAS accreditation marks issued by organisations accredited by HKAS are widely recognised world-wide. PSIB represented Hong Kong, China in the APEC Sub-Committee on Standards and Conformance.

38 The key performance measures are:

Targets

	Target working days	2004 (Actual)	2005 (Actual)	2006 (Plan)
processing of quotation for calibration services	4#	3	3	4
calibration of equipment	17	16	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
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 five to four days as from 2005.

Indicators

	2004 (Actual)	2005 (Actual)	2006 (Estimate)
SCL			
calibrations performed.....	776	728φ	728
revenue generated (\$)	1,477,410	1,299,460	1,299,460
revenue/post (\$)	320,095	358,354	358,354
PSIB			
technical enquiries	598	550	550
sales and photocopying of documented standards enquiries	494	485	485
quotations given.....	3 308	2 597	2 597
orders placed.....	356	340Δ	340
revenue generated (\$)	246,322	273,623	200,000
revenue/post (\$)	158,917	176,531	129,032
HOKLAS			
accredited laboratories (cumulative).....	118	131	136
assessments and reassessments conducted	254	210Ψ	210Ψ
overseas laboratory accreditation schemes with mutual recognition arrangement with HOKLAS (cumulative)	53	58	59
HKCAS			
accredited certification bodies (cumulative).....	9	10	11
assessments, reassessments and surveillance conducted	12	13	14
overseas certification bodies accreditation schemes with multilateral recognition arrangement with HKCAS (cumulative).....	33	34	35

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	2004 (Actual)	2005 (Actual)	2006 (Estimate)
HKIAS			
accredited inspection bodies (cumulative).....	7	9	10
assessments, reassessments and surveillance conducted	12	14	15
overseas inspection bodies accreditation schemes with multilateral recognition arrangement with HKIAS (cumulative)	7	9	10

- φ The number of calibrations performed decreased in 2005 mainly due to a decrease in requests from customers.
Δ The drop in the indicator in 2005 is mainly due to the increasing avenues for obtaining standards, such as the internet.
Ψ Since 2005, reassessment visits to those laboratories having a large scope of accreditation are being combined to improve efficiency. Assessment of application for accreditation of additional test items are also being combined with reassessment of existing test items. By deploying more assessor man-days per visit, the same level of rigour is achieved with fewer visits. Around 50 visits have been saved in 2005, and a saving of around 60 visits is expected in 2006.

Matters Requiring Special Attention in 2006–07

39 During 2006–07, the Commission will:

- participate in activities to promote the Mutual Recognition Arrangements of the Asia Pacific Laboratory Accreditation Co-operation, the International Laboratory Accreditation Co-operation, 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 projects on international comparison of standards;
- strengthen interactions between staff of SCL and local metrology users with a view to disseminating measurement techniques and knowledge to local industries;
- conduct visits to SCL customers to gauge their needs and to offer professional advice on-site; and
- participate in APEC activities in the areas of standards and conformance.

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

	2004–05 (Actual)	2005–06 (Original)	2005–06 (Revised)	2006–07 (Estimate)
Financial provision (\$m)				
Hong Kong Productivity Council	182.9	174.6	174.5 (–0.1%)	174.8 (+0.2%)
Hong Kong Applied Science and Technology Research Institute Company Limited	95.9	93.3	93.3 (—)	119.9 (+28.5%)
Total	278.8	267.9	267.8 (—)	294.7 (+10.0%)
				(or +10.0% on 2005–06 Original)

Hong Kong Productivity Council

Aim

40 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.

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Brief Description

41 The HKPC provides integrated support to innovative and growth oriented Hong Kong firms across the value chain. Its principal sectoral focus is on manufacturing, particularly in Hong Kong's foundation industries, and related service activities. The main geographical focus is Hong Kong and the PRD.

42 The work of HKPC is guided by three strategies: to enhance manufacturing technology and process upgrading, to tap new manufacturing opportunities arising from the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA), and to provide regionalisation and globalisation support to improve the cost-effectiveness of manufacturing activities. 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 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.

43 During 2005–06, HKPC sold one of its subsidiaries, Design Innovation (HK) Limited, which had completed its original mission of supporting the use of industrial design. The other subsidiaries run by HKPC include:

- the Clothing Technology Demonstration Centre Company Limited which operates along commercial lines and aims to improve the efficiency and cost-effectiveness of the textile and garment sectors to meet market needs;
- the HKPC Technology (Holdings) Company Limited which functions as a vehicle for commercialisation of patents, technologies and projects deliverables of HKPC and other R&D institutes; and
- the Productivity (Holdings) Limited which operates consulting firms in Guangzhou, Shenzhen and Dongguan to strengthen HKPC's integrated support and services for Hong Kong firms operating in PRD.

44 During 2005–06, approval was given for HKPC to host an R&D Centre for Automotive Parts and Accessory Systems.

45 The key performance indicators are:

Indicators

	2004–05 (Actual)	2005–06 (Revised Estimate)	2006–07 (Estimate)
overall income/expenditure ratio (%)	65.1	63.9	63.3
income from consultancy/technical assistance (\$m).....	172.2	170.3	167.3
income from training courses (\$m).....	45.0	38.6	33.8
income from exhibitions/study missions/conferences (\$m)....	9.1	9.9	8.8
income from manufacturing support/process control (\$m)	27.8	22.0	22.4
no. of people who attended HKPC training courses	12 930	13 200	11 600
no. of people who attended HKPC exhibitions	35 200	10 500 ^β	10 500
no. of people who participated in HKPC study missions/conferences	2 920	2 240	2 300

β The no. of people who attended HKPC exhibitions decreased in 2005–06 as the figure for 2004–05 includes a one-off event attended by more than 20 000 participants.

Matters Requiring Special Attention in 2006–07

46 During 2006–07, HKPC will:

- continue to 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;
- continue to meet the needs of Hong Kong companies and industries to capitalise on the new opportunities arising from CEPA;

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- enhance its support to Hong Kong firms operating in PRD, through subsidiary consulting firms set up in Guangzhou, Shenzhen and Dongguan; and
- operate an R&D Centre for Automotive Parts and Accessory Systems.

Hong Kong Applied Science and Technology Research Institute Company Limited

Aim

47 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

48 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.

49 Over the years, ASTRI's research areas include photonics technologies, internet applications, wireless communications and IC design. Its operating strategy is to transfer the technologies and results developed from its R&D projects to industry for technology dissemination through spinning-off or licensing. 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. During 2005–06, one project each on communications technologies and IC design have reached their completion stage and ASTRI is making efforts to transfer the related technologies to the industry. Other on-going projects, including three on material and packaging technologies, three on communications technologies, three on enterprise and consumer electronics and two on IC design have been making good progress.

50 In 2005–06, ASTRI also strengthened its institutional and research capabilities to become an R&D Centre for Information and Communications Technologies focusing in four technology areas, namely, communications technologies, consumer electronics, IC design and opto-electronics.

51 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 managed by HKJCICM while ASTRI provides premises and supporting facilities to HKJCICM and funds its recurrent operating costs.

52 Since its set-up, HKJCICM has funded 11 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.

53 The key performance indicators are:

Indicators

	2004 (Actual)	2005 (Actual)	2006 (Estimate)
no. of patents filed	17	20	52
no. of technology licensing arranged.....	5	9	26
no. of spin-off completed.....	1	0	0
no. of technology workshop/seminars organised.....	7	23	34

Matters Requiring Special Attention in 2006–07

54 During 2006–07, ASTRI will:

- continue with the research projects initiated in 2005–06 and before;
- continue to build up its R&D capabilities and lead research initiatives in the four focus areas of communications technologies, consumer electronics, IC design and opto-electronics;
- promote and transfer technologies developed from its R&D projects to industry;

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- work closely with the local industry and universities on the latest development of manufacturing technology and market trend with a view to fostering closer collaboration;
- promote ASTRI's R&D activities with a view to raising public awareness on the work of ASTRI; and
- assist HKJCICM in building and promoting its identity and business to pursue its public mission, and in initiating more R&D programmes under its key platform areas of ageing-related endocrinology and neuroscience.

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ANALYSIS OF FINANCIAL PROVISION

Programme	2004–05 (Actual) (\$m)	2005–06 (Original) (\$m)	2005–06 (Revised) (\$m)	2006–07 (Estimate) (\$m)
(1) Support for Research and Development	20.3	23.7	24.5	22.2
(2) Fostering University-Industry Collaboration	6.4	6.6	7.1	6.8
(3) Promotion of Technological Entrepreneurship	6.7	7.2	7.4	8.5
(4) Planning for Innovation and Technology Development	21.4	34.6	33.9	25.3
(5) Infrastructural Support	27.4	61.9	37.7	53.7
(6) Quality Support	55.5	51.8	50.8	52.1
(7) Subvention: Hong Kong Productivity Council, Hong Kong Applied Science and Technology Research Institute Company Limited	278.8	267.9	267.8	294.7
	416.5	453.7	429.2 (–5.4%)	463.3 (+7.9%)
				(or +2.1% on 2005–06 Original)

Analysis of Financial and Staffing Provision

Programme (1)

Provision for 2006–07 is \$2.3 million (9.4%) lower than the revised estimate for 2005–06. This is mainly due to the reduced provision for the employment of non-civil service contract staff and reduced cash flow requirement for a non-recurrent item (Impact Studies on ITF Projects).

Programme (2)

Provision for 2006–07 is \$0.3 million (4.2%) lower than the revised estimate for 2005–06. This is mainly due to the reduced cash flow requirement for a non-recurrent item (Impact Studies on ITF Projects) and reduced provision for the employment of non-civil service contract staff.

Programme (3)

Provision for 2006–07 is \$1.1 million (14.9%) higher than the revised estimate for 2005–06. This is mainly due to the increased provision arising from the employment of non-civil service contract staff and the provision for filling a vacant post.

Programme (4)

Provision for 2006–07 is \$8.6 million (25.4%) lower than the revised estimate for 2005–06. This is mainly due to the reduced cash flow requirement for a non-recurrent item (Innovation Expo), partly offset by the increased provision arising from the employment of non-civil service contract staff.

Programme (5)

Provision for 2006–07 is \$16.0 million (42.4%) higher than the revised estimate for 2005–06. This is mainly due to the increased cash flow requirement for a non-recurrent item (DesignSmart Initiative).

Programme (6)

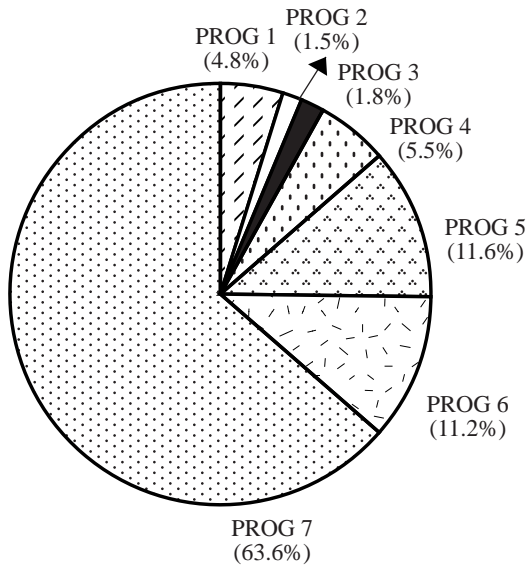
Provision for 2006–07 is \$1.3 million (2.6%) higher than the revised estimate for 2005–06. This is mainly due to the increased provision for filling of vacancies, partly offset by savings from deletion of posts in 2006–07.

Programme (7)

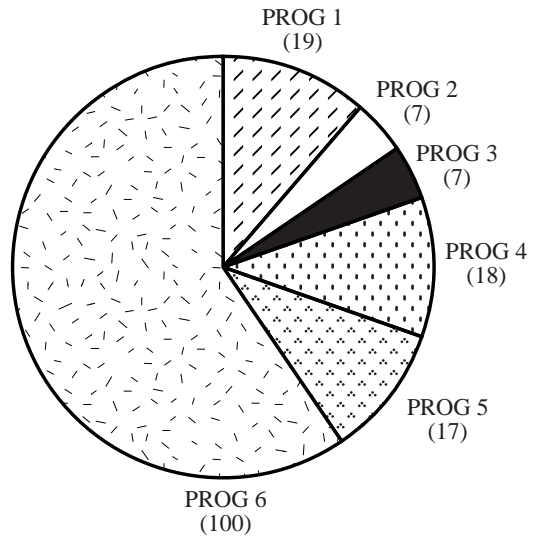
Provision for 2006–07 is \$26.9 million (10.0%) higher than the revised estimate for 2005–06. This is mainly due to the increased provision for ASTRI to operate the R&D Centre for Information and Communications Technologies.

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*Allocation of provision
to programmes
(2006-07)*

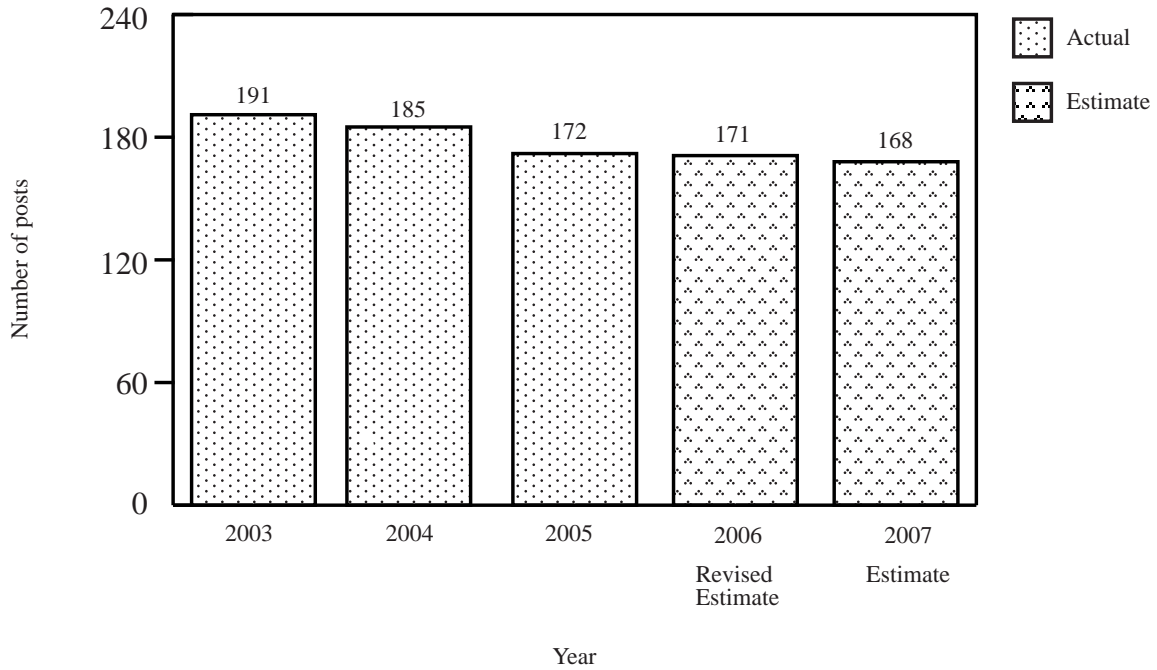


*Staff by programme
(as at 31 March 2007)*



(No government staff under PROG 7)

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



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Sub-head (Code)	Actual expenditure 2004-05	Approved estimate 2005-06	Revised estimate 2005-06	Estimate 2006-07	
	\$'000	\$'000	\$'000	\$'000	
Operating Account					
Recurrent					
000	Operational expenses	368,334	371,806	368,511	398,823
	Total, Recurrent	368,334	371,806	368,511	398,823
Non-Recurrent					
700	General non-recurrent	36,298	79,878	57,806	62,402
	Total, Non-Recurrent	36,298	79,878	57,806	62,402
	Total, Operating Account	404,632	451,684	426,317	461,225
Capital Account					
Plant, Equipment and Works					
661	Minor plant, vehicles and equipment (block vote)	2,336	2,050	2,050	2,080
	Plant, vehicles and equipment	55	5	815	—
	Total, Plant, Equipment and Works	2,391	2,055	2,865	2,080
Subventions					
	Hong Kong Applied Science and Technology Research Institute Company Limited	9,484	—	—	—
	Total, Subventions	9,484	—	—	—
	Total, Capital Account	11,875	2,055	2,865	2,080
	Total Expenditure	<u>416,507</u>	<u>453,739</u>	<u>429,182</u>	<u>463,305</u>

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Details of Expenditure by Subhead

The estimate of the amount required in 2006–07 for the salaries and expenses of the Innovation and Technology Commission is \$463,305,000. This represents an increase of \$34,123,000 over the revised estimate for 2005–06 and of \$46,798,000 over actual expenditure in 2004–05.

Operating Account

Recurrent

2 Provision of \$398,823,000 under *Subhead 000 Operational expenses* is for the salaries, allowances and other operating expenses of the Innovation and Technology Commission. This represents an increase of \$30,312,000 (8.2%) over the revised estimate for 2005–06. This is mainly due to the increased subvention for Hong Kong Applied Science and Technology Research Institute Company Limited.

3 The establishment as at 31 March 2006 will be 171 permanent posts. It is expected that three posts will be deleted in 2006–07. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2006–07, but the notional annual mid-point salary value of all such posts must not exceed \$62,176,000.

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

	2004–05 (Actual) (\$'000)	2005–06 (Original) (\$'000)	2005–06 (Revised) (\$'000)	2006–07 (Estimate) (\$'000)
Personal Emoluments				
- Salaries	85,621	84,971	82,593	82,555
- Allowances	1,328	1,025	971	1,490
- Job-related allowances	1	4	2	2
Personnel Related Expenses				
- Mandatory Provident Fund contribution	19	22	22	22
Departmental Expenses				
- General departmental expenses	29,795	35,459	34,598	37,774
Subventions				
- Hong Kong Productivity Council	165,162	157,073	157,073	157,073
- Hong Kong Applied Science and Technology Research Institute Company Limited	86,408	93,252	93,252	119,907
	368,334	371,806	368,511	398,823

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Commitments

Sub-head (Code)	Item (Code)	Ambit	Approved commitment	Accumulated expenditure to 31.3.2005	Revised estimated expenditure for 2005-06	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
	006	Impact studies on Innovation and Technology Fund projects.....	5,000	198	2,000	2,802
	047	Hong Kong Productivity Council : Repayment of loan to the Loan Fund	548,690	373,876	17,506	157,308
	438	DesignSmart Initiative	250,000	17,871	25,800	206,329
		Total	<u>809,990</u>	<u>392,065</u>	<u>47,806</u>	<u>370,119</u>