

# **INNOVATION AND TECHNOLOGY FUND**

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## Memorandum Note

The Innovation and Technology Fund was established on 30 June 1999 by Resolution of the Legislative Council to finance projects to help promote innovation and technology upgrading in manufacturing and service industries. These efforts will contribute to increased productivity and enhanced competitiveness, and hence will be conducive to the long-term economic development of Hong Kong.

2 The Resolution provides, inter alia, that—

- (a) the Fund be administered by the Financial Secretary who may delegate his power of administration to other public officers;
- (b) there be credited to the Fund—
  - (i) such appropriations from the general revenue as may be approved by the Legislative Council for the purposes of the Fund;
  - (ii) all income received by way of interest, dividend or distribution in whatever form from—
    - (1) any loan, advance, investment or payment in whatever form made from the Fund in financing approved projects; and
    - (2) any investment made from the Fund;
  - (iii) all sums received by way of repayment of any loan or advance made from the Fund;
  - (iv) the proceeds of the sale of any investment made from the Fund; and
  - (v) such donations and other moneys as may be received for the purposes of the Fund;
- (c) the Financial Secretary may apply moneys from the Fund for the purpose of—
  - (i) financing projects that contribute to innovation and technology upgrading in the manufacturing and service industries; and
  - (ii) financing projects that contribute to the upgrading and development of the manufacturing and service industries,

in accordance with such terms and conditions as may be specified by the Finance Committee;

- (d) the Director of Accounting Services shall, under the authority of a funds warrant issued by the Financial Secretary, pay from the Fund such sums as may be required to meet expenditures from the Fund; and
- (e) the Financial Secretary in his discretion may authorise the investment in such manner as he may determine of any moneys held in the Fund at any time.

3 The Finance Committee of the Legislative Council approved on 9 July 1999 an appropriation of \$5 billion to the Fund.

4 Payments from the Fund for 2005–06 and 2006–07 are estimated at \$527,850,000 and \$794,786,000 respectively.

5 Provision of \$703,137,000 under *Subhead 101 Innovation and Technology (block vote)* for 2006–07 is to meet payments for existing projects and new projects that may be approved in the course of the year. Of this provision, \$209,307,000 is earmarked for projects to be undertaken by the Hong Kong Applied Science and Technology Research Institute Company Limited. Projects each costing over \$15 million will be subject to approval by the Finance Committee of the Legislative Council and any expenditure arising therefrom will be offset by deleting an equivalent amount under *Subhead 101*.

6 The provision of \$11,300,000 under *Subhead 102 Development of functional nanomaterials and technologies by the Hong Kong University of Science and Technology* is to meet payment for this project in 2006–07.

7 Under the Government's new funding approach for innovation and technology development, six subheads were created in 2005–06 for six new projects. The following provisions are to meet payments for these projects in 2006–07:

- (a) \$11,808,000 under *Subhead 104 Establishment of Research and Development Centre for Nanotechnology and Advanced Materials*;
- (b) \$10,100,000 under *Subhead 105 Establishment of Research and Development Centre for Textile and Clothing*;
- (c) \$23,580,000 under *Subhead 106 Establishment of Research and Development Centre for Automotive Parts and Accessory Systems*;
- (d) \$9,765,000 under *Subhead 107 Establishment of Research and Development Centre for Logistics and Supply Chain Management Enabling Technologies*;
- (e) \$8,304,000 under *Subhead 108 Establishment of an Incubation-cum-Training Centre to support Digital Entertainment Development by the Hong Kong Cyberport Management Company Limited*; and
- (f) \$16,792,000 under *Subhead 109 Development of technologies and facilities to design and build mechanical watch movements by the Chinese University of Hong Kong*.

## INNOVATION AND TECHNOLOGY FUND

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**8** Receipts taking the form of investment income, net income from project spin-off and refund of grants for 2005–06 and 2006–07 are estimated at \$175,926,000 and \$239,187,000 respectively.

## INNOVATION AND TECHNOLOGY FUND

### (Payments)

Sub-head (Code)	Approved commitment	Actual expenditure to 31.3.2005	Revised estimate 2005-06	Estimate 2006-07					
	\$'000	\$'000	\$'000	\$'000					
<b>Head 111—Innovation and Technology</b>									
101	—	—	471,079	<b>703,137</b>					
102	56,911	33,062	12,549	<b>11,300</b>					
104	61,400	—	7,000	<b>11,808</b>					
105	60,300	—	6,150	<b>10,100</b>					
106	100,000	—	11,290	<b>23,580</b>					
107	52,200	—	3,855	<b>9,765</b>					
108	30,800	—	7,420	<b>8,304</b>					
109	54,000	—	8,507	<b>16,792</b>					
<i>Head 111: total</i>	415,611	33,062	527,850	<b>794,786</b>					
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;"><b>Total (Payments)</b></td> <td style="text-align: center; border-top: 3px double black;">—</td> <td style="text-align: center; border-top: 3px double black;">33,062</td> <td style="text-align: center; border-top: 3px double black;">527,850</td> <td style="text-align: center; border-top: 3px double black;"><b>794,786</b></td> </tr> </table>					<b>Total (Payments)</b>	—	33,062	527,850	<b>794,786</b>
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**INNOVATION AND TECHNOLOGY FUND**

**(Receipts)**

	Actual receipts 2004-05	Revised estimate 2005-06	<b>Estimate 2006-07</b>
	_____ \$'000	_____ \$'000	_____ <b>\$'000</b>
<b>Investment income</b> .....	244,059	156,933	<b>239,187</b>
<b>Net income from project spin-off</b> .....	21,589	—	—
<b>Refund of grants</b> .....	51,654	18,993	—
<b>Total (Receipts)</b> .....	<u>317,302</u>	<u>175,926</u>	<u><b>239,187</b></u>

## INNOVATION AND TECHNOLOGY FUND

### Movement of the Account

	Actual				Revised Estimate	Estimate
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
	\$m	\$m	\$m	\$m	\$m	\$m
Opening Balance	4,926	4,738	4,714	4,668	4,605	<b>4,264</b>
Revenue	27	271	425	317	176	<b>239</b>
Expenditure	283	295	471	369	528	<b>794</b>
Surplus/(Deficit)	(256)	(24)	(46)	(52)	(352)	<b>(555)</b>
Write-back of Provision for Loss in Investments with the Exchange Fund	68§	—	—	(11)ç	11γ	—
Closing Balance	4,738	4,714	4,668	4,605	4,264	<b>3,709</b>

§ In 2001-02, the amount refers to the write-back of the provision made in 2000-01.

ç In 2004-05, the amount refers to provision for the diminution in the market value of investments with the Exchange Fund during the period from 1 January to 31 March 2005.

γ In 2005-06, the amount refers to the write-back of the provision made in 2004-05.

### Revenue Analysis

	Actual				Revised Estimate	Estimate
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
	\$m	\$m	\$m	\$m	\$m	\$m
Investment Income	6	253	415	244	157	<b>239</b>
Net Income from Project Spin-off	—	—	—	21	—	—
Refund of Grants	21	18	10	52	19	—
<b>Total Revenue</b>	<b>27</b>	<b>271</b>	<b>425</b>	<b>317</b>	<b>176</b>	<b>239</b>

### Expenditure Analysis

	Actual				Revised Estimate	Estimate
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
	\$m	\$m	\$m	\$m	\$m	\$m
Payments	283	295	471	369	528	<b>794</b>
<b>Total Expenditure</b>	<b>283</b>	<b>295</b>	<b>471</b>	<b>369</b>	<b>528</b>	<b>794</b>