

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 2009–10 and 2010–11 are estimated at \$771,119,000 and \$970,489,000 respectively.

5 Provision of \$870,188,000 under *Subhead 101 Innovation and Technology (block vote)* for 2010–11 is to meet payments for existing projects and new projects that may be approved in the course of the year. Of this provision, \$409,466,000 is earmarked for projects to be undertaken by the Hong Kong Applied Science and Technology Research Institute Company Limited and its Research and Development Centre for Information and Communications Technologies. Projects each costing over \$21 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 For the subheads created in 2005–06 for projects under the Government's new funding approach for innovation and technology development, the following provisions are to meet payments for these projects in 2010–11:

- (a) \$30,060,000 under *Subhead 104 the Nano and Advanced Materials Institute*;
- (b) \$17,216,000 under *Subhead 105 the Hong Kong Research Institute of Textiles and Apparel*;
- (c) \$24,600,000 under *Subhead 106 the Automotive Parts and Accessory Systems Research and Development Centre*;
- (d) \$19,840,000 under *Subhead 107 the Research and Development Centre for Logistics and Supply Chain Management Enabling Technologies*; and
- (e) \$8,585,000 under *Subhead 108 Cyberport Digital Entertainment Incubation-cum-Training Programme*.

7 Receipts taking the form of investment income, net income from projects and refund of grants for 2009–10 and 2010–11 are estimated at \$316,847,000 and \$215,000,000 respectively.

INNOVATION AND TECHNOLOGY FUND

(Payments)

Sub-head (Code)	Approved commitment	Actual expenditure to 31.3.2009	Revised estimate 2009–10	Estimate 2010–11
	\$'000	\$'000	\$'000	\$'000
Head 111—Innovation and Technology				
101	—	—	660,152	870,188
104	189,800	35,439	33,565	30,060
105	153,600	28,754	12,770	17,216
106	167,600	43,379	24,077	24,600
107	131,900	25,642	27,859	19,840
108	56,000	34,778	5,652	8,585
	54,000	46,957	7,044	—
	752,900	214,949	771,119	970,489
Total (Payments)				
	—	214,949	771,119	970,489

INNOVATION AND TECHNOLOGY FUND

(Receipts)

	Actual receipts 2008-09	Revised estimate 2009-10	Estimate 2010-11
	_____ \$'000	_____ \$'000	_____ \$'000
Investment income	398,529	276,457	215,000
Net income from projects	12	—	—
Refund of grants	18,240	40,390	—
Total (Receipts)	<u>416,781</u>	<u>316,847</u>	<u>215,000</u>

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Movement of the Account

	Actual				Revised Estimate	Estimate
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
	\$m	\$m	\$m	\$m	\$m	\$m
Opening Balance	4,605	4,433	4,470	4,318	4,147	3,693
Revenue	182	423	331	416	317	215
Expenditure	365	386	483	587	771	970
Surplus/(Deficit)	(183)	37	(152)	(171)	(454)	(755)
Write-back of Provision for Loss in Investments with the Exchange Fund	11 ^γ	—	—	—	—	—
Closing Balance	4,433	4,470	4,318	4,147	3,693	2,938

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

Revenue Analysis

	Actual				Revised Estimate	Estimate
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
	\$m	\$m	\$m	\$m	\$m	\$m
Investment Income	157	400	310	398	276	215
Net Income from Projects	—	3	—	—	—	—
Refund of Grants	25	20	21	18	41	—
Total Revenue	182	423	331	416	317	215

Expenditure Analysis

	Actual				Revised Estimate	Estimate
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
	\$m	\$m	\$m	\$m	\$m	\$m
Payments	365	386	483	587	771	970
Total Expenditure	365	386	483	587	771	970