

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 2008–09 and 2009–10 are estimated at \$659,352,000 and \$1,277,861,000 respectively.

5 Provision of \$1,201,236,000 under *Subhead 101 Innovation and Technology (block vote)* for 2009–10 is to meet payments for existing projects and new projects that may be approved in the course of the year. Of this provision, \$304,797,000 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 under the Government's new funding approach for innovation and technology development, the following provisions are to meet payments for these projects in 2009–10:

- (a) \$12,900,000 under *Subhead 104 Establishment of Research and Development Centre for Nanotechnology and Advanced Materials*;
- (b) \$14,240,000 under *Subhead 105 Establishment of Research and Development Centre for Textile and Clothing*;
- (c) \$29,965,000 under *Subhead 106 Establishment of Research and Development Centre for Automotive Parts and Accessory Systems*;
- (d) \$15,171,000 under *Subhead 107 Establishment of Research and Development Centre for Logistics and Supply Chain Management Enabling Technologies*; and
- (e) \$4,349,000 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 2008–09 and 2009–10 are estimated at \$417,811,000 and \$251,006,000 respectively.

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(Payments)

Sub-head (Code)	Approved commitment	Actual expenditure to 31.3.2008	Revised estimate 2008-09	Estimate 2009-10
	\$'000	\$'000	\$'000	\$'000
Head 111—Innovation and Technology				
101	—	—	579,508	1,201,236
104	61,400	22,991	13,000	12,900
105	60,300	20,455	10,251	14,240
106	100,000	29,945	16,400	29,965
107	52,200	23,549	7,728	15,171
108	56,000	21,002	15,406	4,349
	54,000	36,941	17,059	—
	Head 111: total	154,883	659,352	1,277,861
Total (Payments) — 154,883 659,352 1,277,861				

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(Receipts)

	Actual receipts 2007-08	Revised estimate 2008-09	Estimate 2009-10
	_____ \$'000	_____ \$'000	_____ \$'000
Investment income	309,860	399,711	251,000
Net income from projects	455	12	6
Refund of grants	21,101	18,088	—
Total (Receipts)	<u>331,416</u>	<u>417,811</u>	<u>251,006</u>

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Movement of the Account

	Actual				Revised Estimate	Estimate
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
	\$m	\$m	\$m	\$m	\$m	\$m
Opening Balance	4,668	4,605	4,433	4,470	4,318	4,076
Revenue	317	182	423	331	417	251
Expenditure	369	365	386	483	659	1,278
Surplus/(Deficit)	(52)	(183)	37	(152)	(242)	(1,027)
Write-back of Provision for Loss in Investments with the Exchange Fund	(11)ç	11γ	—	—	—	—
Closing Balance	4,605	4,433	4,470	4,318	4,076	3,049

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
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
	\$m	\$m	\$m	\$m	\$m	\$m
Investment Income	244	157	400	310	399	251
Net Income from Projects	21	—	3	—	—	—
Refund of Grants	52	25	20	21	18	—
Total Revenue	317	182	423	331	417	251

Expenditure Analysis

	Actual				Revised Estimate	Estimate
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
	\$m	\$m	\$m	\$m	\$m	\$m
Payments	369	365	386	483	659	1,278
Total Expenditure	369	365	386	483	659	1,278