

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 the 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 of the Legislative Council;

- (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 approved on 9 July 1999 an appropriation of \$5 billion to the Fund.

4 Payments from the Fund for 2010–11 and 2011–12 are estimated at \$816,216,000 and \$863,943,000 respectively.

5 Provision of \$753,541,000 under *Subhead 101 Innovation and Technology (block vote)* for 2011–12 is to meet payments for existing projects and new projects that may be approved in the course of the year. Of this provision, \$320,882,000 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 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 them in 2011–12:

- (a) \$33,530,000 under *Subhead 104 the Nano and Advanced Materials Institute*;
- (b) \$30,193,000 under *Subhead 105 the Hong Kong Research Institute of Textiles and Apparel*;
- (c) \$19,000,000 under *Subhead 106 the Automotive Parts and Accessory Systems Research and Development Centre*;
- (d) \$20,723,000 under *Subhead 107 the Research and Development Centre for Logistics and Supply Chain Management Enabling Technologies*; and
- (e) \$6,956,000 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 2010–11 and 2011–12 are estimated at \$267,604,000 and \$184,808,000 respectively.

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(Payments)

Sub-head (Code)	Approved commitment	Actual expenditure to 31.3.2010	Revised estimate 2010–11	Estimate 2011–12					
	\$'000	\$'000	\$'000	\$'000					
Head 111—Innovation and Technology									
101	—	—	717,120	753,541					
104	189,800	68,656	25,500	33,530					
105	153,600	39,014	15,960	30,193					
106	167,600	58,108	20,000	19,000					
107	131,900	49,082	22,008	20,723					
108	56,000	40,430	8,585	6,956					
	54,000	46,957	7,043	—					
	752,900	302,247	816,216	863,943					
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 45%;">Total (Payments)</td> <td style="text-align: center; border-top: 1px solid black; border-bottom: 3px double black;">—</td> <td style="text-align: center; border-top: 1px solid black; border-bottom: 3px double black;">302,247</td> <td style="text-align: center; border-top: 1px solid black; border-bottom: 3px double black;">816,216</td> <td style="text-align: center; border-top: 1px solid black; border-bottom: 3px double black;">863,943</td> </tr> </table>					Total (Payments)	—	302,247	816,216	863,943
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(Receipts)

	Actual receipts 2009–10	Revised estimate 2010–11	Estimate 2011–12
	————— \$'000	————— \$'000	————— \$'000
Investment income	276,624	229,659	177,000
Net income from projects	—	5,546	7,808
Refund of grants	46,635	32,399	—
Total (Receipts)	<u>323,259</u>	<u>267,604</u>	<u>184,808</u>

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Movement of the Account

	Actual				Revised Estimate	Estimate
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
	\$m	\$m	\$m	\$m	\$m	\$m
Opening Balance	4,433	4,470	4,318	4,147	3,749	3,200
Revenue	423	331	416	323	267	185
Expenditure	386	483	587	721	816	864
Surplus/(Deficit)	37	(152)	(171)	(398)	(549)	(679)
Closing Balance	4,470	4,318	4,147	3,749	3,200	2,521

Revenue Analysis

	Actual				Revised Estimate	Estimate
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
	\$m	\$m	\$m	\$m	\$m	\$m
Investment Income	400	310	398	276	230	177
Net Income from Projects	3	—	—	—	5	8
Refund of Grants	20	21	18	47	32	—
Total Revenue	423	331	416	323	267	185

Expenditure Analysis

	Actual				Revised Estimate	Estimate
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
	\$m	\$m	\$m	\$m	\$m	\$m
Payments	386	483	587	721	816	864
Total Expenditure	386	483	587	721	816	864