

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 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 2012–13 and 2013–14 are estimated at \$742,082,000 and \$785,095,000 respectively.

5 Provision of \$665,244,000 under *Subhead 101 Innovation and Technology (block vote)* for 2013–14 is to meet payments for existing projects and new projects that may be approved in the course of the year. Of this provision, \$214,736,000 is earmarked for projects to be undertaken by the Hong Kong Applied Science and Technology Research Institute Company Limited. Projects each costing over \$30 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 2013–14:

- (a) \$49,951,000 under *Subhead 104 the Nano and Advanced Materials Institute*;
- (b) \$25,600,000 under *Subhead 105 the Hong Kong Research Institute of Textiles and Apparel*;
- (c) \$22,700,000 under *Subhead 106 the Automotive Parts and Accessory Systems Research and Development Centre*; and
- (d) \$21,600,000 under *Subhead 107 the Research and Development Centre for Logistics and Supply Chain Management Enabling Technologies*.

7 Receipts taking the form of investment income, net income from projects and refund of grants for 2012–13 and 2013–14 are estimated at \$205,611,000 and \$118,813,000 respectively.

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(Payments)

Sub-head (Code)	Approved commitment	Actual expenditure to 31.3.2012	Revised estimate 2012–13	Estimate 2013–14
	\$'000	\$'000	\$'000	\$'000
Head 111—Innovation and Technology				
101 Innovation and Technology (block vote)	—	—	630,384	665,244
104 The Nano and Advanced Materials Institute	385,200	128,628	40,242	49,951
105 The Hong Kong Research Institute of Textiles and Apparel	153,600	71,392	24,428	25,600
106 The Automotive Parts and Accessory Systems Research and Development Centre	228,200	90,651	17,869	22,700
107 The Research and Development Centre for Logistics and Supply Chain Management Enabling Technologies	151,200	87,014	22,600	21,600
Development of technologies and facilities to design and build mechanical watch movements by the Chinese University of Hong Kong	54,000	46,957	6,559	—
<i>Head 111: total</i>	972,200	424,642	742,082	785,095
Total (Payments).....				
	—	424,642	742,082	785,095

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(Receipts)

	Actual receipts 2011–12	Revised estimate 2012–13	Estimate 2013–14
	\$'000	\$'000	\$'000
Investment income	190,436	156,633	105,000
Net income from projects	10,139	10,096	13,813
Refund of grants	39,443	38,882	—
Total (Receipts).....	240,018	205,611	118,813

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Movement of the Account

	Actual				Revised Estimate	Estimate
	2008–09	2009–10	2010–11	2011–12	2012–13	2013–14
	\$m	\$m	\$m	\$m	\$m	\$m
Opening Balance	4,318	4,147	3,749	3,272	2,857	2,320
Revenue	416	323	272	240	205	119
Expenditure	587	721	749	655	742	785
Surplus/(Deficit)	(171)	(398)	(477)	(415)	(537)	(666)
Closing Balance	4,147	3,749	3,272	2,857	2,320	1,654

Revenue Analysis

	Actual				Revised Estimate	Estimate
	2008–09	2009–10	2010–11	2011–12	2012–13	2013–14
	\$m	\$m	\$m	\$m	\$m	\$m
Investment Income	398	276	230	190	156	105
Net Income from Projects	—	—	4	10	10	14
Refund of Grants	18	47	38	40	39	—
Total Revenue	416	323	272	240	205	119

Expenditure Analysis

	Actual				Revised Estimate	Estimate
	2008–09	2009–10	2010–11	2011–12	2012–13	2013–14
	\$m	\$m	\$m	\$m	\$m	\$m
Payments	587	721	749	655	742	785
Total Expenditure	587	721	749	655	742	785