

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 2013–14 and 2014–15 are estimated at \$723,446,000 and \$881,780,000 respectively.

5 Provision of \$760,219,000 under *Subhead 101 Innovation and Technology (block vote)* for 2014–15 is to meet payments for existing projects and new projects that may be approved in the course of the year. Of this provision, \$224,672,000 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 2014–15:

- (a) \$55,061,000 under *Subhead 104 the Nano and Advanced Materials Institute*;
- (b) \$27,900,000 under *Subhead 105 the Hong Kong Research Institute of Textiles and Apparel*;
- (c) \$17,000,000 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 2013–14 and 2014–15 are estimated at \$145,268,000 and \$70,925,000 respectively.

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(Payments)

Sub-head (Code)	Approved commitment	Actual expenditure to 31.3.2013	Revised estimate 2013–14	Estimate 2014–15					
	\$'000	\$'000	\$'000	\$'000					
Head 111—Innovation and Technology									
101	Innovation and Technology (block vote)	—	—	620,154	760,219				
104	The Nano and Advanced Materials Institute.....	385,200	173,865	49,951	55,061				
105	The Hong Kong Research Institute of Textiles and Apparel#	197,700	95,810	21,700	27,900				
106	The Automotive Parts and Accessory Systems Research and Development Centre	228,200	105,052	10,041	17,000				
107	The Research and Development Centre for Logistics and Supply Chain Management Enabling Technologies@	207,900	109,821	21,600	21,600				
	<i>Head 111: total</i>	<u>1,019,000</u>	<u>484,548</u>	<u>723,446</u>	<u>881,780</u>				
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Total (Payments).....</td> <td style="text-align: center;"><u>—</u></td> <td style="text-align: center;"><u>484,548</u></td> <td style="text-align: center;"><u>723,446</u></td> <td style="text-align: center;"><u>881,780</u></td> </tr> </table>					Total (Payments)	<u>—</u>	<u>484,548</u>	<u>723,446</u>	<u>881,780</u>
Total (Payments)	<u>—</u>	<u>484,548</u>	<u>723,446</u>	<u>881,780</u>					

Increase in commitment of \$44.1 million to the original approved commitment of \$153.6 million approved by the Finance Committee on 24 January 2014.

@ Increase in commitment of \$56.7 million to the original approved commitment of \$151.2 million approved by the Finance Committee on 24 January 2014.

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(Receipts)

	Actual receipts 2012-13	Revised estimate 2013-14	Estimate 2014-15
	_____ \$'000	_____ \$'000	_____ \$'000
Investment income	156,151	113,621	56,000
Net income from projects	9,235	8,872	14,925
Refund of grants	48,859	22,775	—
Total (Receipts)	<u>214,245</u>	<u>145,268</u>	<u>70,925</u>

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Movement of the Account

	Actual				Revised Estimate	Estimate
	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	\$m	\$m	\$m	\$m	\$m	\$m
Opening Balance	4,147	3,749	3,272	2,857	2,379	1,801
Revenue	323	272	240	214	145	71
Expenditure	721	749	655	692	723	882
Surplus/(Deficit)	(398)	(477)	(415)	(478)	(578)	(811)
Closing Balance	3,749	3,272	2,857	2,379	1,801	990

Revenue Analysis

	Actual				Revised Estimate	Estimate
	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	\$m	\$m	\$m	\$m	\$m	\$m
Investment Income	276	230	190	156	114	56
Net Income from Projects	—	4	10	9	9	15
Refund of Grants	47	38	40	49	22	—
Total Revenue	323	272	240	214	145	71

Expenditure Analysis

	Actual				Revised Estimate	Estimate
	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	\$m	\$m	\$m	\$m	\$m	\$m
Payments	721	749	655	692	723	882
Total Expenditure	721	749	655	692	723	882

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Estimated Outstanding Commitment of Innovation and Technology Fund

	Outstanding Commitment*
As at 31 March 2014	\$m 431

* For Subheads 104 to 107 only, excluding Subhead 101 block vote as the approved commitment for the block vote varies with the number of projects from time to time.