

## **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. Since then, the following injections to the Fund have been approved—

- (a) \$5 billion on 27 February 2015;
- (b) \$2 billion as endowment capital to generate investment income to finance projects under the Midstream Research Programme for Universities (MRP) on 10 June 2016;
- (c) \$2 billion for financing the Innovation and Technology Venture Fund (ITVF) on 12 July 2016;
- (d) \$10 billion on 13 July 2018;
- (e) \$10 billion for providing financial support to establish research clusters in Hong Kong on 13 July 2018;
- (f) \$2 billion for financing the Re-industrialisation Funding Scheme (RFS) on 15 May 2020;
- (g) \$4,750 million on 4 June 2021; and
- (h) \$425 million on 4 June 2021 being transferred from *Head 135 Government Secretariat: Innovation and Technology Bureau Subhead 700 General non-recurrent Item 801 Innovation and Technology Fund for Better Living (FBL)* after merging FBL with *Head 111 Innovation and Technology Subhead 101 Innovation and Technology (block vote)* for enhancing the flexibility in utilising the funds.

4 Payments from the Fund for 2021–22 and 2022–23 are estimated at \$3,537,020,000 and \$5,884,679,000 respectively.

5 Provision of \$4,600,879,000 under *Subhead 101 Innovation and Technology (block vote)* for 2022–23 is to meet payments for existing projects and new projects that may be approved in the course of the year. Projects each costing over \$50 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*.

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6 For the subheads created in 2005–06 for projects under the Government’s new funding approach for innovation and technology development, the subhead created in 2016–17 for financing the ITVF and the subhead created in 2018–19 for the research centres/laboratories for establishment of research clusters, the following provisions are to meet payments for them in 2022–23:

- (a) \$109 million under *Subhead 104 The Nano and Advanced Materials Institute*;
- (b) \$50,800,000 under *Subhead 105 The Hong Kong Research Institute of Textiles and Apparel*;
- (c) \$32,200,000 under *Subhead 106 The Automotive Platforms and Application Systems Research and Development Centre*;
- (d) \$78 million under *Subhead 107 The Logistics and Supply Chain MultiTech R&D Centre*;
- (e) \$400 million under *Subhead 110 Innovation and Technology Venture Fund Corporation*; and
- (f) \$613,800,000 under *Subhead 111 Research Centres/Laboratories for Establishment of Research Clusters*.

7 Receipts taking the form of investment income, net income from projects and refund of grants for 2021–22 and 2022–23 are estimated at \$1,295,902,000 and \$1,602,086,000 respectively.

# INNOVATION AND TECHNOLOGY FUND (Payments)

Sub-head (Code)	Approved commitment	Actual expenditure to 31.3.2021	Revised estimate 2021–22	Estimate 2022–23
	\$'000	\$'000	\$'000	\$'000
<b>Head 111—Innovation and Technology</b>				
090 Midstream Research Programme for Universities (block vote)* .....	—	—	15,186	—
101 Innovation and Technology (block vote)* ....	—	—	2,947,317	4,600,879
104 The Nano and Advanced Materials Institute.....	1,129,500	689,890	96,100	109,000
105 The Hong Kong Research Institute of Textiles and Apparel .....	558,800	344,500	50,600	50,800
106 The Automotive Platforms and Application Systems Research and Development Centre .....	384,200	236,045	20,465	32,200
107 The Logistics and Supply Chain MultiTech R&D Centre .....	639,200	362,400	81,652	78,000
110 Innovation and Technology Venture Fund Corporation .....	2,000,000	105,369	31,000	400,000
111 Research Centres/Laboratories for Establishment of Research Clusters .....	10,000,000	1,599,408	294,700	613,800
<i>Head 111: total</i> .....	14,711,700	3,337,612	3,537,020	5,884,679
<b>Total (Payments) .....</b>				
	—	3,337,612	3,537,020	5,884,679

\* On 4 June 2021, the Legislative Council's Finance Committee granted approval to subsume the Midstream Research Programme for Universities under the Innovation and Technology Support Programme which was funded under *Subhead 101 Innovation and Technology (block vote)*, as well as to merge the Re-industrialisation Funding Scheme and the Innovation and Technology Fund for Better Living (Item 801 under Head 135 Government Secretariat: Innovation and Technology Bureau) with *Subhead 101 Innovation and Technology (block vote)*, so as to enhance the flexibility in utilising the funds.

# INNOVATION AND TECHNOLOGY FUND (Receipts)

	Actual receipts 2020–21	Revised estimate 2021–22	Estimate 2022–23
	\$'000	\$'000	\$'000
<b>Investment income .....</b>	920,971	1,225,816 <sup>α</sup>	<b>1,602,000<sup>α</sup></b>
<b>Net income from projects .....</b>	268	120	<b>86</b>
<b>Refund of grants .....</b>	45,049	69,966	—
<b>Transfer from General Revenue .....</b>	2,000,000 <sup>@</sup>	5,175,000 <sup>^</sup>	<b>4,750,000<sup>λ</sup></b>

<b>Total (Receipts).....</b>	<b>2,966,288</b>	<b>6,470,902</b>	<b>6,352,086</b>
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<sup>@</sup> The Legislative Council's Finance Committee approved the injection of \$2 billion into the Innovation and Technology Fund on 15 May 2020 for providing financial support for manufacturers to set up new smart production lines in Hong Kong. The actual transfer of \$2 billion into the Fund was effected in 2020–21.

<sup>α</sup> The amount has included the investment income brought back from the Housing Reserve.

<sup>^</sup> The Legislative Council's Finance Committee approved the injection of \$4,750 million into the Innovation and Technology Fund and the transfer of the remaining balance of \$425 million from the Innovation and Technology Fund for Better Living under the Innovation and Technology Bureau to the Innovation and Technology Fund on 4 June 2021. The actual transfer of \$5,175 million (in total) into the Fund was effected in 2021–22.

<sup>λ</sup> A further injection of \$4,750 million is sought in the context of the Appropriation Bill 2022.

## INNOVATION AND TECHNOLOGY FUND

### Movement of the Account

	Actual				Revised Estimate	Estimate
	2017–18	2018–19	2019–20	2020–21	2021–22	2022–23
	\$m	\$m	\$m	\$m	\$m	\$m
Opening Balance	7,991	6,796	25,939	24,833	23,003	25,937
Revenue	288	718	778	966	1,296	1,602
Expenditure	1,483	1,575	1,884	4,796	3,537	5,885
Surplus/(Deficit) before Transfer from GRA	(1,195)	(857)	(1,106)	(3,830)	(2,241)	(4,283)
Transfer from GRA	—	20,000	—	2,000	5,175	4,750
Surplus/(Deficit)	(1,195)	19,143	(1,106)	(1,830)	2,934	467
Closing Balance	6,796	25,939	24,833	23,003	25,937	26,404

### Revenue Analysis

	Actual				Revised Estimate	Estimate
	2017–18	2018–19	2019–20	2020–21	2021–22	2022–23
	\$m	\$m	\$m	\$m	\$m	\$m
Investment Income	218	671	743	921	1,226 <sup>β</sup>	1,602 <sup>β</sup>
Net Income from Projects	7	1	—	—	—	—
Refund of Grants	63	46	35	45	70	—
<b>Total Revenue</b>	288	718	778	966	1,296	1,602

<sup>β</sup> The amount has included the investment income brought back from the Housing Reserve.

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### Expenditure Analysis

	Actual				Revised Estimate	Estimate
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
	\$m	\$m	\$m	\$m	\$m	\$m
Payments	1,483	1,575	1,884	4,796	3,537	5,885
<b>Total Expenditure</b>	1,483	1,575	1,884	4,796	3,537	5,885

### Estimated Outstanding Commitment of Innovation and Technology Fund

	Outstanding Commitment#
As at 31 March 2022	\$m 10,800

# For Subheads 104 to 107, 110 and 111 only.