

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;
- (h) \$425 million on 4 June 2021 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; and
- (i) \$4,750 million on 4 May 2022.

4 Payments from the Fund for 2022–23 and 2023–24 are estimated at \$4,570,440,000 and \$6,417,180,000 respectively.

5 Provision of \$5,224,180,000 under *Subhead 101 Innovation and Technology (block vote)* for 2023–24 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 2023–24:

- (a) \$117,700,000 under *Subhead 104 The Nano and Advanced Materials Institute*;
- (b) \$54,600,000 under *Subhead 105 The Hong Kong Research Institute of Textiles and Apparel*;
- (c) \$35,600,000 under *Subhead 106 The Automotive Platforms and Application Systems Research and Development Centre*;
- (d) \$70 million under *Subhead 107 The Logistics and Supply Chain MultiTech R&D Centre*;
- (e) \$200 million under *Subhead 110 Innovation and Technology Venture Fund Corporation*; and
- (f) \$715,100,000 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 2022–23 and 2023–24 are estimated at \$1,755,905,000 and \$957,091,000 respectively.

**INNOVATION AND TECHNOLOGY FUND
(Payments)**

Sub-head (Code)	Approved commitment	Actual expenditure to 31.3.2022	Revised estimate 2022–23	Estimate 2023–24
	\$'000	\$'000	\$'000	\$'000
Head 111—Innovation and Technology				
101	—	—	3,835,978	5,224,180
104				
	1,129,500	785,932	109,000	117,700
105				
	558,800	395,100	50,800	54,600
106				
	384,200	256,511	27,062	35,600
107				
	639,200	447,764	78,000	70,000
110				
	2,000,000	132,984	25,000	200,000
111				
	10,000,000	1,939,550	444,600	715,100
	<u>14,711,700</u>	<u>3,957,841</u>	<u>4,570,440</u>	<u>6,417,180</u>
<i>Head 111: total</i>				
	<u>14,711,700</u>	<u>3,957,841</u>	<u>4,570,440</u>	<u>6,417,180</u>
Total (Payments)				
	<u>—</u>	<u>3,957,841</u>	<u>4,570,440</u>	<u>6,417,180</u>

**INNOVATION AND TECHNOLOGY FUND
(Receipts)**

	Actual receipts 2021–22	Revised estimate 2022–23	Estimate 2023–24
	\$'000	\$'000	\$'000
Investment income	1,224,246	1,651,268 ^α	957,000^α
Net income from projects	94	99	91
Refund of grants	64,418	104,538	—
Transfer from General Revenue	5,175,000 [@]	4,750,000 [^]	—
Total (Receipts)	<u><u>6,463,758</u></u>	<u><u>6,505,905</u></u>	<u><u>957,091</u></u>

[@] 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 former 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.

^α The amount has included the investment income brought back from the Housing Reserve.

[^] The Legislative Council approved the injection of \$4,750 million into the Innovation and Technology Fund upon passage of the Appropriation Bill 2022 on 4 May 2022. The actual transfer of \$4,750 million into the Fund was effected in 2022–23.

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Movement of the Account

	Actual				Revised Estimate	Estimate
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
	\$m	\$m	\$m	\$m	\$m	\$m
Opening Balance	6,796	25,939	24,833	23,003	25,819	27,755
Revenue	718	778	966	1,288	1,756	957
Expenditure	1,575	1,884	4,796	3,647	4,570	6,417
Surplus/(Deficit) before Transfer from GRA	(857)	(1,106)	(3,830)	(2,359)	(2,814)	(5,460)
Transfer from GRA	20,000	—	2,000	5,175	4,750	—
Surplus/(Deficit)	19,143	(1,106)	(1,830)	2,816	1,936	(5,460)
Closing Balance	25,939	24,833	23,003	25,819	27,755	22,295

Revenue Analysis

	Actual				Revised Estimate	Estimate
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
	\$m	\$m	\$m	\$m	\$m	\$m
Investment Income	671	743	921	1,224 ^β	1,651 ^β	957
Net Income from Projects	1	—	—	—	—	—
Refund of Grants	46	35	45	64	105	—
Total Revenue	718	778	966	1,288	1,756	957

^β The amount has included the investment income brought back from the Housing Reserve.

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Expenditure Analysis

	Actual				Revised Estimate	Estimate
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
	\$m	\$m	\$m	\$m	\$m	\$m
Payments	1,575	1,884	4,796	3,647	4,570	6,417
Total Expenditure	1,575	1,884	4,796	3,647	4,570	6,417

Estimated Outstanding Commitment of Innovation and Technology Fund

	Outstanding Commitment#
As at 31 March 2023	\$m 10,019

For Subheads 104 to 107, 110 and 111 only.