

# **INNOVATION AND TECHNOLOGY FUND**

# INNOVATION AND TECHNOLOGY FUND

## 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 New Industrialisation Funding Scheme (NIFS), previously named as 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;
- (i) \$4,750 million on 4 May 2022; and
- (j) \$5 billion for financing the Research, Academic and Industry Sectors One-plus Scheme (RAISe+ Scheme) on 9 June 2023.

4 Payments from the Fund for 2023–24 and 2024–25 are estimated at \$5,644,828,000 and \$11,081,225,000 respectively.

5 Provision of \$7,203,486,000 under *Subhead 101 Innovation and Technology (block vote)* for 2024–25 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, the subhead created in 2018–19 for the research centres/laboratories for establishment of research clusters and the subhead created in 2023–24 for financing the RAISE+ Scheme, the following provisions are to meet payments for them in 2024–25:

- (a) \$120 million under *Subhead 104 The Nano and Advanced Materials Institute*;
- (b) \$58,300,000 under *Subhead 105 The Hong Kong Research Institute of Textiles and Apparel*;
- (c) \$39,400,000 under *Subhead 106 The Automotive Platforms and Application Systems Research and Development Centre*;
- (d) \$58,939,000 under *Subhead 107 The Logistics and Supply Chain MultiTech R&D Centre*;
- (e) \$200 million under *Subhead 110 Innovation and Technology Venture Fund Corporation*;
- (f) \$1,116,300,000 under *Subhead 111 Research Centres/Laboratories for Establishment of Research Clusters*; and
- (g) \$2,284,800,000 under *Subhead 113 Research, Academic and Industry Sectors One-plus Scheme*.

7 Receipts taking the form of investment income, net income from projects and refund of grants for 2023–24 and 2024–25 are estimated at \$1,134,940,000 and \$919,077,000 respectively.

**INNOVATION AND TECHNOLOGY FUND  
(Payments)**

Sub-head (Code)	Approved commitment	Actual expenditure to 31.3.2023	Revised estimate 2023–24	<b>Estimate 2024–25</b>
	\$'000	\$'000	\$'000	<b>\$'000</b>
<b>Head 111—Innovation and Technology</b>				
101	—	—	4,298,701	<b>7,203,486</b>
104	1,129,500	894,897	114,573	<b>120,000</b>
105	558,800	445,900	54,600	<b>58,300</b>
106	384,200	283,573	31,254	<b>39,400</b>
107	639,200	510,261	70,000	<b>58,939</b>
110	2,000,000	149,396	15,000	<b>200,000</b>
111	10,000,000	2,396,573	1,060,700	<b>1,116,300</b>
113	10,000,000	—	—	<b>2,284,800</b>
	<i>Head 111: total</i>	4,680,600	5,644,828	<b>11,081,225</b>
<b>Total (Payments)</b> ..... style="text-align: center;">— style="text-align: right;">4,680,600 style="text-align: right;">5,644,828 style="text-align: right;"> <b>11,081,225</b>				

**INNOVATION AND TECHNOLOGY FUND  
(Receipts)**

	Actual receipts 2022–23	Revised estimate 2023–24	<b>Estimate 2024–25</b>
	\$'000	\$'000	<b>\$'000</b>
<b>Investment income</b> .....	1,650,506 <sup>α</sup>	1,065,285	<b>919,000</b>
<b>Net income from projects</b> .....	160	108	<b>77</b>
<b>Refund of grants</b> .....	82,736	69,547	—
<b>Transfer from General Revenue</b> .....	4,750,000 <sup>@</sup>	5,000,000 <sup>^</sup>	—
<b>Total (Receipts)</b> .....	<u>6,483,402</u>	<u>6,134,940</u>	<u><b>919,077</b></u>

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

<sup>@</sup> 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.

<sup>^</sup> The Legislative Council's Finance Committee approved on 9 June 2023 the injection of \$5 billion into the Innovation and Technology Fund for financing the Research, Academic and Industry Sectors One-plus Scheme. The actual transfer of \$5 billion into the Fund was effected in 2023–24.

## INNOVATION AND TECHNOLOGY FUND

### Movement of the Account

	Actual				Revised Estimate	Estimate
	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25
	\$m	\$m	\$m	\$m	\$m	\$m
Opening Balance	25,939	24,833	23,003	25,819	27,659	<b>28,149</b>
Revenue	778	966	1,288	1,733	1,135	<b>919</b>
Expenditure	1,884	4,796	3,647	4,643	5,645	<b>11,081</b>
Surplus/(Deficit) before Transfer from GRA	(1,106)	(3,830)	(2,359)	(2,910)	(4,510)	<b>(10,162)</b>
Transfer from GRA	—	2,000	5,175	4,750	5,000	—
Surplus/(Deficit)	(1,106)	(1,830)	2,816	1,840	490	<b>(10,162)</b>
Closing Balance	24,833	23,003	25,819	27,659	28,149	<b>17,987</b>

### Revenue Analysis

	Actual				Revised Estimate	Estimate
	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25
	\$m	\$m	\$m	\$m	\$m	\$m
Investment Income	743	921	1,224 <sup>β</sup>	1,650 <sup>β</sup>	1,065	<b>919</b>
Refund of Grants	35	45	64	83	70	—
<b>Total Revenue</b>	<b>778</b>	<b>966</b>	<b>1,288</b>	<b>1,733</b>	<b>1,135</b>	<b>919</b>

<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
	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	\$m	\$m	\$m	\$m	\$m	\$m
Payments	1,884	4,796	3,647	4,643	5,645	<b>11,081</b>
<b>Total Expenditure</b>	1,884	4,796	3,647	4,643	5,645	<b>11,081</b>

### Estimated Outstanding Commitment of Innovation and Technology Fund

	Outstanding Commitment#
As at 31 March 2024	\$m 18,685

# For Subheads 104 to 107, 110, 111 and 113 only.