

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 2014–15 and 2015–16 are estimated at \$881,774,000 and \$1,014,476,000 respectively.

5 Provision of \$885,776,000 under *Subhead 101 Innovation and Technology (block vote)* for 2015–16 is to meet payments for existing projects and new projects that may be approved in the course of the year. Of this provision, \$245,768,000 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 2015–16:

- (a) \$57,800,000 under *Subhead 104 the Nano and Advanced Materials Institute*;
- (b) \$26,900,000 under *Subhead 105 the Hong Kong Research Institute of Textiles and Apparel*;
- (c) \$14,000,000 under *Subhead 106 the Automotive Parts and Accessory Systems Research and Development Centre*; and
- (d) \$30,000,000 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 2014–15 and 2015–16 are estimated at \$41,123,000 and 45,515,000 respectively.

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(Payments)

Sub-head (Code)	Approved commitment	Actual expenditure to 31.3.2014	Revised estimate 2014–15	Estimate 2015–16					
	\$'000	\$'000	\$'000	\$'000					
Head 111—Innovation and Technology									
101	—	—	770,861	885,776					
104	385,200	223,816	55,061	57,800					
105	197,700	113,383	23,300	26,900					
106	228,200	115,264	10,952	14,000					
107	207,900	131,421	21,600	30,000					
	<i>Head 111: total</i>	583,884	881,774	1,014,476					
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;">Total (Payments).....</td> <td style="text-align: center;">—</td> <td style="text-align: right;">583,884</td> <td style="text-align: right;">881,774</td> <td style="text-align: right;">1,014,476</td> </tr> </table>					Total (Payments)	—	583,884	881,774	1,014,476
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(Receipts)

	Actual receipts 2013–14	Revised estimate 2014–15	Estimate 2015–16
	\$'000	\$'000	\$'000
Investment income	113,887	1,336*	37,000
Net income from projects	8,424	11,860	8,515
Refund of grants	42,829	27,927	—
Total (Receipts)	<u>165,140</u>	<u>41,123</u>	<u>45,515</u>

* This provision includes investment income from cash balances but excludes investment income placed with the Exchange Fund for 2014–15. The latter, which stood at \$56,827,000, along with the investment income on other parts of the fiscal reserves, has been set aside and retained within the Exchange Fund for the Housing Reserve.

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Movement of the Account

	Actual				Revised Estimate	Estimate
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
	\$m	\$m	\$m	\$m	\$m	\$m
Opening Balance	3,749	3,272	2,857	2,379	1,812	971
Revenue	272	240	214	165	41	45
Expenditure	749	655	692	732	882	1,014
Surplus/(Deficit)	(477)	(415)	(478)	(567)	(841)	(969)
Closing Balance	3,272	2,857	2,379	1,812	971	2

Revenue Analysis

	Actual				Revised Estimate	Estimate
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
	\$m	\$m	\$m	\$m	\$m	\$m
Investment Income	230	190	156	114	1*	37
Net Income from Projects	4	10	9	8	12	8
Refund of Grants	38	40	49	43	28	—
Total Revenue	272	240	214	165	41	45

* This provision includes investment income from cash balances but excludes investment income placed with the Exchange Fund for 2014-15. The latter, which stood at 56,827,000, along with the investment income on other parts of the fiscal reserves, has been set aside and retained within the Exchange Fund for the Housing Reserve.

Expenditure Analysis

	Actual				Revised Estimate	Estimate
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
	\$m	\$m	\$m	\$m	\$m	\$m
Payments	749	655	692	732	882	1,014
Total Expenditure	749	655	692	732	882	1,014

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Estimated Outstanding Commitment of Innovation and Technology Fund

	Outstanding Commitment#
As at 31 March 2015	\$m 324

For Subheads 104 to 107 only.