

Your Ref: CB3/PAC/R83

10 February 2025

Ms Shirley CHAN
Clerk, Public Accounts Committee
Legislative Council Secretariat
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong

Dear Ms Chan,

Public Accounts Committee
Chapter 1 of the Director of Audit's Report No. 83
Nano and Advanced Materials Institute

In response to question (b)(iv) on providing income and expenditure of Nano and Advanced Materials Institute (NAMI) from 2019-2020 to 2023-2024 on a cash-basis under "Part 1: Introduction" in your letter of 10 December 2024 to the Secretary for Innovation, Technology and Industry, the reply from the Commission, in consultation with the relevant bureau/department, is at **Annex**.

Yours sincerely,



(Mrs Elina Chan)

for Commissioner for Innovation and Technology

c.c. Secretary for Innovation, Technology and Industry
Secretary for Financial Services and the Treasury
Director of Audit
Chairperson of Nano and Advanced Materials Institute
Chief Executive Officer of Nano and Advanced Materials Institute

**Income and Expenditure of Nano and Advanced Materials Institute
from 2019-2020 to 2023-2024 on a cash-basis**

	2019-20	2020-21	2021-22	2022-23	2023-24
	(in \$ million)				
<i>Income</i>					
Income related to operating expenditure (Note 1)	80.4	79.1	96	109	117.7
Income related to R&D projects (Note 2)	158.9	167.6	179.1	174.6	181.1
Other income (Note 3)	16.4	19.6	17.7	15.7	15.9
Total	255.7	266.3	292.8	299.3	314.7
<i>Expenditure</i>					
Operating expenditure (Note 1)	78.7	79.8	96	108.6	115.9
R&D project expenditure (Note 2)	120	128.9	146.3	146.9	156.2
Administrative overhead related to R&D projects	12.5	13.2	11.4	11.9	12.3
Other expenditure (Note 3)	14.9	15.9	14.5	15	15.4
Total	226.1	237.8	268.2	282.4	299.8
<i>Unspent funds returned to the Government by Nano and Advanced Materials Institute (Note 4)</i>	6.5	9.3	3.1	4.9	6.5

Note 1: To meet the anticipated cashflow requirement, after reviewing the quarterly reports submitted by the Nano and Advanced Materials Institute (NAMI), the Innovation and Technology Commission (ITC) will quarterly disburse to NAMI the funds required for its operating expenditure in the succeeding quarter in advance. As there is time gap between NAMI paying its operating expenditure and ITC disbursing the funds, income related to operating expenditure and actual operating expenditure will not match. Overall speaking, the funds disbursed to NAMI for paying its operating expenditure will not exceed the commitment as approved by the Finance Committee (FC) of the Legislative Council. The unspent funds will be reflected through an offsetting arrangement when ITC applies to FC for increase in commitment to extend the operation period of NAMI. For example, the amount of NAMI's increase in commitment in 2020 approved by FC was offset by the estimated remaining commitment. Details are contained in FCR(2020-21)1.

Note 2: Include Government funding and industry sponsorship in relation to R&D projects. Insofar as R&D projects funded by the Innovation and Technology Fund are concerned, according to the current arrangement, funding will be disbursed in advance to meet R&D expenditure needs, which is impacted by the duration of the

subject project (which could reach 2-3 years), the progress of the project, estimated cashflow requirements, etc. The disbursement in each instalment may not be exhausted within the same financial year, hence the income related to R&D projects is larger than the relevant expenditure.

Note 3: Include income and expenditure related to licensing fee/royalties, contract service, Research Talent Hub, Reserve Fund etc.

Note 4: NAMI must return to the Government any unspent funds, including unspent funds upon R&D project completion, unspent funds under the Research Talent Hub, etc.