

# **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; and
- (f) \$2 billion for financing the Re-industrialisation Funding Scheme (RFS) on 15 May 2020.

4 Payments from the Fund for 2020–21 and 2021–22 are estimated at \$5,331,103,000 and \$5,062,104,000 respectively.

5 Provision of \$3,609,806,000 under *Subhead 101 Innovation and Technology (block vote)* for 2021–22 is to meet payments for existing projects and new projects that may be approved in the course of the year. Of this provision, \$422,509,000 is earmarked for projects to be undertaken by the Hong Kong Applied Science and Technology Research Institute Company Limited. 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*.

6 Provision of \$58,663,000 under *Subhead 090 Midstream Research Programme for Universities (block vote)* for 2021–22 is to meet payments for MRP existing projects and new projects that may be approved in the course of the year.

7 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 2020–21 for financing the RFS, the following provisions are to meet payments for them in 2021–22:

- (a) \$96,100,000 under *Subhead 104 the Nano and Advanced Materials Institute*;
- (b) \$50,600,000 under *Subhead 105 the Hong Kong Research Institute of Textiles and Apparel*;

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- (c) \$29,000,000 under *Subhead 106 the Automotive Platforms and Application Systems Research and Development Centre*;
- (d) \$87,600,000 under *Subhead 107 the Logistics and Supply Chain MultiTech R&D Centre*;
- (e) \$400 million under *Subhead 110 Innovation and Technology Venture Fund Corporation*;
- (f) \$727,800,000 under *Subhead 111 Research centres/laboratories for establishment of research clusters*; and
- (g) \$2,535,000 under *Subhead 112 Re-industrialisation Funding Scheme*.

**8** Receipts taking the form of investment income, net income from projects and refund of grants for 2020–21 and 2021–22 are estimated at \$2,963,375,000 and \$1,027,072,000 respectively.

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### (Payments)

Sub-head (Code)	Approved commitment	Actual expenditure to 31.3.2020	Revised estimate 2020–21	<b>Estimate 2021–22</b>					
	\$'000	\$'000	\$'000	\$'000					
<b>Head 111—Innovation and Technology</b>									
090									
Midstream Research Programme for Universities (block vote) .....	—	—	40,642	<b>58,663</b>					
101									
Innovation and Technology (block vote) .....	—	—	3,345,549	<b>3,609,806</b>					
104									
The Nano and Advanced Materials Institute.	1,129,500	610,795	77,624	<b>96,100</b>					
105									
The Hong Kong Research Institute of Textiles and Apparel .....	558,800	305,004	39,496	<b>50,600</b>					
106									
The Automotive Platforms and Application Systems Research and Development Centre .....	384,200	214,340	21,705	<b>29,000</b>					
107									
The Logistics and Supply Chain MultiTech R&D Centre .....	639,200	326,313	36,087	<b>87,600</b>					
110									
Innovation and Technology Venture Fund Corporation .....	2,000,000	72,121	90,000	<b>400,000</b>					
111									
Research Centres/Laboratories for Establishment of Research Clusters .....	10,000,000	—	1,680,000	<b>727,800</b>					
112									
Re-industrialisation Funding Scheme.....	2,000,000	—	—	<b>2,535</b>					
<i>Head 111: total</i> .....	16,711,700	1,528,573	5,331,103	<b>5,062,104</b>					
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 45%;"><b>Total (Payments)</b> .....</td> <td style="text-align: center; border-top: 3px double black;">—</td> <td style="text-align: center; border-top: 3px double black;">1,528,573</td> <td style="text-align: center; border-top: 3px double black;">5,331,103</td> <td style="text-align: center; border-top: 3px double black;"><b>5,062,104</b></td> </tr> </table>					<b>Total (Payments)</b> .....	—	1,528,573	5,331,103	<b>5,062,104</b>
<b>Total (Payments)</b> .....	—	1,528,573	5,331,103	<b>5,062,104</b>					

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### (Receipts)

	Actual receipts 2019–20	Revised estimate 2020–21	<b>Estimate 2021–22</b>
	\$'000	\$'000	<b>\$'000</b>
<b>Investment income</b> .....	743,134	920,848	<b>1,027,000*</b>
<b>Net income from projects</b> <sup>^</sup> .....	58	105	<b>72</b>
<b>Refund of grants</b> .....	35,331	42,422	—
<b>Transfer from General Revenue</b> .....	—	2,000,000 <sup>@</sup>	—
<b>Total (Receipts)</b> .....	<u>778,523</u>	<u>2,963,375</u>	<u><b>1,027,072</b></u>

<sup>@</sup> The Legislative Council's Finance Committee has 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>^</sup> The Legislative Council's Finance Committee has approved the R&D centres to retain their commercialisation income for use in strategic activities on 13 July 2018. The estimated net income from projects for 2018–19 onwards is therefore expected to be minimal.

\* The amount has included the investment income brought back from the Housing Reserve.

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### Movement of the Account

	Actual				Revised Estimate	Estimate
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
	\$m	\$m	\$m	\$m	\$m	\$m
Opening Balance	42	7,991	6,796	25,939	24,833	<b>22,465</b>
Revenue	207	288	718	778	963	<b>1,027</b>
Expenditure	1,258	1,483	1,575	1,884	5,331	<b>5,062</b>
Surplus/(Deficit) before Transfer from GRA	(1,051)	(1,195)	(857)	(1,106)	(4,368)	<b>(4,035)</b>
Transfer from GRA	9,000	—	20,000	—	2,000	—
Surplus/(Deficit)	7,949	(1,195)	19,143	(1,106)	(2,368)	<b>(4,035)</b>
Closing Balance	7,991	6,796	25,939	24,833	22,465	<b>18,430</b>

### Revenue Analysis

	Actual				Revised Estimate	Estimate
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
	\$m	\$m	\$m	\$m	\$m	\$m
Investment Income	155	218	671	743	921	<b>1,027*</b>
Net Income from Projects	5	7	1	—	—	—
Refund of Grants	47	63	46	35	42	—
<b>Total Revenue</b>	207	288	718	778	963	<b>1,027</b>

\* The amount has included the investment income brought back from the Housing Reserve.

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### Expenditure Analysis

	Actual				Revised Estimate	Estimate
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
	\$m	\$m	\$m	\$m	\$m	\$m
Payments	1,258	1,483	1,575	1,884	5,331	<b>5,062</b>
<b>Total Expenditure</b>	1,258	1,483	1,575	1,884	5,331	<b>5,062</b>

### Estimated Outstanding Commitment of Innovation and Technology Fund

	Outstanding Commitment#
As at 31 March 2021	\$m 13,238

# For Subheads 104 to 107, 110, 111 and 112 only.