

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 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 (RAIS+ Scheme) on 9 June 2023.

4 Payments from the Fund for 2024–25 and 2025–26 are estimated at \$7,079,365,000 and \$12,448,682,000 respectively.

5 Provision of \$7,425,054,000 under *Subhead 101 Innovation and Technology (block vote)* for 2025–26 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, the subhead created in 2023–24 for financing the RAISE+ Scheme, and the subheads created in 2024–25 for the establishment and operation of the Hong Kong Microelectronics Research and Development Institute (MRDI) and for the operation of the Hong Kong Applied Science and Technology Research Institute (ASTRI)^α, the following provisions are to meet payments for them in 2025–26:

- (a) \$122,488,000 under *Subhead 104 The Nano and Advanced Materials Institute*;
- (b) \$57,264,000 under *Subhead 105 The Hong Kong Research Institute of Textiles and Apparel*;
- (c) \$27,600,000 under *Subhead 106 The Automotive Platforms and Application Systems Research and Development Centre*;
- (d) \$85,124,000 under *Subhead 107 The Logistics and Supply Chain MultiTech R&D Centre*;
- (e) \$250 million under *Subhead 110 Innovation and Technology Venture Fund Corporation*;
- (f) \$1,137,100,000 under *Subhead 111 Research Centres/Laboratories for Establishment of Research Clusters*;
- (g) \$1,273,323,000 under *Subhead 113 Research, Academic and Industry Sectors One-plus Scheme*;
- (h) \$1,912,317,000 under *Subhead 114 Hong Kong Microelectronics Research and Development Institute*; and
- (i) \$158,412,000 under *Subhead 116 The Hong Kong Applied Science and Technology Research Institute*.

7 Receipts taking the form of investment income, net income from projects and refund of grants for 2024–25 and 2025–26 are estimated at \$1,051,194,000 and \$978,410,000 respectively.

^α ASTRI’s operating expenditure had been met by Government’s annual recurrent subvention. On 12 July 2024, the Finance Committee approved the creation of a new subhead under the Fund to support ASTRI’s operating expenditure from 1 April 2025 to 31 March 2028, which is in line with the funding arrangements of other Research and Development Centres.

**INNOVATION AND TECHNOLOGY FUND
(Payments)**

Sub-head (Code)	Approved commitment	Actual expenditure to 31.3.2024	Revised estimate 2024–25	Estimate 2025–26
	\$'000	\$'000	\$'000	\$'000
Head 111—Innovation and Technology				
101	—	—	5,639,974	7,425,054
104	1,515,300	1,012,549	120,000	122,488
105	733,800	500,500	58,300	57,264
106	384,200	314,867	31,031	27,600
107	901,600	580,223	58,939	85,124
110	2,000,000	165,408	192,000	250,000
111	10,000,000	3,490,262	670,400	1,137,100
113	10,000,000	—	31,046	1,273,323
114	2,838,400	—	277,675	1,912,317
115	10,000,000	—	—	—
116	481,300	—	—	158,412
	<i>Head 111: total</i>	38,854,600	7,079,365	12,448,682
Total (Payments)				
	—	6,063,809	7,079,365	12,448,682

**INNOVATION AND TECHNOLOGY FUND
(Receipts)**

	Actual receipts 2023–24	Revised estimate 2024–25	Estimate 2025–26
	\$'000	\$'000	\$'000
Investment income	1,064,750	986,150	978,300
Net income from projects	537	145	110
Refund of grants	69,110	64,899	—
Transfer from General Revenue	5,000,000 [@]	—	7,000,000[^]
Total (Receipts)	<u><u>6,134,397</u></u>	<u><u>1,051,194</u></u>	<u><u>7,978,410</u></u>

[@] 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.

[^] An injection of \$7 billion into the Innovation and Technology Fund is sought in the context of the Appropriation Bill 2025.

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Movement of the Account

	Actual				Revised Estimate	Estimate
	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26
	\$m	\$m	\$m	\$m	\$m	\$m
Opening Balance	24,833	23,003	25,819	27,659	27,890	21,862
Revenue	966	1,288	1,733	1,135	1,051	978
Expenditure	4,796	3,647	4,643	5,904	7,079	12,449
Surplus/(Deficit) before Transfer from GRA	(3,830)	(2,359)	(2,910)	(4,769)	(6,028)	(11,471)
Transfer from GRA	2,000	5,175	4,750	5,000	—	7,000
Surplus/(Deficit)	(1,830)	2,816	1,840	231	(6,028)	(4,471)
Closing Balance	23,003	25,819	27,659	27,890	21,862	17,391

Revenue Analysis

	Actual				Revised Estimate	Estimate
	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26
	\$m	\$m	\$m	\$m	\$m	\$m
Investment Income	921	1,224 ^β	1,650 ^β	1,065	986	978
Net Income from Projects	—	—	—	1	—	—
Refund of Grants	45	64	83	69	65	—
Total Revenue	966	1,288	1,733	1,135	1,051	978

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

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Expenditure Analysis

	Actual				Revised Estimate	Estimate
	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
	\$m	\$m	\$m	\$m	\$m	\$m
Payments	4,796	3,647	4,643	5,904	7,079	12,449
Total Expenditure	4,796	3,647	4,643	5,904	7,079	12,449

Estimated Outstanding Commitment of Innovation and Technology Fund

	Outstanding Commitment#
As at 31 March 2025	\$m 31,351

For Subheads 104 to 107, 110, 111, 113 to 116 only.