

Report of the Director of Audit



Audit Commission

The Government of the Hong Kong Special Administrative Region

Innovation and Technology Fund

Independent Audit Report

To the President of the Legislative Council

I certify that I have examined and audited the financial statements of the Innovation and Technology Fund set out on pages 55 to 59, which comprise the statement of assets and liabilities as at 31 March 2011, and the statement of receipts and payments for the year then ended, and a summary of significant accounting policies and other explanatory information.

Director of Accounting Services' responsibility for the financial statements

In accordance with section 16(1) of the Public Finance Ordinance (Cap. 2), the Director of Accounting Services is responsible for the compilation and supervision of the accounts of the Government of the Hong Kong Special Administrative Region, for the management of accounting operations and procedures, and for ensuring that all regulations, directions or instructions made or given under the Public Finance Ordinance relating thereto and in respect of the safe custody of public moneys and its accounting are complied with.

Auditor's responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with section 12(1) of the Audit Ordinance (Cap. 122) and the Audit Commission auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the

effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used by the Director of Accounting Services, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements of the Innovation and Technology Fund for the year ended 31 March 2011 are prepared, in all material respects, in accordance with the Public Finance Ordinance and section 11(1) of the Audit Ordinance.

Benjamin Tang
Director of Audit

25 October 2011

Audit Commission
26th Floor
Immigration Tower
7 Gloucester Road
Wanchai, Hong Kong

Innovation and Technology Fund

STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2011

	Note	2011 HK\$'000	2010 HK\$'000
Assets			
Investments with the Exchange Fund	3	3,271,800	3,749,017
Cash and bank balances		11	-
		<u>3,271,811</u>	<u>3,749,017</u>
Representing:			
Fund Balance			
Balance at beginning of year		3,749,017	4,147,360
Deficit for the year		(477,206)	(398,343)
Balance at end of year	4	<u>3,271,811</u>	<u>3,749,017</u>

Notes 1 to 7 form part of these financial statements.

Mrs Lesley Y C WONG
Director of Accounting Services
25 August 2011



Innovation and Technology Fund

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2011

	Note	2011 HK\$'000	2010 HK\$'000
Cash and bank balances at beginning of year		-	1
Revenue	5	271,625	323,259
Expenditure	6	(748,831)	(721,602)
Deficit for the year		(477,206)	(398,343)
Other cash movements	7	477,217	398,342
Cash and bank balances at end of year		11	-

Notes 1 to 7 form part of these financial statements.

Mrs Lesley Y C WONG
Director of Accounting Services
25 August 2011



Innovation and Technology Fund

NOTES TO THE FINANCIAL STATEMENTS

1. Purpose and Legislation

The Innovation and Technology Fund finances projects that contribute to innovation and technology upgrading in the manufacturing and service industries, as well as those that contribute to the upgrading and development of the manufacturing and service industries. It was established with effect from 30 June 1999 by a Resolution (hereinafter referred to as the Resolution) passed by the Legislative Council under section 29(1) of the Public Finance Ordinance (Cap. 2) on the same date.

2. Accounting Policy

The accounts of the Innovation and Technology Fund are kept on a cash basis. Transactions are recorded when moneys are received or paid.

3. Investments with the Exchange Fund

(i) These are investments and deposits held under paragraph 6 of the Resolution:

	2011	2010
	HK\$'000	HK\$'000
Investments (see (ii) and (iii) below)	3,271,800	3,749,016
Deposits	-	1
	3,271,800	3,749,017
	3,271,800	3,749,017

(ii) The investments represent the cost of investments together with interest of HK\$227 million received in the year ended 31 March 2011.

(iii) Effective from 1 April 2007, the return on the investments is calculated on the basis of the average annual investment return of the Exchange Fund's Investment Portfolio for the past six years or the average annual yield of three-year Exchange Fund Notes for the previous year subject to a minimum of zero percent, whichever is the higher.

4. Commitments

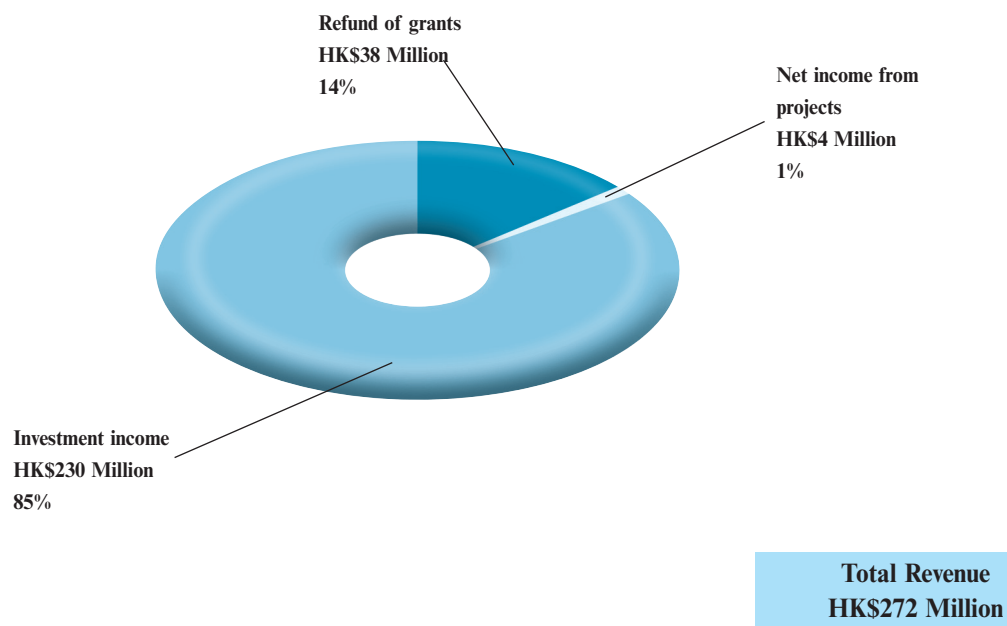
The approved grants that were unpaid as at 31 March 2011 amounted to HK\$1,045 million.

5. Revenue

	2011		2010
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Investment income	215,000	229,595	276,624
Net income from projects	-	3,801	-
Refund of grants	-	38,229	46,635
	215,000	271,625	323,259
	215,000	271,625	323,259

Innovation and Technology Fund

Analysis of Revenue for the year ended 31 March 2011



6. Expenditure

	2011		2010
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Grants	970,489	748,831	721,602

7. Other Cash Movements

These are cash movements arising from changes in other assets and liabilities.

	2011 HK\$'000	2010 HK\$'000
Reduction in Assets:		
Investments with the Exchange Fund	477,217	398,342

Innovation and Technology Fund

Revenue, Expenditure and Fund Balance for the years ended 31 March 2002 to 2011

