

For Information

Legislative Council Panel on Commerce and Industry

The Applied Research Fund

INTRODUCTION

This information paper provides an update on the financial position of the Applied Research Fund (ARF) for the period 1 March to 31 May 2014¹.

BACKGROUND

2. The ARF is a government venture capital fund of \$750 million set up in 1993 to provide funding support to technology ventures and research and development projects that have commercial potential. The Applied Research Council (ARC), a company wholly owned by the Government, was formed specifically to control and administer the ARF. The investments of the ARC fall into two categories: those processed by the then Industry Department before the engagement of venture capital firms in November 1998 and those managed by fund managers thereafter.

3. In 2003, the Administration reviewed the ARF in the context of the development of a strategic framework for innovation and technology² and briefed Members on the result of the review³ in January 2005. The Panel agreed to the winding down of the ARF as proposed. Since then, we have been giving an update to Members on the operation of the ARF on a quarterly basis.

¹ At the Panel meeting on 11 December 2000, the Administration undertook to provide quarterly written reports on the progress of the ARF. This is the 53rd quarterly report.

² Paper ref.: CB(1)1470/03-04(05) entitled "Strategic Framework for Innovation and Technology Development" discussed by the Panel on 13 April 2004 refers.

³ Paper ref.: CB(1)690/04-05(04) entitled "New Strategic Framework for Innovation and Technology Development and Review of the Applied Research Fund" discussed by the Panel on 18 January 2005 refers.

LATEST DEVELOPMENT

Projects processed by the then Industry Department

4. The ARC approved 27 projects in this category with a total amount of \$97 million. As at end May 2014, 25 projects were exited while two projects remained in this category. Among the remaining two projects, all are in the form of loans.

Projects managed through fund managers

5. A total of 24 projects were supported by the ARF through fund managers with approved funding of \$392 million. As at end May 2014, 20 projects were exited while four are still active. Details of the four active ----- investments and their sectoral distribution are at **Annex**.

6. As at end May 2014, the valuation of all the 24 investments made by the fund managers was 61% of the corresponding total investment costs.

CONCLUSION

7. Members are invited to note this paper.

**Commerce and Economic Development Bureau
September 2014**

**List of Active Investments Approved by the Applied Research Council
after the Engagement of Fund Managers in November 1998
(Position as at end May 2014)**

Information Technology

Investee Company	Fund Manager	Technology Area	Funding Approved (HK\$m)
Wisers Information Holdings Company Ltd.	Walden Technology Management (HK) Ltd.	Electronic aggregation and distribution of Chinese language-based content	33.84
iASPEC Technologies Inc. (formerly Uni-tech Systems Engineering Ltd.)	Softech Investment Management Co. Ltd.	System integration, application hosting services	15.55
Total			49.39

Electronics

Investee Company	Fund Manager	Technology Area	Funding Approved (HK\$m)
Dragonchip Limited	Softech Investment Management Co. Ltd.	To design IC chips with embedded Flash memory for consumer electronics applications	17.94
Total			17.94

Telecommunications

Investee Company	Fund Manager	Technology Area	Funding Approved (HK\$m)
CommVerge Solutions Ltd.	Walden Technology Management (HK) Ltd.	Telecom system integration	7.80
Total			7.80

Sectoral Distribution

