

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 2017¹.

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 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 65th 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 DEVELOPMENTS

Investments processed by the then Industry Department

4. The ARC approved 27 investments in this category with a total amount of \$97 million. As at end May 2017, the ARC had exited 25 investments. The remaining two are in the form of loans.

Investments managed through fund managers

5. A total of 24 investments were supported by the ARF through fund managers with approved funding of \$392 million. As at end May 2017, the ARC had exited 21 investments while three were still active. Details of the three active investments and their sectoral distribution are at **Annex**.

6. As at end May 2017, the valuation of the 24 investments made by the fund managers was 59% of the corresponding total investment amount. The valuation of all the 51 investments made since 1993 was 60% of the total investment amount .

CONCLUSION

7. Members are invited to note this paper.

Innovation and Technology Commission
October 2017

**List of Active Investments Approved by the Applied Research Council
after the Engagement of Fund Managers in November 1998
(Position as at end May 2017)**

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
Total			33.84

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

