

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 from 1 June to 31 August 2019¹.

BACKGROUND

2. The ARF is a government venture capital fund of \$750 million set up in 1993 to provide funding support to technology ventures as well as 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: (a) those processed by the then Industry Department before the engagement of venture capital firms in November 1998; and (b) 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 providing 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 74rd 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 August 2019, the ARC had exited 26 investments. The remaining one is in the form of a loan and its details are at **Annex I**.

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 August 2019, the ARC had exited 22 investments while two were still active. Details of the two active investments and their sectoral distribution are at **Annex II**.

6. As at end August 2019, the valuation of the two active investments made by the fund managers together with the proceeds from the 22 exited investments was 66% of the corresponding total investment amount.

7. To conclude, the total valuation of the three remaining investments, together with the proceeds from the exited 48 investments made since 1993, was 66% of the total investment amount.

CONCLUSION

8. Members are invited to note this paper.

Innovation and Technology Commission
December 2019

**List of Investment Approved by the Applied Research Council
before the Engagement of Fund Managers in November 1998
(Position as at end August 2019)**

Information Technology

Investee Company	Type of Investment	Technology Area	Funding Approved (HK\$m)
Citron Technologies Ltd. ¹	Loan	Development of a computer aided design software package	2.70

¹ The company was dissolved and a bankruptcy order was subsequently made against the personal guarantor of the loan. While the bankruptcy order is still in force, the chance for declaration of dividend by the trustee under the Bankruptcy Ordinance (Cap. 6) appears to be slim.

**List of Active Investments Approved by the Applied Research Council
after the Engagement of Fund Managers in November 1998
(Position as at end August 2019)**

Electronics

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

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

Sectoral Distribution

