

**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 September to 30 November 2019<sup>1</sup>.

**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 technology<sup>2</sup> and briefed Members on the result of the review<sup>3</sup> 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.

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<sup>1</sup> 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 75th quarterly report.

<sup>2</sup> 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.

<sup>3</sup> 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 November 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 November 2019, the ARC had exited 23 investments. Details of the remaining one are at **Annex II**.

6. As at end November 2019, the valuation of the remaining active investment made by the fund manager together with the proceeds from the 23 exited investments was 66% of the corresponding total investment amount.

7. To conclude, the total valuation of the two remaining investments, together with the proceeds from the exited 49 investments made since 1993, was 66% of the total investment amount.

## **CONCLUSION**

8. Members are invited to note this paper.

**Innovation and Technology Commission**  
**March 2020**

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

**Information Technology**

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

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<sup>1</sup> 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.

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

**Information Technology**

<b>Investee Company</b>	<b>Fund Manager</b>	<b>Technology Area</b>	<b>Funding Approved (HK\$m)</b>
Wisers Information Holdings Company Ltd.	Walden Technology Management (HK) Ltd.	Electronic aggregation and distribution of Chinese language-based content	33.84