

## **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 2021<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 fund managers 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 82nd 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. All the investments in this category have been exited.

### **Investments managed through fund managers**

5. A total of 24 investments were made by the ARF through fund managers with approved funding of \$392 million. As at end August 2021, the ARC had exited 23 investments. Details of the remaining one are at **Annex**.

6. As at end August 2021, the valuation of the remaining active investment made by the fund manager together with the proceeds from the 23 exited investments was 65% of the corresponding total investment amount.

7. To conclude, the valuation of the remaining one active investment, together with the proceeds from the exited 50 investments made since 1993, was 66% of the total investment amount.

## **CONCLUSION**

8. Members are invited to note this paper. The ARF has only one remaining investee company with the relevant investment mostly divested (i.e. 87% of the original investment has been divested). As such, very little change in the valuation of the ARF is envisaged. Instead of reporting essentially the same information every quarter, we will provide an update to Members upon full exit of the remaining investment.

**Innovation and Technology Commission**  
**September 2021**

**Active Investment Approved by the Applied Research Council  
after the Engagement of Fund Managers in November 1998  
(Position as at end August 2021)**

**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