

**Panel on Commerce and Industry**

**Extract from minutes of the meeting held on 19 April 2011**

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**V. Progress report on the promotion of innovation and technology development in Hong Kong**

(LC Paper No. CB(1)1893/10-11(05) -- Administration's paper on progress report on the promotion of innovation and technology development in Hong Kong

LC Paper No. CB(1)1893/10-11(06) -- Paper on Research and Development Cash Rebate Scheme prepared by the Legislative Council Secretariat (updated background brief)

LC Paper No. CB(1)1893/10-11(07) -- Paper on progress on improving the Innovation and Technology Fund and promotion of use of innovation and technology in the public sector prepared by the Legislative Council Secretariat (updated background brief)

LC Paper No. CB(1)1893/10-11(08) -- Paper on promoting the development of the testing and certification industry in Hong Kong prepared by the Legislative Council Secretariat (updated background brief)

- LC Paper No. CB(1)1893/10-11(09) -- Paper on financial support for Partner State Key Laboratories prepared by the Legislative Council Secretariat (updated background brief)
- LC Paper No. CB(1)1893/10-11(10) -- Extract of minutes of meeting on progress report on the comprehensive review of the Research and Development Centres held on 16 November 2010
- LC Paper No. CB(1)1969/10-11(01) -- Submission from Kowloon Chamber of Commerce  
*(Chinese version only)*  
*(tabled at the meeting and subsequently issued via e-mail on 19 April 2011)*
- LC Paper No. CB(1)1969/10-11(02) -- Submission from The Hong Kong Society of Chinese Medicines)  
*(Chinese version only)*  
*(tabled at the meeting and subsequently issued via e-mail on 19 April 2011)*

### Presentation by the Administration

20. At the invitation of the Chairman, Permanent Secretary for Commerce and Economic Development (Communications and Technology) (PSCED(CT)) briefed members on the progress of Government's effort in promoting innovation and technology, as set out in the Administration's paper (LC Paper No. CB(1)1893/10-11(05)).

### Discussion

21. Dr LAM Tai-fai noted that Government had suggested the Board of the Hong Kong Jockey Club Institute of Chinese Medicine (HKJCICM) to engage consultants to conduct a comprehensive review of the operation of HKJCICM in 2010. He also noted that the report on the review was completed and submitted to the Board of HKJCICM and the Innovation and Technology Commission (ITC) for consideration in March 2011. He enquired about details of the review and the consultants who were engaged to conduct the review.

22. Commissioner for Innovation & Technology (CIT) said that HKJCICM was established in May 2001 as a joint-venture limited company of the Applied Science and Technology Research Institute (ASTRI) and the Hong Kong Jockey Club Charities Limited (HKJCCL) each having 50% share of HKJCICM. The recurrent expenditure of HKJCICM was funded by ASTRI while its R&D expenditure was funded by the Hong Kong Jockey Club Charities Trust. The main reason for putting HKJCICM under ASTRI at the outset was that HKJCICM was a small organization and could benefit from ASTRI's administrative and financial support. However, with the passage of time, ASTRI had increasingly focused its work on information and communications technologies, which was not related in any way to the development of Chinese medicine (CM).

23. CIT further advised that there had been considerable new developments and changes in the CM sector in the past decade, showing that more and more parties (including the Hong Kong Council for Testing and Certification, local universities, Hong Kong Science and Technology Parks Corporation, etc.) had become interested in and were capable of contributing to the development of CM in Hong Kong in various ways. The Administration considered it appropriate to conduct a comprehensive review on the overall situation including the operation of HKJCICM at this stage. The Board of HKJCICM had therefore engaged two retired senior staff of the Executive Officer grade to conduct the review.

24. CIT added that according to the report submitted by the consultants, HKJCICM had made some achievements in the past 10 years. However, its overall cost effectiveness was not satisfactory. On project funding, HKJCICM had supported 18 projects with total funding amount of \$108 million over the last 10 years, which was equivalent to only about one-fifth of HKJCCL's \$500 million funding support to HKJCICM.

25. Ms Emily LAU expressed concern about staff departure of HKJCICM between June and December 2010. She also asked about details of the internal problems of HKJCICM. In response, Deputy Commissioner for Innovation & Technology pointed out that starting June 2010, the ITC and the Board of HKJCICM received an anonymous complaint as well as complaints from staff of HKJCICM respectively about the mismanagement of HKJCICM. In addition, there was a dispute between two senior staff of HKJCICM, and the issue had been referred to the law enforcement agency for investigation. There was also a defamation action among the staff of HKJCICM. Furthermore, a total of 13 staff had tendered their resignations between June and December 2010. The Board members had also been informed that some documents and research records of HKJCICM had been missing. The matter had been

referred to the law enforcement agency for investigation.

26. Noting that there was reasonably wide acceptance of the general population on the use of CM in Hong Kong and the Mainland, Mr Vincent FANG opined that sufficient resources should be deployed to the development of CM as there were huge business opportunities for CM made in Hong Kong, particularly for the Mainland market. He enquired why the Administration had not discovered the internal problems of HKJCICM until ten years after its establishment. He suggested that the Executive Director or the Board of HKJCICM should be invited to explain its internal problems to the Panel.

27. In response, CIT advised that HKJCICM had tried to revamp its strategies and work focus in the past but its performance had not been improved substantially. She added that in the past decade, the research capabilities and infrastructures of local universities in CM area had been enhanced, and the universities had been collaborating to conduct research in CM. Besides, they also explored the feasibility of integrating Chinese and western medicines. The Administration considered it appropriate to review the role of HKJCICM in conducting research in CM.

28. CIT added that since the coordination of work on promoting CM development in Hong Kong had become increasingly complex, the Administration considered that HKJCICM should be disbanded and that a new Government-led committee would be more effective in coordinating the collaboration of all parties in promoting the research and development (R&D) and testing of CM. However, the final outcome would be subject to decision of the two share holders, ASTRI and HKJCCL.

29. Dr LAM Tai-fai had reservation about the disbandment of HKJCICM and the proposed setting-up of a new Government-led committee. Mr Jeffrey LAM also expressed concern whether the Administration had consulted the CM industry and various stakeholders before deciding on the future of HKJCICM. Ms Emily LAU and Mr Andrew LEUNG shared a similar concern. CIT advised that the Administration had met with representatives of the CM industry and local universities conducting research in CM to discuss the issue. Letters from relevant organizations had also been received and the Administration had responded to them accordingly.

30. Mr Andrew LEUNG declared that he was a former Chairman of the Hong Kong Productivity Council (HKPC). He opined that the Administration's proposal to set up a new committee under the Government to coordinate all the relevant work might not be the most suitable and effective way to promote the development of CM in Hong Kong. He suggested that the Administration should consider putting HKJCICM under other organizations,

such as the Hong Kong Science Park or HKPC. CIT responded that other than ASTRI, the Administration had explored the possibility for other organizations to manage HKJCICM but no positive response was received.

31. At the request of Dr LAM Tai-fai and Ms Emily LAU, CIT agreed to provide for members' perusal the consultancy report of the review of HKJCICM, subject to the consent of the Board of HKJCICM.

*(Post-meeting note: The consultancy report of the review of HKJCICM and the supplementary information provided by the Administration were issued, on a confidential basis, to Panel members via LC Paper No. CB(1)2099/10-11(01) on 11 May 2011.)*

32. Summing up, the Chairman concluded that members acknowledged the importance of the development of CM in Hong Kong. However, the future of HKJCICM or the proposal of setting up a new Government-led committee to coordinate all relevant work in promoting the R&D and testing of CM should be carefully studied. The Panel would decide whether a special meeting would be held to invite representatives of the CM industry and the two shareholders of HKJCICM to give views on the subject after examination of the consultancy report.

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