

**立法會**  
***Legislative Council***

LC Paper No. CB(1)829/11-12(04)

Ref. : CB1/PL/CI

**Panel on Commerce and Industry**

**Meeting on 17 January 2012**

**Background brief on  
the Hong Kong Jockey Club Institute of Chinese Medicine  
and development and promotion of Chinese medicine**

**Purpose**

This paper provides background information on the Hong Kong Jockey Club Institute of Chinese Medicine (HKJCICM) and the development and promotion of Chinese medicine (CM) in Hong Kong. It also provides a summary of views and concerns expressed by Members in previous discussions.

**Background**

2. HKJCICM was established in May 2001 as a joint-venture limited company of Applied Science and Technology Research Institute (ASTRI) and the Hong Kong Jockey Club Charities Limited (HKJCCL) each having 50% share of HKJCICM. HKJCICM's mission was to spearhead the development of CM as a high value added industry for Hong Kong through promotion and co-ordination of related activities and strategic support for scientific and evidence-based development programmes. The recurrent cost of HKJCICM was funded by ASTRI while its research and development (R&D) project cost was funded by the Hong Kong Jockey Club Charities Trust. HKJCCL had committed to donate \$500 million to HKJCICM for the purposes of promoting the development of CM in Hong Kong and supporting HKJCICM's research and development projects. The main reason for putting HKJCICM under ASTRI at the outset was that HKJCICM could benefit from ASTRI's administrative and financial support.

3. According to the Administration<sup>1</sup>, there had been considerable new developments and changes in the CM sector in the past decade, including the following:

- (a) according to the report of the Hong Kong Council for Testing and Certification (HKCTC) issued in March 2010, the CM industry was one of the industries that had strong potential demand and opportunity for testing and certification services. HKCTC subsequently selected CM as one of the four trades to focus effort in developing testing and certification services and formed a CM panel to provide a platform for collaboration among stakeholders;
- (b) after years of development, the research capabilities and infrastructures of local universities in CM area had been enhanced. These universities had been collaborating to conduct basic and applied research in CM, as well as exploring the feasibility of integrative Chinese and western medicines;
- (c) the Hong Kong Science and Technology Parks Corporation (HKSTPC) had been actively developing a biotechnology industry cluster in recent years. Apart from the biotechnology buildings completed in the Hong Kong Science Park (HKSP) Phase Two, the preparative work of HKSP Phase Three development was in progress. HKSTPC would promote the further growth of biotechnology (including CM and western pharmaceuticals) as one of its major clusters;
- (d) since 2002, the Hospital Authority (HA) had been collaborating with different non-government organizations and universities to set up 14 CM clinics in phases, to provide modernized CM out-patient services for the public. This would be increased to 18 CM clinics in the near future; and
- (e) there was an increasing interest from western pharmaceutical companies to develop new drugs from CM. They considered that the basic research and clinical trial capabilities of Hong Kong was of international standard and could play an important role in the R&D of new generation of drugs. In addition, the 2011-2012 Budget stated that Hong Kong was well-placed to develop into an international clinical trial centre and a translational research centre. HA would set up Phase I clinical trial centres in Queen Mary and Prince of Wales Hospitals.

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<sup>1</sup> Administration's paper on progress report on the promotion of innovation and technology development in Hong Kong for the Commerce and Industry Panel meeting on 19 April 2011 (LC Paper No. CB(1)1893/10-11(05)).

## **Previous discussions**

### Panel on Commerce and Industry

4. At the meeting of the Panel on Commerce and Industry (the Panel) on 19 April 2011, members noted that the Government had suggested the Board of HKJCICM to engage consultants to conduct a comprehensive review of the operation of HKJCICM in 2010. The review report was completed and submitted to the Board of HKJCICM and the Innovation and Technology Commission for consideration in March 2011. According to the consultancy report of the comprehensive review, despite some achievements made by HKJCICM in the past 10 years, the overall cost of effectiveness of HKJCICM 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. There were also concerns about staff departure and mismanagement of HKJCICM. As there had been considerable new developments and changes in the CM sector in the past decade, showing that more parties had become interested in and were capable of contributing to the development of CM in Hong Kong in various ways, the Administration considered that HKJCICM should be disbanded and that a new Government-led committee would be more effective in co-ordinating the collaboration of all parties in promoting R&D and testing of CM.

5. At the special meeting of the Panel on 14 June 2011, the Panel met with relevant stakeholders in the CM sector to gauge their views on the future direction of HKJCICM in developing and promoting CM. The majority of the deputations raised objection to the disbandment of HKJCICM as this would hinder the development of CM in Hong Kong. Noting the views of the deputations, the Panel passed a motion to express reservation about the disbandment of HKJCICM and the proposed setting-up of a new Government-led committee.

6. At the Panel meeting on 13 October 2011, the Administration provided a response to the motion passed by the Panel at the special meeting on 14 June 2011. Details of the Administration's response is set out in the **Appendix**. Some Panel members said that as there was reasonably wide acceptance of the use of CM in Hong Kong, the Administration should continue to provide strong support to the development and promotion of CM. The Panel requested the Administration to brief the Panel on the follow-up arrangements regarding the disbandment of HKJCICM, including termination of employment of HKJCICM staff, and disposal of intellectual properties, and also the progress of the setting up of the new Government-led committee in the

promotion of research and development of Chinese medicine.

### Council questions

7. At the Council meetings on 11 May, 15 June and 26 October 2011, Members raised questions on the disbandment of HKJCICM and the development of CM afterwards. Members expressed concern whether the Administration would continue to support the development of CM, and asked about the use of the balance of the pledged donation of the Hong Kong Jockey Club (HKJC) to HKJCICM after the disbandment.

8. In response to Members' questions at the Council meetings, the Administration stressed that the disbandment of HKJCICM definitely by no means suggested that it would provide less support to the development of CM. Instead, the new committee to be set up would provide stronger support for R&D and testing of CM in Hong Kong to the benefit of the community. HKJC had also indicated that it would continue to support the development of CM in Hong Kong after the disbandment of HKJCICM. The remaining balance of the \$500 million pledged donation to HKJCICM would be used to support non-profit organizations to conduct CM R&D in Hong Kong.

### **Latest position**

9. The Administration will brief the Panel on 17 January 2012 on the follow-up arrangements regarding the disbandment of HKJCICM.

### **Relevant papers**

Administration's paper on progress report on the promotion of innovation and technology development in Hong Kong for the Commerce and Industry Panel meeting on 19 April 2011

<http://www.legco.gov.hk/yr10-11/english/panels/ci/papers/ci0419cb1-1893-5-e.pdf>

Minutes of the Commerce and Industry Panel meeting on 19 April 2011

<http://www.legco.gov.hk/yr10-11/english/panels/ci/minutes/ci20110419.pdf>

Executive summary of the consultancy report of the review of the Hong Kong Jockey Club Institute of Chinese Medicine and the supplementary information provided by the Administration

<http://www.legco.gov.hk/yr10-11/english/panels/ci/papers/ci0419cb1-2099-1-e.pdf>

Question No. 10 on "Hong Kong Jockey Club Institute of Chinese Medicine" raised by Hon Raymond HO Chung-tai at the Council meeting on 11 May 2011  
<http://www.legco.gov.hk/yr10-11/english/counmtg/hansard/cm0511-translate-e.pdf>

Minutes of the Commerce and Industry Panel special meeting on 14 June 2011  
<http://www.legco.gov.hk/yr10-11/english/panels/ci/minutes/ci20110614.pdf>

Question No. 8 on "Hong Kong Jockey Club Institute of Chinese Medicine" raised by Hon Ronny TONG Ka-wah at the Council meeting on 15 June 2011  
<http://www.legco.gov.hk/yr10-11/english/counmtg/hansard/cm0615-translate-e.pdf>

Minutes of the Commerce and Industry Panel meeting on 13 October 2011  
<http://www.legco.gov.hk/yr11-12/english/panels/ci/minutes/ci20111013.pdf>

Question No. 11 on "Development of Chinese medicines after disbanding the Hong Kong Jockey Club Institute of Chinese Medicine" raised by Hon Priscilla LEUNG Mei-fun at the Council meeting on 26 October 2011  
<http://www.legco.gov.hk/yr11-12/english/counmtg/hansard/cm1026-translate-e.pdf>

Council Business Division 1  
Legislative Council Secretariat  
11 January 2012

**Response to the Legislative Council Panel on Commerce and Industry  
in Respect of the Motion Passed on 14 June 2011**

At the special meeting held on 14 June 2011, the C&I Panel passed the following motion :

"That, this Panel considers that the Administration should not disband the Hong Kong Jockey Club Institute of Chinese Medicine (HKJCICM)."

**Response from the Administration**

***Background***

2. HKJCICM was established in May 2001, with the mission to spearhead the development of Chinese Medicine (CM) as a high value added industry for Hong Kong through promotion and coordination of related activities and strategic support for scientific and evidence-based development programmes. It was set up under the Companies Ordinance as a subsidiary of the Hong Kong Applied Science Technology Research Institute Company Limited (ASTRI), with Hong Kong Jockey Club (via its Hong Kong Jockey Club (Charities) Limited (HKJCCL)) and ASTRI each holding 50% of the shares.

3. In recent years, there have been considerable new developments in the CM sector. Government hence considers it opportune to conduct a comprehensive review on how to more effectively promote the development of research and development (R&D) and testing of CM in Hong Kong. The scope of the review included the current situation and needs of the CM sector, the most effective way to integrate the efforts of Government, industry, academic and research sectors to cope with future development needs, and the role and cost-effectiveness of HKJCICM after a decade of operation. The Review Report was submitted to the HKJCICM Board and the Innovation and Technology Commission (ITC) for consideration in March 2011. In brief, the Report shows that :

- (a) The cost-effectiveness of the Institute has not been as good as envisaged when it was first set up. On the financial side, the Institute has spent/committed around \$108 million on projects (funded by HKJCCL) over the last decade. This will mean an average project spending of around \$10 million per year (with variations from year to year). The recurrent cost of running the Institute earmarked by ASTRI since 2008/09 was some \$10 million a year [actual expenditure in 2009/10 was \$8.65 million]. Thus roughly, the ratio between project cost and operating cost is near 1:1 and this is undesirable. On the output side, there are not projects which have brought along great impact (an important project is the production of chemical markers. But due to missing documents and doubts on the quality of chemical markers, sales has been suspended) ;
- (b) Due to its small establishment (with only some 20 employees), HKJCICM has not been able to create a critical mass. Although it has tried to make changes in its strategic direction and work priorities at different stages over the years, the outcome was less than desired;
- (c) In the past decade there have been considerable new developments and changes in the CM sector, indicating that more and more parties have become interested in and are capable of contributing to the development of CM in Hong Kong in various ways, e.g. the establishment of the Hong Kong Council for Testing and Certification in 2009 with CM designated as one of its four selected trades with good potentials, the research capabilities and infrastructure of local universities in CM area have been enhanced after years of development, the Hong Kong Science and Technology Parks Corporation has been actively developing a biotechnology (including CM and western pharmaceuticals) cluster in recent years; and
- (d) The reason for putting HKJCICM under ASTRI at the outset was that HKJCICM could then benefit from ASTRI's administrative and housekeeping support. However, with the passage of time,

ASTRI has increasingly focused its work on information and communications technologies (ICT) which are not related in any way to the promotion of CM development.

4. The Review has explored three options for the future of HKJCICM, namely (1) maintaining the status quo; (2) complete revision of HKJCICM's roles and functions; and (3) setting up of a new committee under Government to coordinate the development and promotion of CM and disbandment of HKJCICM.

5. ITC considers that Option (3) is most desirable. Since the coordination work on promoting CM development in Hong Kong has become increasingly complex, a new Government-led committee will be needed to coordinate the collaboration of all parties in promoting the R&D and testing of CM to meet the future needs of Hong Kong. It will also resolve the issue of HKJCICM being a subsidiary of ASTRI which focuses on ICT and does not have expertise in CM.

6. Furthermore, since mid-2010, a number of incidents have revealed internal management problems of HKJCICM, e.g. various complaint cases (including anonymous and non-anonymous), missing of documents and about half of the Institute's staff resigning within a short period of time. There has also been involvement of law enforcement agencies. The image as well as the operation of the Institute have inevitably been affected. A brief chronology of events we submitted to the Panel earlier this year is at [Annex 1](#).

### ***Latest Development***

7. As stated previously at the C&I Panel meeting, the decision on the future of HKJCICM rested with HKJCCL (or the HKJC) and ASTRI. We have hence submitted all relevant information (e.g. the Review Report, feedbacks from stakeholders, views of ITC, etc.) to the two shareholders for deliberation.

8. After in-depth review of the role of HKJCICM in Hong Kong against the rapidly changing environment in CM and taking into



consideration the new strategy put forward by the Government on promoting CM through a Government-led committee, the ASTRI Board of Directors has decided to disband the HKJCICM. The ASTRI Board has also concluded that since the current focus of ASTRI is on ICT, ASTRI should concentrate its energy and resources on its core business instead of CM.

9. The other shareholder, the HKJC has also decided to endorse Government's proposal to disband HKJCICM. It however stresses that despite the disbandment, it is committed to supporting the development of CM in Hong Kong. Recognizing the value and importance of CM to the community, it will continue its commitment of funding worthwhile CM projects in Hong Kong after the disbandment of HKJCICM. Currently, about \$400 million out of the \$500 million earmarked for supporting CM R&D projects remains unused. To facilitate the continued development of CM in the community, HKJC would use the remaining balance of the funds to support non-profit organizations to conduct CM R&D in Hong Kong.

10. Following the endorsement of the two shareholders, ITC and the two shareholders issued press releases on 28 September 2011 to announce the decision to disband HKJCICM and the setting up of a Government-led committee ([Annex 2](#)).

### *Way Forward*

11. With the decisions made by the two shareholders, ITC is now working with the management of the shareholders on the disbandment of HKJCICM. It will cover issues such as appointment of the liquidator as necessary, staff arrangements, disposal of assets/unspent funds/intellectual properties, etc. On the staffing side, HKJCICM now only has 9 employees. Contracts of staff of HKJCICM will be dissolved in accordance with existing contractual provisions and the Employment Ordinance. Before the announcement of the decision on the disbandment of HKJCICM, a briefing was given to staff to explain to them the decision of the shareholders and to solicit their assistance in the preparation for the dissolution of the company. They were assured that

termination of employment would be made in accordance with their contracts and the relevant laws of Hong Kong.

12. In parallel, we have started work on the setting up of the Government-led committee, to better coordinate the collaboration of all parties involved in CM development. It will be chaired by the Commissioner for Innovation and Technology, with wider representation to coordinate the efforts of Government, industry, the academic and R&D sectors involved in CM.

13. The Government would like to stress that the disbandment of HKJCICM definitely by no means suggests that less support will be given to the development of CM by Government. Instead, the new institutional set-up will be a better means to provide stronger support for R&D and testing of CM in Hong Kong to the benefit of our community.

Innovation and Technology Commission  
October 2011

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**Chronology of Major Events Relating to**  
**Hong Kong Jockey Club Institute of Chinese Medicine (HKJCICM)**  
**Since June 2010**

<b><u>Item</u></b>	<b><u>Date</u></b>	<b><u>Events</u></b>
1.	3 June 2010	Anonymous complaint containing various complaints against the Management of HKJCICM received.
2.	21 July 2010	Complaint signed by 12 staff of HKJCICM against the Management received.
3.	22 July 2010	Findings of investigation conducted by the Innovation and Technology Commission (ITC) on the anonymous complaint circulated to the HKJCICM Board.
4.	23 July 2010	ITC and Applied Science and Technology Research Institute (ASTRI) met HKJCICM staff on the anonymous complaint and listened to staff's views on the operation of the HKJCICM.
5.	28 July 2010	Staff A reported to the HKJCICM Board on a threat incident by Staff B.
6.	30 July 2010	HKJCICM Board met to discuss the complaints from staff. It was agreed that two directors should meet Staff B before the Board discussed the matter further.
7.	1 August 2010	Another letter by Staff A to the HKJCICM Board on the inappropriate behavior of Staff B.
8.	4 August 2010	Two Directors met with Staff B as agreed by the Board of Directors. On the same day, the two directors also met other staff of HKJCICM.

<u>Item</u>	<u>Date</u>	<u>Events</u>
9.	10 August 2010	<p>HKJCICM Board met and discussed the investigation report on the anonymous complaint, staff complaints as well as the latest actions taken regarding the staff complaints.</p> <p>The Board invited ASTRI to conduct investigation to the complaints received.</p> <p>It was agreed that ASTRI and ITC would meet all staff of HKJCICM, and ASTRI would meet Staff A and B separately.</p>
10.	19 August 2010	<p>ASTRI and ITC met staff of HKJCICM.</p> <p>ASTRI met Staff A and B.</p>
11.	25 August 2010	<p>Another complaint letter signed by 12 staff members of HKJCICM against the Management was received.</p>
12.	31 August 2010	<p>Staff A reported that a complaint letter dated 25 Aug 2010 had been widely circulated using email accounts that carried his/her name without consent. Staff A reported the case to the Police.</p>
13.	28 September 2010	<p>The HKJCICM Board discussed the staff complaints and accepted the investigation report by ASTRI.</p> <p>The HKJCICM Board agreed to proceed with a comprehensive review and to engage two experienced administrators for the task.</p>
14.	29 September 2010	<p>ITC and ASTRI briefed HKJCICM staff on the Board's deliberations on the investigation report.</p>
15.	October 2010	<p>9 HKJCICM staff resigned.</p>
16.	8 November 2010	<p>Consultants made a progress report on the comprehensive review to the HKJCICM Board.</p>

<u>Item</u>	<u>Date</u>	<u>Events</u>
17.	10 March 2011	HKJCICM Board met. Consultants submitted the Report on Comprehensive Review of the Hong Kong Jockey Club Institute of Chinese Medicine to the HKJCICM Board. Management tabled Management's Comments on Report on Comprehensive Review of the Hong Kong Jockey Club Institute of Chinese Medicine at the meeting.
18.	18 March 2011	Consultants submitted their Response to Views and Comments made by the Management and the Board of Directors.
19.	28 April 2011	HKJCICM issued Management's Comments on Consultants' Response.

Innovation and Technology Commission  
May 2011

## Press Releases

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New Government committee to co-ordinate promotion of R&D in Chinese medicines

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The Innovation and Technology Commission today (September 28) announced that the Government will form a new committee to spearhead and promote research and development (R&D) and testing of Chinese medicines in Hong Kong.

The announcement was made following the endorsement by the two shareholders of the Hong Kong Jockey Club Institute of Chinese Medicine Limited (HKJCICM) - the Hong Kong Applied Science and Technology Research Institute Company Limited (ASTRI) and the Hong Kong Jockey Club (Charities) Limited (HKJCCL) - to disband the HKJCICM.

A spokesman for the Commission said, "The new institutional set-up is a means to provide stronger support for R&D in Chinese medicines by enhancing the collaboration of relevant stakeholders. In addition, it will explore business opportunities for the testing industry in Chinese medicines which is one of the four selected trades identified by the Hong Kong Council for Testing and Certification. The disbandment of the HKJCICM by no means suggests that less support will be given to the development of Chinese medicines by Government.


"The new committee on Chinese medicines will be chaired by the Commissioner for Innovation and Technology. It will have cross-sectoral membership from the Government, industry, academic and R&D institutions involved in Chinese medicines."

Regarding funding, the spokesman said the Government will continue to support the development of Chinese medicines through the Innovation and Technology Fund, which has an uncommitted funding balance of some \$2.1 billion.

"The Commission thanks HKJCCL for agreeing to continue to support the development of Chinese medicines in Hong Kong. The Commission also thanks the past and current Directors of the Institute for their contributions towards the promotion of Chinese medicines R&D in Hong Kong over the past decade," the spokesman added.

Ends/Wednesday, September 28, 2011  
Issued at HKT 18:48

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## ASTRI announces disbandment of Institute of Chinese Medicine

[Hong Kong, 28 September 2011] The Board of the Hong Kong Applied Science and Technology Research Institute Company Limited ("ASTRI") today (28 September) announced the decision to disband its subsidiary, the Hong Kong Jockey Club Institute of Chinese Medicine Limited ("HKJCICM"). The decision has been made in concurrence with that of Hong Kong Jockey Club (Charities) Limited ("HKJCCL"). ASTRI and HKJCCL each hold 50% of the shares of HKJCICM.

The resolution was reached by the ASTRI Board after an in-depth review of the role of the HKJCICM in Hong Kong against the rapidly changing environment in Chinese medicine and taking into consideration of the new strategy put forward by the Hong Kong SAR Government on promoting Chinese medicine through a Government-led committee.

The ASTRI Board has also concluded that since the current focus of ASTRI is on Information and Communications Technologies, ASTRI should concentrate its energy and resources on this core business instead of Chinese medicine.

Dr Patrick Wang Shui-chung, Chairman of the ASTRI Board, said, "On behalf of ASTRI, I wish to thank all past and present Board members and staff of HKJCICM for all their contributions in promoting Chinese medicine in the past years."

The HKJCICM was set up under the Companies Ordinance in May 2001.

- END -

The press release is dispatched by ASTRI. For enquiries, please contact:

Mr David Poon      Tel: (852) 3406 2877      Email: davidpoon@astri.org

**From:** HKJC, Media Release

**Sent:** Wednesday, September 28, 2011 7:26 PM

**To:** HKJC, Media Release

**Subject:** Club continues to support development of Chinese medicine in Hong Kong

28 / 09 / 2011

### **Club continues to support development of Chinese medicine in Hong Kong**

The Hong Kong Jockey Club is committed to supporting the development of Chinese medicine in Hong Kong, despite the disbandment of the Hong Kong Jockey Club Institute of Chinese Medicine (ICM).

The Jockey Club, an ICM shareholder responsible for funding its research and development projects, announced today (28 September) that it has decided to endorse the Government's disbandment proposal. The Hong Kong Applied Science and Technology Research Institute (ASTRI), the other ICM shareholder responsible for its operating expenses, also announced its decision to endorse the disbandment today.

Recognising the value and importance of Chinese medicine to the community, the Jockey Club will continue its commitment of funding worthwhile Chinese medicine projects in Hong Kong after the disbandment of ICM. At present, approximately HK\$400 million out of the HK\$500 million earmarked for supporting ICM's research and development projects remains unused. To facilitate the continued development of Chinese medicine in our community, the Club will use the remaining balance of the funds committed to ICM to support non-profit organisations to conduct Chinese medicine research and development in Hong Kong.

In addition to the \$500 million donation to ICM, the Club has over the past years contributed over \$125 million for various projects to promote the development of Chinese medicine in Hong Kong. They include the construction of the School of Chinese Medicine Building of the Hong Kong Baptist University, the traditional Chinese Medicine out-patient clinics and dispensary at Kwong Wah and Tung Wah Hospitals, as well as a Chinese Herbs Garden of the Hong Kong Sheng Kung Hui Lady MacLehose Centre.

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