

HONG KONG APPLIED SCIENCE AND TECHNOLOGY
RESEARCH INSTITUTE COMPANY LIMITED
香港應用科技研究院有限公司



Your Ref. : CB(3)/PAC/R48
Tel No. : 2680 1808
Fax No. : 2667 1919

30 April 2007

Clerk to Public Accounts Committee
Legislative Council
Legislative Council Building
8 Jackson Road
Central
Hong Kong

(Attn : Ms Serena CHU)

Dear Ms CHU,

**The Director of Audit's Report on the
results of value for money audits (Report No. 48)**

**Chapter 2: Administration of Hong Kong Applied Science and
Technology Research Institute Company Limited (ASTRI)**

Thank you for your letter of 27 April 2007. The information requested is provided as follows -

- (a), Because of the short notice given, it is not possible for me to
- (b) provide answers to these very important questions without & consulting the Board. The ASTRI Board will certainly consider
- (c) these important issues and provide a response to the PAC as soon as possible.

- (d) The current membership lists of the Board, the Finance and Administration Committee, the Technology Committee and the Audit Committee and the terms of reference of the three committees are at Annex 1.

- (e) The duties and curricula vitae of the Chief Financial Officer, Director of Administration and Director of Human Resources are at Annex 2.

- (f) The “reward system” for a staff member includes: a discretionary year-end performance-based variable payment subject to a ceiling of 15% of their annual fixed salary; annual salary adjustment which is based on the performance rating of the staff member concerned; promotion opportunities for high performers.

The “punishment system” for less than satisfactory performance of a staff member includes: a lower variable payment; a lower annual salary adjustment; non-renewal of service contract upon expiry; or even immediate termination of service contract.

- (g) A copy of the Memorandum of Administrative Arrangement between the Government and ASTRI on the administration of subvention is at Annex 3.

A copy of the Memorandum of Administrative Arrangement between the Government and ASTRI on the administration of the funding from the Innovation and Technology Fund for the research and development projects of ASTRI is at Annex 4.

A copy of ASTRI’s Corporate Governance Manual is at Annex 5.

A copy of ASTRI’s Procedure Manual is at Annex 6.

- (h) The Board had on two occasions discussed the subject concerning the renewal of contract with the former Chief Executive Officer. The first was at a Special Review Committee meeting held on 19 January 2007 and the second at a Board meeting held on 20 March 2007. The relevant minutes are at Annex 7 for your reference.

- (i) The minutes of the meeting recording the Board’s decision in 2004 to set aside \$10 million for a staff incentive scheme to reward 23 staff are at Annex 8.

- (j) Directors are invited to make their declarations of interest upon their appointment to the Board, and to update the declarations every year. Before the relocation of the ASTRI headquarters in April 2006, the last updating exercise was done in September 2005. During the office relocation, the register of Directors’ declarations interest since April 2003 was lost. With the appointment of a new term of ASTRI Board of Directors in October 2006, all reappointed and newly appointed Directors have been invited to declare their interests in October 2006.



Please note that Annexes 3 to 8 were prepared in English only. We would like to request that the confidentiality of all the documents at Annexes 7 to 9 be observed and that such documents be used solely for the purposes of the Public Accounts Committee's hearing of the captioned report.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Allan Wong", written in a cursive style.

(Dr Allan Wong)
Chairman
Board of Directors

c.c. Secretary for Commerce, Industry and Technology (Attn: Mr Joseph W P Wong)

Permanent Secretary for Commerce, Industry and Technology
(Communications and Technology) (Attn: Mr Francis Ho)

Commissioner for Innovation and Technology (Attn: Mr Anthony S K Wong)

Secretary for Financial Services and the Treasury (Attn: Miss Amy Tse)

Director of Audit (Attn: Mr Tony Ng)

**Note by Clerk, PAC: Part of Annex 2 (i.e. the curricula vitae of the Chief Financial Officer, Director of Administration and Director of Human Resources) and Annexes 3 to 8 not attached.*

**Membership List of the Board of Directors of
Hong Kong Applied Science and Technology Research
Institute Company Limited
(as at 30 April 2007)**

Chairman

Dr Allan Wong Chi Yun, SBS, JP

Non-official Members

Mr Chai Ngai Chiu, Sunny

Mr George N Chung, JP

Dr Chung Chi Ping, Roy, JP

Dr Lam See Pong, Patrick

Mr Leung Kwong Han, Henry

Mr Leung Kwong Wai, Humphrey

Dr Lui Chiu Tong, Jacqueline

Mr Luk Koon Hoo, Roger, BBS, JP

Prof Vincent Y Shen

Mr Sun Po Yuen, Richard

Mr Tang Chung Yen, Tom, JP

Mr Tsang Yuk Wong, Henry

Mr Wang Shui Chung, Patrick, JP

Mr Wong Chung Mat, Benedict, MH

Mr Wong King Fai, Peter

Prof Wong Wing Shing

Official Members

Mr Francis Ho, JP

Mr Anthony S K Wong, JP

Finance and Administration Committee

(as at 30 April 2007)

Membership (Total : 6)

Chairman

Mr Luk Koon Hoo, Roger, BBS, JP

Members

Dr Chung Chi Ping, Roy, JP

Mr Leung Kwong Han, Henry

Mr Tang Chung Yen, Tom, JP

Mr Tsang Yuk Wong, Henry

Mr Anthony S K Wong, JP

Terms of Reference

The Finance and Administration Committee is to oversee ASTRI's finance and administration matters which include the following main functions :

- (a) to recommend the annual budget to the Board for consideration and adoption;
- (b) to approve the financial, accounting and procurement procedures for adoption and to oversee the development of such procedures;
- (c) to monitor the financial performance of ASTRI and to ensure that funds made available to it are properly expended and accounted for;
- (d) to recommend the organisational structure and staffing framework of ASTRI to the Board for consideration and adoption;
- (e) to recommend the terms and conditions of service of all staff (including remuneration, allowances, annual salary adjustment, etc.) and other major personnel policies to the Board for consideration;
- (f) to approve the personnel management procedures for adoption and oversee the development of such procedures;

- (g) to receive regular reports on staff movement (such as appointment, resignation, dismissal, etc.) and related issues on all ASTRI staff;
- (h) to recommend the establishment of Corporate Governance Policy to the Board for approval;
- (i) to assist the Board in overseeing ASTRI's commercialisation of technologies, including licensing activities; and
- (j) to advise the Board on any other finance, staffing and administrative matters.

Technology Committee

(as at 30 April 2007)

Membership (Total : 12)

Chairman

Prof Wong Wing Shing

Members

Mr Chai Ngai Chiu, Sunny

Mr George N Chung, JP

Dr Lam See Pong, Patrick

Mr Leung Kwong Han, Henry

Mr Leung Kwong Wai, Humphrey

Prof Vincent Y Shen

Dr Wang Shui Chung, Patrick, JP

Dr Allan Wong Chi Yun, SBS, JP

Mr Wong King Fai, Peter

Mr Francis Ho, JP

Mr Anthony S K Wong, JP

Terms of Reference

The Technology Committee is to oversee the research initiatives of ASTRI. Its main functions include :

- (a) to advise the Board on the overall strategy of ASTRI's research programme;
- (b) to advise the Board on the research projects to be undertaken by ASTRI;
- (c) to monitor the implementation of ASTRI's research projects;
- (d) to evaluate the effectiveness of ASTRI's research projects;
- (e) to handle any other matters relating to ASTRI's research programme; and
- (f) to assist the Board in overseeing ASTRI's commercialisation of technologies.

Audit Committee
(as at 30 April 2007)

Membership (Total : 5)

Chairman

Mr Sun Po Yuen, Richard

Members

Mr Chai Ngai Chiu, Sunny

Dr Chung Chi Ping, Roy, JP

Mr Wong Chung Mat, Benedict, MH

Mr Anthony S K Wong, JP

Terms of Reference

The duties of the Committee shall be :

- (a) to review the company's accounting policies and procedures, and to ensure the adequacy of internal audit controls are in place in the Company;
- (b) to review the internal audit programme and the performance of the internal audit functions;
- (c) to consider the major findings of internal investigations and management's response;
- (d) to ensure coordination between the internal and external auditors, and that the audit function is adequately resourced and maintains its independency;
- (e) to consider the appointment of the external auditor, the scope of service, the audit fee, and any questions of resignation and dismissal;
- (f) to monitor and assess the performance of the external auditor;
- (g) to review the external auditor's results of auditing and the management's response;

- (h) to review the interim and annual financial statements before submission to the Board, focusing on:
 - (i) any changes in accounting policies and practices;
 - (ii) major judgemental areas;
 - (iii) significant adjustments resulting from the audit;
 - (iv) the going concern assumption;
 - (v) compliance with internal policies, accounting standard and legal requirements; and
- (i) to discuss problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss (in the absence of management where necessary).

**Duty list of the
Chief Financial Officer
– Ernest Wong (Level 1)**

- Head the Accounting, Business Strategy, Legal and Industrial & Marketing Research Departments and assist the Chief Executive Officer in overseeing all financial and technical dissemination related business matters in relation to the operation of ASTRI;
- Responsible to Chief Executive Officer for financial management matters including financial reporting, forecast, liaison with external auditors and other service providers;
- Oversee the business development of ASTRI by providing strategic advice to individual research teams and monitoring the overall business development process including licensing arrangement, contract research, spin-offs, etc.
- Handle technical dissemination and services, including technical service contract management, financial support and database management; and
- *Conduct industrial and market research and related analysis.*

**Duty List of
Director of Administration – Level 2
(Victor Chin)**

- As Board Secretary, provides secretariat support to ASTRI Board and its Committees;
- Supervises the Procurement Department which is responsible for procurement of goods and services as well as inventory control;
- Supervises the Administration Department which provides general administrative support (e.g. receipt and dispatch services, reception service, transportation service, pantry service, etc.) to the headquarters and R&D groups;
- Supervises the Facilities Department which looks after the office accommodation, building maintenance, security and office safety of ASTRI; and
- As Complaints Officer of ASTRI to deal with public and staff complaints.

**Duty List of Director, Human Resources – Level 3
(Kitty Lam)**

- Supervise the Human Resources Department and report to the CEO;
- Assist CEO in overseeing and provision of Human Resources Services;
- Plan ASTRI human resources and competences development according to ASTRI strategy;
- Design and supervise Human Resources processes, including recruiting, hiring, training, compensation and benefits, goal-setting and performance appraisal, leave management, time management, duty travels, payroll operations, annual gratuity, etc.; and
- Advise ASTRI executives on human resources best practices.