

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

24 May 2007

Clerk to Public Accounts Committee,
Public Accounts Committee,
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 22 May 2007 to Dr. Allan Wong Chi-Yun, Chairman of the ASTRI Board of Directors. The information requested is provided as follows –

- (a) A copy of the minutes of the Special Board meeting held on 16 May 2007 will be forwarded to you once ready.
- (b) Information to be provided once available.
- (c) Information to be provided once available.
- (d) (i) The transition from the spin-off model to the non-exclusive licensing model has been ongoing since 2003. The last successful spin-off project, which commenced in 2002, was completed in April 2004.

- (ii) When we considered at an earlier stage the Audit recommendation that ASTRI should take action to ensure that NDAs are signed by all Directors for all projects undertaken by the institution, we considered it fundamental to first address the question of safeguarding the interests of the Company, having regard to the fiduciary duty of its Directors. The focus of our comment on the Audit recommendation was therefore on whether ASTRI's interests would be prejudiced if a Director was not made a party to the NDA.

- (e) A table showing the positions and pay band levels of the 18 staff who received salaries higher than the maximum of their respective pay bands as at November 2006 is at Annex I.

- (f) Information to be provided once available.

- (g) ASTRI is evaluating centralized solutions to integrate ASTRI's various management and accounting systems. As an interim measure, ASTRI is now working with a local software provider to implement a standard new time card system for R&D teams as soon as possible.

- (h) Regarding Audit recommendations as stated in paragraphs 4.35 (b) and (c) of the Audit Report, ASTRI has already put in place a review process that monitors all projects at least once a month. In paragraph 4.35 (d) of the Report, ASTRI is now reviewing the procedures with an aim to expedite the preparation and submission of the audited accounts. For instance, instead of submitting the reports to the ASTRI's Audit Committee (which meets half-yearly) and then the Board of ASTRI (which meets quarterly) for endorsement by Directors at the Committee/Board meeting, consideration may be given to obtain endorsement from the Audit Committee and Board through circulation of papers. ASTRI will also introduce measures to speed up the internal processing of the reports. As regards paragraph 4.35(f), ASTRI's Planning Manager has alerted all R&D teams to review if they need to apply for project extension after the lapse of half of the project period.

- (i) Information to be provided once available.

- (j) Information to be provided once available.

- (k) According to the ASTRI Governance Manual, for any single purchase below HK\$10,000, the user is normally expected to obtain more than one quotation for price comparison purpose. For any purchase over

HK\$50,000 but below HK\$1,000,000, at least three quotations are required. Normally, the lowest quotation should be selected.

For the first case which took place in April 2002, the only record we can find is an accounting voucher, a copy of which is at Annex II.

For the second case which took place in June 2004, our records indicate that the then Procurement Manager had obtained verbal quotations from three feng shui consultants, who submitted quotes at HK\$10/ft², HK\$25/ft² and HK\$3/ft². The finalised quotation from the selected consultant at HK\$2.2/ft² reached after negotiation is at Annex III. Copies of the subsequent invoice from the consultant and the payment advice from ASTRI are at Annexes IV and V respectively.

For the last case, copies of the procurement application form with the three quotations shown, the confirmed quotation from the selected feng shui consultant, the purchase order issued to the consultant by ASTRI, the invoice from the consultant and the payment advice are at Annexes VI to X.

Since the quotations and charges of the feng shui consultants are commercially sensitive information, the name of the consultants cannot be disclosed in this reply.

Yours sincerely,



(Victor Chin)
for 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: Annexes II to X not attached.*

Annex I

**Positions and pay band levels of the 18 R&D staff
who received salaries higher than the maximum of
their respective pay bands as at November 2006**

Staff No.	Level	Title
1	3	Director
2	3	Director
3	3	Senior Manager
4	3	Director
5	3	Senior Manager
6	5	Engineer
7	5	Engineer
8	5	Engineer
9	5	Engineer
10	5	Engineer
11	5	Engineer
12	5	Engineer
13	5	Engineer
14	5	Engineer
15	5	Engineer
16	5	Engineer
17	5	Engineer
18	5	Engineer