

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

13 June 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 8 June 2007. The information required by the PAC is as follows -

- (a) during 2004-05 and 2005-06, the Finance and Administration Committee (FAC) had held meetings on 3 June 2004, 1 September 2004, 30 May 2005, 31 August 2005 and 1 December 2005. No FAC meetings in other forms were held during the same period;
- (b)
 - (i) a copy of the Internal Audit Reports as mentioned in the 27th Board meeting held on 18 September 2006 is at Annex;
 - (ii) the scope of work of the audits conducted during the period from January to June 2006 is set out in the respective Audit Reports. The areas covered by the reports include -
 - review of the management of consumable items;
 - follow up review of the group medical insurance service contract;

- follow-up review of the agreed actions regarding the establishment and operation of financial accounting policy and procedures;
 - review of management of the payment process and accounts payable;
 - follow-up review of the confidentiality and classification of information;
 - review of the office relocation contract including the fitting-out and system furniture contracts;
 - follow-up review of the Institute of Chinese Medicine's project management process;
 - recurrent review of the procurement management process;
 - follow-up review of the management of staff payroll process; and
 - follow-up of the procurement review conducted by ICAC.
- (iii) ASTRI Internal Audit's conclusion in June 2006 was based on the ten audit projects completed during the period January to June 2006 as mentioned in (ii) above. These audit projects did not include corporate governance, remuneration and recruitment, project management, project cost control and general administration. Having regard to the findings of these ten completed audits, Internal Audit concluded that adequate controls in respect of the areas studied were already in place and that some improvement options could be considered, as elaborated in the reports; and
- (c) the reasons for not filing any patent application for the six completed projects referred to in paragraph 7.8(b) of the Audit Report are listed below -
- (i) Project A (AST/001 Interactive Technology for Online Learning of Spoken English) - ASTRI's role in this project is to commercialize technology from the Hong Kong University of Science and Technology (HKUST) and to integrate the teaching materials from the Hong Kong Polytechnic



University (PolyU) into ASTRI's English teaching software. The right to patent the core technology rests with HKUST;

- (ii) Project K (AST/009 MSM Photodetectors for High Speed Short Distance Optical Interconnect Packaging Solutions) - there were three patent applications filed for this project. In the data presented to the Audit Commission, ASTRI's Intellectual Property Department broadly group the patent applications under AST/002 (R&D of Glass and Polymer Technology for Optical Subassembly) because the patents were sold to SAE as part of the photonics group spin off in 2004. There should be three patent applications for AST/009 and four patent applications for AST/002;
- (iii) Project L (AST/012 Enterprise Voice Data Management Switch) - one patent application was filed for this project in February 2005. In the data presented to the Audit Commission, ASTRI's Intellectual Property Department broadly, but incorrectly, grouped the patent application under AST/012 to Project AST/006 (Enterprise Mobility Exchange Server) as both projects were conducted under the same technology leadership and were related to enterprise voice solution. Project AST/012 focused on the hardware acceleration of voice switching in enterprise environment. Project AST/006 focused on the software implementation and management of enterprise voice switching. After making corrections, there should be one patent application for AST/012 and five patent applications for AST/006;
- (iv) Project N (AST/014 Equipment for Photonic Technology Infrastructure) - this project does not involve any new intellectual property;
- (v) Project R (AST/018 Portable Multimedia Device Platform) - although there was no patent application filed in this project, intellectual properties, including reference design and computer code, developed in this project have successfully been licensed. The intellectual properties developed are protected by copyright and trade secret; and
- (vi) Project U (AST/021 Intelligent Multimedia Communication Platform) - No patent application was filed in this project. Intellectual properties, including reference design and



computer code, developed in this project have successfully been licensed. The intellectual properties developed are protected by copyright and trade secret.

Yours sincerely,

A handwritten signature in black ink, appearing to be "Victor Chin", written over a horizontal line.

(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: Annex not attached.*