

HONGKONG | JAPAN

BUSINESS CO-OPERATION
COMMITTEE

ANNUAL REPORT

2012/2013



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1. INTRODUCTION

The Hong Kong-Japan Business Co-operation Committee (HK-JBCC) and its counterpart, the Japan-Hong Kong Business Co-operation Committee (J-HKBCC), were established in 1979. The Committee organises high level business-to-business dialogue to foster understanding between the business communities of Hong Kong and Japan. It also promotes trade, investment and other economic co-operation between the two territories.

The Hong Kong Trade Development Council (HKTDC) acts as the Secretariat for the Hong Kong committee and the Japan Business Federation (formerly known as the Keidanren) serves as the Secretariat for the Japan committee. The two committees are represented by the business leaders from a broad spectrum of trade and industry. Members of the committees meet once a year to enhance mutual understanding and explore new dimensions that can broaden and deepen business partnership between Hong Kong and Japan.

It is the priority of the Hong Kong-Japan Business Co-operation Committee to explore new dimensions in Hong Kong's economic relations with Japan and to act as a catalyst for a broader and deeper business partnership. The Committee has also undertaken to explore ways of promoting Hong Kong as a trade and service platform for Japanese companies to make an inroad in the Chinese and Asian markets.

2. MEMBERSHIP

The Chairman of the Hong Kong Committee is Dr Jonathan Choi Koon-shum, BBS, JP. Members are business leaders of various service and product industries in Hong Kong.

A. Changes in Membership

a. Chairman of Main Committee

Dr Jonathan Choi Koon-shum, BBS, JP was re-appointed by the Chief Executive of the HKSAR to serve as Main Committee Chairman on 20 September 2012.

b. Main Committee

Changes during Annual General Meeting 2012

According to Clauses 28 and 29 of the Articles of Association the one-third of members (i.e. a total of five members) who have served the longest since their last re-election must retire in the 31st Annual General meeting.

The five members who will be invited to offer themselves for re-election include Mr Allan Wong and the four with the same re-election date, namely Ms Pansy Ho, Dr Sarah Liao, Mr Daryl Ng, Dr Stephen Tai, Mr Michael Wu, and Mr Thomas Wu.

As governed by the Articles, the second, third, fourth and fifth member to stand for re-election will be determined by lot. As agreed by the Chairman, Dr Jonathan Choi, the lot was conducted by the Secretariat on 21 August 2012.

As a result, the following five members were identified for retirement in the Annual General Meeting:

Dr Sarah Liao	Mr Thomas Wu
Ms Pansy Ho	Dr Stephen Tai
Dr Allan Wong	

Dr Sarah Liao and Ms Pansy Ho, two of the retiring Directors, have not offered themselves for election. The other three have offered themselves for re-election and were re-elected through resolutions in writing by all members of the Committee passed in lieu of the 31st Annual General Meeting on 15 October 2012.

B. Membership of the Main Committee during the Year, up to the date of the report

Main Committee

Chairman:

Dr Jonathan Choi Koon-shum, BBS, JP

Members:

Mr Cha Mou Zing Victor

Mr Chan Wing Kee, GBS, JP

Mr Philip NL Chen, GBS, SBS, JP

Mr Bob Chong Hot Hoi, BBS

Mr Victor Chu

Mr He Guangbai, JP *

Mr Peter Hung

Mr Fred Lam, JP

The Hon. Jeffrey Lam, GBS, SBS, JP

Mr Li Ning *

Mr Richard Li

Mr Liu Tingan *

Mr Daryl Ng Win Kong

Dr Daniel Shao, BBS

Dr Stephen T. F. Tai, GBS, SBS, JP

Dr Allan Wong, GBS, MBE, JP

Mr Michael Wu

Mr Thomas Jefferson Wu

Mr Yang Yuanqing *

**Honorary member*

3. REVIEW OF ACTIVITIES

A . The 32nd Plenary Session

The 32nd Plenary Session of the Hong Kong – Japan and Japan – Hong Kong Business Co-operation Committees was held in Hong Kong on 22 March 2013. It was chaired jointly by Dr Jonathan Choi, Chairman of the Hong Kong – Japan Business Co-operation Committee, and his counterpart, Mr Akimitsu Ashida, who is also the Representative Director and Chairman of the Board of Mitsui OSK Lines.

Business opportunities on the Chinese mainland and in Southeast Asia dominated discussions that day. Dr Choi noted that there is much more that Hong Kong can offer Japanese companies, given its role as gateway to China and Hong Kong's advantages as Asia's central business district.

Members exchanged ideas on collaboration in the sectors of food and technology, while guests speakers Deacons Partner Christopher Britton and Bank of China Assistant Chief Executive Zhu Yan-lai focused on Hong Kong's strength in intellectual property rights protection and offshore renminbi businesses respectively.

All Nippon Airways and Yamato Transport shared their own Hong Kong-Japan partnership experience in the meeting. The two companies leveraged on the Okinawa Logistics hub, one of the future city models initiated by Nippon Keidanren, to launch their pilot seafood delivery business in Hong Kong.

At the plenary luncheon following the bilateral meeting, Hong Kong SAR Government Chief Executive CY Leung delivered his keynote address, in which he reaffirmed Hong Kong's commitment to multilateral trade.



Members of the two committees welcome CY Leung (fifth from right), Chief Executive of the Hong Kong SAR Government.



Nearly 30 senior Hong Kong and Japanese business leaders participated in the annual bilateral meeting.

Dr Jonathan Choi (left), Chairman of the Hong Kong-Japan Business Co-operation Committee, presented a dragon-shaped wine bottle holder to Mr Akimitsu Ashida (right), Chairman of the Japan-Hong Kong Business Co-operation Committee at the welcome dinner held the evening before the bilateral meeting.



B . Hong Kong-China Eco Partnership Seminar in Osaka and Kita-Kyushu

Two outreach seminars promoting Hong Kong environmental protection industry were held in Osaka and Hiroshima in second half of 2012. Mr Victor Li, Business Development Director of Dunwell Enviro-tech (Holding) Ltd was invited to share his experience on how to expand business in China through joint cooperation with companies in Chinese mainland, and how Japanese companies could make use of Hong Kong as a trading hub for the Eco business. The seminars had successfully reached out to 110 participants from 93 Japanese companies.



Over 60 participants from 54 companies attended the Eco Partnership Seminar held in Osaka on 31 July 2012.

C . Hong Kong Contents Promotion Workshops in Okinawa and Osaka

To explore new dimensions of Hong Kong's business partnership with Japan for the creative industry, a series of promotional events including seminars, workshops and roundtable meetings were launched in Osaka and Okinawa in 2012/13.

These events offered the timely platform for disseminating information about the development of the film industry in Hong Kong and Asia, and promoting Japanese companies to better utilise the Hong Kong platform to seize business opportunities on the Chinese mainland. The initiatives were well attended by close to 160 participants from 122 companies.



Hong Kong Contents Promotion Workshop in Osaka held on 12 June 2012.

D . High-level Networking Reception in Tokyo

HK-JBCC jointly organised a High-level Networking Reception in Tokyo with the Hong Kong Economic and Trade Office (Tokyo) and HKTDC on 14 February 2013, coinciding with the Chinese New Year. The reception served as a timely platform to promote Hong Kong's unique position as a gateway to China and Hong Kong's advantages as Asia's central business district.

HK-JBCC Chairman Dr Jonathan Choi delivered the welcome remarks at the reception and encouraged the Japanese community to partner with Hong Kong to capture new business opportunities in the region. He was joined by Ms Sally Wong, Principal Hong Kong Economic and Trade Representative (Tokyo) and the Hon. Shozaburo Jimi, Acting Chairman of the Japan-Hong Kong Parliamentarian League, whose messages echoed Dr Choi's remarks.

Close to 240 business leaders, officials and multipliers from Japan attended the event. Among them were Chairman of Japan-Hong Kong Parliamentarian League Hon Shozaburo Jimi, Chairman & CEO of Organization for Small and Medium Enterprises and Regional Innovation, Japan (SMRJ), Mr Hiroshi Takada, President of Japan External Trade Organization (JETRO) Mr Hideohiro Yokoo, Chairman of Supervisory Board of ZEN-NOH (National Federation of Agricultural Cooperative Associations) Mr Yoshimi Nakano, Governor of Kagoshima Prefecture Mr Yuichiro Ito, and former Prime Minister Mr Yasuo Fukuda.



Dr Jonathan Choi, Chairman of HK-JBCC, delivered the welcome remarks at the high-level networking reception in Tokyo.



Guests toasted for prosperity and health in the New Year of the Snake. Pictured are (from left to right) Ms Shigemi Furuta, Director of Japan, HKTDC; Mr Lu Kejian, Minister, Economic and Commercial Office, Embassy of the People's Republic of China in Japan; H E Hitoshi Noda, Consul-General of Japan in Hong Kong (Ambassador); Mr Jun Yokota, Ambassador in charge of Economic Diplomacy, Ministry of Foreign Affairs; Ms Sally Wong, Principal Hong Kong Economic and Trade Representative (Tokyo); the Hon Shozaburo Jimi, Acting Chairman of Japan-Hong Kong Parliamentarian League; Dr Jonathan Choi, Chairman of HK-JBCC; H E Yuji Kumamaru, Ambassador of Japan to Cambodia (former Consul-General of Japan in Hong Kong); Mr Yasuo Fukuda, former Prime Minister.

E. Other Activities

a. Business Advisory Service

Since its inception in March 2004, the Business Advisory Service has been well received by Japanese companies interested in doing business with Hong Kong and China.

Japanese experts who possessed ample practical knowledge in doing business in Hong Kong and China served as business advisors via HKTDC's offices in Tokyo and Osaka. The advisory service proved to be of value to the Japanese business community, especially SMEs with little knowledge of doing business with Hong Kong and China. A total of 123 in-depth business consultations were completed in 2012/13.

b. Japanese VIPs to Hong Kong local trade fairs

In order to promote the Hong Kong trade fairs and networking activities, each year HK-JBCC would sponsor important Japanese multipliers or buyers to visit Hong Kong. In 2012/13, three VIPs were invited to attend the local trade fairs.

Mr Kenji Toyooka, Senior Executive Director of Osaka Foundation for Trade and Industry visited HKTDC Electronics Fair (Autumn Edition); while Ms Yoshie Shigemitsu, Director of Marketing of Shigemitsu Industry Company Limited, and Mr Hajime Kawaguchi, President of Gifu Federation of Pottery Manufacturers Co-operative Association, visited HKTDC World SME Expo.

c. Jewellery and Watch & Clock Workshops at Hiko Mizuno College of Jewellery, Tokyo

HKTDC organises the Hong Kong Jewellery Design Competition and Hong Kong Watch & Clock Design Competition every year to foster and groom local young design talents in the industries. Winners of the two competitions are sponsored by HK-JBCC to attend a five-day course (25-29 March 2013) at the Hiko Mizuno College of Jewellery in Tokyo.



Workshop participants from Hong Kong shared design ideas and knowhow with teachers from the Hiko Mizuno College of Jewellery over a casual gathering.

4. HONG KONG'S TRADE WITH JAPAN

A. Trade Figures, 2003 – March 2013 (HK\$ Million)

	2003	2004	2005	2006	2007	2008	2009
Domestic Exports	2,848	2,812	4,320	4,931	2,864	2,290	1,651
Re-Exports	91,154	104,733	114,258	115,490	116,703	118,663	107,218
Total Exports	94,003	107,545	118,578	120,422	119,568	120,952	108,869
Imports	213,995	256,141	256,501	268,140	287,329	297,552	236,369
Total Trade	307,997	363,686	375,079	388,562	406,896	418,504	345,238
Trade Balance	-119,992	-148,596	-137,923	-147,719	-167,761	-176,600	-127,500

	2010	2011	2012	% Change 2012/11	2013 (Jan-Mar)	% Change 2013/12	Hong Kong's Trade with Japan as % of HK's Total Trade in 2013 (Jan-Mar)
Domestic Exports	2,032	1,531	1,192	-22.2%	287	-22.9%	2.2%
Re-Exports	125,615	133,624	142,778	+6.9%	32,203	6.5%	4.0%
Total Exports	127,647	135,155	143,970	+6.5%	32,490	6.2%	4.0%
Imports	308,161	318,601	311,605	-2.2%	62,602	-6.6%	6.8%
Total Trade	435,808	453,756	455,575	+0.4%	95,092	-2.9%	5.5%
Trade Balance	-180,514	-183,446	-167,635	n.a.	-30,113	n.a.	n.a.

Notes: 1) n.a. = not applicable

B. Hong Kong's Top Ten Trading Partners, 2012 (HK\$ Million)

Markets	Hong Kong's Domestic Exports	Hong Kong's Re-exports	Hong Kong's Total Exports	% Change
1. CHINA	26,026	1,831,732	1,857,759	6.3%
2. U.S.A.	6,766	331,739	338,505	2.3%
3. JAPAN	1,192	142,778	143,970	6.5%
4. TAIWAN	2,698	78,145	80,842	-5.2%
5. SINGAPORE	2,712	53,238	55,950	-0.5%
6. KOREA REP	1,277	57,576	58,853	-4.0%
7. INDIA	901	76,281	77,181	-17.5%
8. GERMANY	371	77,441	77,812	-12.8%
9. THAILAND	1,068	40,687	41,755	-1.8%
10. MALAYSIA	1,313	27,459	28,773	0.6%

HONG KONG'S IMPORTS			HONG KONG'S TOTAL TRADE		
Suppliers	Amount	% Change	Trading Partners	Amount	% Change
1. CHINA	1,840,862	8.5%	1. CHINA	3,698,621	7.4%
2. JAPAN	311,605	-2.2%	2. U.S.A.	542,964	0.2%
3. SINGAPORE	246,346	-3.2%	3. JAPAN	455,575	0.4%
4. TAIWAN	244,889	1.6%	4. TAIWAN	325,732	-0.1%
5. USA	204,459	-3.3%	5. SINGAPORE	302,297	-2.7%
6. KOREA REP	153,527	2.4%	6. KOREA REP	212,379	0.5%
7. MALAYSIA	83,649	-6.0%	7. INDIA	159,013	-11.7%
8. INDIA	81,831	-5.5%	8. GERMANY	135,090	-12.8%
9. THAILAND	72,873	-4.8%	9. THAILAND	114,628	-3.7%
10. GERMANY	57,278	-12.8%	10. MALAYSIA	112,421	-4.4%

C. Hong Kong's Position in Japan's Trade, 2012 (USD Billion)

Japan's Total Exports			Japan's Imports			Japan's Total Trade		
Ranking	Amount	% Share	Ranking	Amount	% Share	Ranking	Amount	% Share
6	41.2	5.1	44	1.5	0.2	12	42.7	2.5

5. ADMINISTRATION

A. Secretariat

Staff establishment as at 31 March 2013 was as follows:

Secretary-General	Ms. Iris Wong
Deputy Secretary-General	Ms. Myra Mak
Administrative Assistant	Ms. Kitty Szeto

B. Premises

The Secretariat continued to rent office space from the HKTDC.

C. Financial Arrangements

For the financial year under review, subvention from the HKSAR Government was HK\$3,610,000 and subvention from HKTDC was HK\$143,851.

The accounts for the financial year 1 April 2012 to 31 March 2013 have been audited by PricewaterhouseCoopers, whose appointment was approved by resolution at the 31st Annual General Meeting. The Statement by the Directors on the Report and Accounts are on pages 15 to 27.

HONGKONG JAPAN BUSINESS CO-OPERATION COMMITTEE

(Incorporated in Hong Kong and limited by guarantee)

D. REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements for the year ended 31 March 2013.

Principal activities

The principal activities of the Committee are to foster friendship and understanding between the business communities of Hong Kong and Japan, and to seek, promote and assist in promoting trade, investment and other economic co-operation.

Results	HK\$
Retained surplus as at 31 March 2012	1,878
Result for the year	-
Retained surplus as at 31 March 2013	<u>1,878</u>

The directors recommend that the retained surplus as at 31 March 2013 be carried forward.

Directors

The directors of the Committee during the year and up to the date of this report are:

CHOI Koon Shum (Chairman)
CHA Mou Zing Victor
CHAN Wing Kee
CHEN Nan Lok Philip
CHONG Hot Hoi Bob
HUNG Hak Hip Peter
LAM Kin Fung Jeffrey
LAM Tin Fuk
LI Richard
NG Win Kong Daryl
SHAO Kung Chuen Daniel
WU Wei Kuo Michael
CHU Lap Lik Victor (appointed on 8 March 2013)
TAI Tak Fung (retired and re-elected on 15 October 2012)

REPORT OF THE DIRECTORS (Continued)

Directors (Continued)

WONG Allan (retired and re-elected on 15 October 2012)
WU Thomas Jefferson (retired and re-elected on 15 October 2012)
HO Chiu King Pansy Catilina (retired on 15 October 2012)
LIAO Sau Tung Sarah Mary (retired on 15 October 2012)

In accordance with sections 28 and 29 of the Committee's Articles of Association, one-third of the directors who have been longest in office shall retire by rotation and, being eligible, offer themselves for re-election.

Interest in contracts

Mr. Lam Tin Fuk is the Executive Director of Hong Kong Trade Development Council ("HKTDC") which is incorporated in Hong Kong.

Apart from the above, no contracts of significance in relation to the Committee's business to which the Committee was a party and in which a director of the Committee had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Committee were entered into or existed during the year.

Auditor

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

By order of the Board,

(Signed)
Secretary - General
Wong Yan
Hong Kong, 21 June 2013

E. INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HONGKONG JAPAN BUSINESS CO-OPERATION COMMITTEE (Incorporated in Hong Kong and limited by guarantee)

We have audited the financial statements of HongKong Japan Business Co-operation Committee (the "Committee") set out on pages 19 to 27, which comprise the balance sheet as at 31 March 2013, the statement of comprehensive income, the statement of cash flows and the statement of changes in fund for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
HONGKONG JAPAN BUSINESS CO-OPERATION COMMITTEE
(Incorporated in Hong Kong and limited by guarantee) (Continued)**

policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Committee as at 31 March 2013, and of its results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

(Signed)

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 21 June 2013

HONGKONG JAPAN BUSINESS CO-OPERATION COMMITTEE

(Incorporated in Hong Kong and limited by guarantee)

F. STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 March

	Note	2013	2012
		HK\$	HK\$
INCOME			
Government / HKTDC subventions	5	3,753,851	4,266,492
Bank interest		-	4
Total Income:		<u>3,753,851</u>	<u>4,266,496</u>
EXPENDITURE			
Staff costs charged by HKTDC	6	1,296,702	1,225,295
Rent and rates		68,400	64,680
Other administrative expenses		35,524	41,933
Auditor's remuneration		43,000	66,000
Expenditure on operational activities		<u>2,310,225</u>	<u>2,868,588</u>
Total Expenditure:		<u>3,753,851</u>	<u>4,266,496</u>
RESULTS FOR THE YEAR AND COMPREHENSIVE INCOME FOR THE YEAR			
		<u>-</u>	<u>-</u>

HONGKONG JAPAN BUSINESS CO-OPERATION COMMITTEE

(Incorporated in Hong Kong and limited by guarantee)

G. BALANCE SHEET

As At 31 March

		2013	2012
		HK\$	HK\$
CURRENT ASSETS	Note		
Bank balances and cash	8	279,248	25,723
Amount due from HKTDC	9	-	42,929
TOTAL ASSETS		<u>279,248</u>	<u>68,652</u>
CURRENT LIABILITIES			
Amount due to HKTDC	9	233,620	-
Accruals and other payables	10	43,750	66,774
TOTAL LIABILITIES		<u>277,370</u>	<u>66,774</u>
NET ASSETS		<u>1,878</u>	<u>1,878</u>
Financed by:			
ACCUMULATED FUND		<u>1,878</u>	<u>1,878</u>

(signed)
CHOI Koon Shum
Director

(signed)
LAM Tin Fuk
Director

The financial statements were approved by the Board of Directors on 21 June 2013.

HONGKONG JAPAN BUSINESS CO-OPERATION COMMITTEE

(Incorporated in Hong Kong and limited by guarantee)

H. STATEMENT OF CASH FLOWS

For the Year Ended 31 March

	2013	2012
	HK\$	HK\$
Results for the year	-	-
Increase/(decrease) in balances with HKTDC	276,549	(96,077)
Decrease in prepayment	-	13,120
Decrease in accruals and other payable	<u>(23,024)</u>	<u>(335,519)</u>
Net cash inflow/(outflow) from operating activities	<u>253,525</u>	<u>(418,476)</u>
Increase/(decrease) in cash and cash equivalents	253,525	(418,476)
Cash and cash equivalents at the beginning of the year	25,723	444,199
Cash and cash equivalent at the end of the year	<u>279,248</u>	<u>25,723</u>
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	<u>279,248</u>	<u>25,723</u>

HONGKONG JAPAN BUSINESS CO-OPERATION COMMITTEE

(Incorporated in Hong Kong and limited by guarantee)

I. STATEMENT OF CHANGES IN FUND

	HK\$
Total fund as at 31 March 2011	1,878
Results for the year and comprehensive income for the year	-
Total fund as at 31 March 2012	<u>1,878</u>
Results for the year and comprehensive income for the year	-
Total fund as at 31 March 2012	<u><u>1,878</u></u>

HONGKONG JAPAN BUSINESS CO-OPERATION COMMITTEE

(Incorporated in Hong Kong and limited by guarantee)

J. NOTES TO THE FINANCIAL STATEMENTS

1. Legal status

The Committee is incorporated under the Hong Kong Companies Ordinance and is limited by guarantee.

Under the provision of the Memorandum of Association, the liability of the Committee in the event of its being wound up is limited to the extent of the guarantee undertaken by its members, which shall not exceed HK\$10 for each member. At 31 March 2013, there were 16 members (31 March 2012: 17 members).

2. General information

The principal activities of the Committee are to foster friendship and understanding between the business communities of Hong Kong and Japan, and to seek, promote and assist in promoting trade, investment and other economic co-operation. The address of its registered office and its principal place of business is 38/F, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

3. Principal accounting policies

(a) Basis of preparation

The financial statements of the Committee have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Committee's accounting policies. These estimates and assumptions affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of income and expenditure during the year. Although these estimates are based on management's best knowledge of event and actions, actual results ultimately may differ from those estimates.

During the year, the Committee has assessed the revised standards, interpretations and amendments that have come into effect in 2013 and are considered relevant to its operations. The Committee has adopted such revised standards, interpretations and amendments at their respective effective dates with no material impact.

3. Principal accounting policies (Continued)

(b) Revised standards and amendments to existing standards which are not yet effective

As at 31st March 2013, the following amendments to existing standards which are considered relevant to the Committee's operations, are in issue but not yet effective:

		Effective from periods beginning on or after
HKAS 1 Amendment	Presentation of Financial Statements	1 July 2012
Annual Improvements	2009-2011 Cycle	1 January 2013

The Committee is in the process of assessing the impact of the above amendments to existing standards on the disclosure and presentation of the financial statements in the future accounting periods. The Committee is not yet in a position to state whether any substantial changes to the Committee's significant accounting policies and presentation of the financial statement will be resulted.

(c) Foreign currencies

Items included in the financial statements of the Committee are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Hong Kong dollars, which is the Committee's functional and presentation currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

(d) Cash and cash equivalents

Cash and cash equivalents include cash in hand and at bank.

(e) Receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. Appropriate allowance for estimated irrecoverable amounts is recognised in the profit or loss when there is objective evidence that the asset is impaired.

(f) Provision

Provisions are recognised when either a legal or constructive obligation, as a result of a past event, exists at the balance sheet date and where the amount of the obligation can be reliably estimated.

(g) Payables

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

(h) Income recognition

Government and HKTDC subventions are recognised in the specific fiscal year as approved by the Government and HKTDC. Interest on bank deposits is recognised on a time-proportion basis using the effective interest method.

(i) Employee benefits

Contributions to defined benefits and defined contribution schemes of HKTDC for the year are recognised as expense in statement of comprehensive income.

(j) Income tax

The Committee is exempted under Section 87 of the Hong Kong Inland Revenue Ordinance from all taxes payable under the Ordinance.

(k) Related party

A party is considered to be related to the Committee if the party has the ability, directly or indirectly, to control the Committee in making financial and operating decisions, or vice versa.

(l) Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Committee. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

4. Financial risk management

(a) Credit risk

The Committee is exposed to credit risk in relation to cash at bank. The Committee's maximum exposure is the carrying amount of these financial assets. To manage this risk, the Company's cash at bank are held in major financial institutions, which management believes are of high credit quality. The credit risk is considered minimal.

(b) Liquidity risk

The Committee maintains sufficient cash and liquid assets, and obtains subvention from the Government and HKTDC to finance its operations and is not exposed to liquidity risk. The amounts of current liabilities presented in the balance sheet are the contractual undiscounted cash flows due within 12 months, as the impact of discounting is not significant.

(c) Capital management

The Committee's capital consists of Accumulated Fund which represents residual of assets over liabilities. It is the Committee's objective to maintain a balanced account and to ensure going concern for carrying out the Committee's principal activities.

5. Government / HKTDC subventions

According to the existing funding arrangement, the Government and HKTDC agree to fund the expenditure of the Committee. For 2012/13, the subvention from the Government was HK\$3,610,000 (2011/12: HK\$3,610,000) and the balance required from HKTDC was HK\$143,851 (2011/12: HK\$656,492).

6. Staff costs

The total amount of staff costs of HK\$1,296,702 (2011/12: HK\$1,225,295) comprises:

	<u>2012/13</u>	<u>2011/12</u>
	HK\$	HK\$
Staff salaries and discretionary performance pay	1,113,684	1,029,199
Accommodation and other allowances, retirement benefit and staff-related expenses	121,118	140,696
Retirement benefit expenses	<u>61,900</u>	<u>55,400</u>
	<u><u>1,296,702</u></u>	<u><u>1,225,295</u></u>

All staff members are employed by the HKTDC. The related actual staff costs incurred was recharged by HKTDC at pre-determined rate as agreed between the Committee and HKTDC.

7. Directors' remuneration

None of the directors received any remuneration in respect of their services rendered during the year (2011/12: Nil).

8. Bank balances and cash

The carrying amounts of the bank balances and cash are denominated in Hong Kong dollars.

9. Amount due from/(to) HKTDC

The amount due from/(to) HKTDC is unsecured, interest free and repayable on demand. The carrying amount of balance with HKTDC is approximate its fair value and is denominated in Hong Kong dollars.

10. Accruals

The carrying amount at year end is approximate its fair value and is denominated in Hong Kong dollars.

HONGKONG | JAPAN
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