

HONGKONG | JAPAN

BUSINESS CO-OPERATION
COMMITTEE

ANNUAL REPORT

2007/2008



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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 market.

2. MEMBERSHIP

The Chairman of the Hong Kong Committee is Dr. Victor Fung, Chairman, Li & Fung Group. Members are business leaders of various service and product industries in Hong Kong. The Committee has two Honorary Advisors, Sir Y.K. Kan and Sir S.Y. Chung. Committee Members are registered as Directors of the Committee, governed by the Memorandum and Articles of Association of the Committee.

A. Changes in Membership

a. Chairman of Main Committee

Dr. Victor Fung was appointed by the Chief Executive of the HKSAR to serve as Main Committee Chairman on 19 September 2004. He was reappointed as the Chairman for another two years with effect from 19 September 2008.

b. Main Committee

In accordance with Clauses 28 & 29 of the Articles of Associations, which stipulate that one-third of the serving members of the Committee should retire every year in seniority order, the following members were identified for retirement in the 2008 AGM:

Mr. Philip NL Chen, SBS, JP	Mr. Bob Chong Hot Hoi	
The Hon. Jeffrey Lam, SBS, JP	Dr. Daniel Shao, BBS	Ms. Marjorie Yang

Ms. Marjorie Yang, being one of the retiring Directors, has not offered herself for election, leaving the Committee with 15 Directors. The other four members offered themselves for re-election and were re-elected through resolutions in writing by all members of the Committee passed in lieu of the 26th Annual General Meeting on 20 October 2008.

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

Main Committee

Chairman:

Dr. Victor Fung

Members:

Mr. Chan Wing Kee, GBS, JP

Mr. Philip NL Chen, SBS, JP

Mr. Vincent Cheng, GBS, OBE, JP

Mr. Bob Chong Hot Hoi

Dr. Chow Yei Ching, GBS

Mr. Peter Hung

Mr. Stanley K.C. Ko, BBS, JP

Mr. Fred Lam, JP

The Hon. Jeffrey Lam, SBS, JP

Mr. Richard Li

Dr. Daniel Shao, BBS

Mr. James E. Thompson, GBS

Mr. C.C. Tung

Dr. Allan Wong, SBS, JP

Ms. Marjorie Yang (resigned on 20 October 2008)

3. REVIEW OF ACTIVITIES

A. The 29th Plenary Session

The 29th Plenary Session was held in Tokyo on 31 May 2007. It was co-chaired by Dr. Victor Fung, Chairman of the HK-JBCC and Mr. Kunio Suzuki, Chairman of J-HKBCC and Representative Director and Chairman of the Board, Mitsui O.S.K. Lines, Ltd.

At the plenary, members discussed about how Hong Kong's trade, logistics, financial-services and technology hub advantages can help Japanese companies benefit from Hong Kong's inclusion in the mainland's 11th Five Year Programme. Japan's environmental technology and content industries' strengths were also highlighted, with the focus on partnering with Hong Kong companies to capture market share in the mainland.





Mr. Keiichi Nagamatsu, Managing Director, Japan Business Federation, Mr. Kunio Suzuki, Chairman of J-HKBCC, Dr. Victor Fung, Chairman of HK-JBCC and Mr. Fred Lam, Executive Director, HKTDC. (From left to right)

B . Business Symposium on "Evolving Hong Kong – Newly Revealed Secrets of its Competitiveness", Tokyo

Organised by the Committees with the support of HKTDC, Japan Business Federation and HKETO (Tokyo), a business symposium on "Evolving Hong Kong – Newly Revealed Secrets of its Competitiveness" was held after the 29th plenary on 31 May 2007. The symposium highlighted Hong Kong's financial and technology capability and how it served as an effective platform for Japanese companies for their China businesses. Mr. Joseph Wong, Secretary for Commerce, Industry and Technology joined the symposium as a special guest speaker. The symposium was well attended by 370 participants.

A Japanese book carried the name same as the symposium, written by Japan's top economists after their participation in the think-tank mission to Hong Kong and Pan-PRD in February 2006 was launched on the same day.

The book summarised the think tank's observations and insights on Hong Kong's extraordinary economic competitiveness. It is a validation of Hong Kong's value and resilience strength from the Japanese think tank's perspective.

Sales record of the book in the Japanese bookstores in Hong Kong was impressive that it was the third best seller for 2007. The feedback from the local academia in Japan was also very positive.

A follow up seminar which carried the same title was held at Academy Hills, Roppongi on 3 December.

Speakers include Dr. Huang Tai-yan, Director, Research Centre for Chinese Private Owned Enterprises (Also, Professor, Renmin University of China), Mr. Sean Matsuda, CEO, HSBC Investments (Japan) K.K. and Mr. Megumi Kiuchi, Chief Economist of JETRO. Dr. Huang presented Hong Kong's role in the economic development of the Chinese Mainland. This message was persuasive and well received by the Japanese audience of over 350 participants.



Dr. Victor Fung, Chairman, HK-JBCC, delivered the speech "Rediscovering Hong Kong's Advantages via Four Flows" at the symposium.



The book 'Evolving Hong Kong - Newly Revealed Secrets of its Competitiveness' was on sale in Japan and Hong Kong on 1 June 2007



The seminar 'Evolving Hong Kong Newly Revealed Secrets of its Competitiveness' on 3 December 2008 was well attended by over 350 participants.

C. The 7th Japan-China Economic Conference, Osaka

The 7th Japan-China Economic Conference, organised by the Japan External Trade Organization (JETRO), was an annual event initiated by the Ministry of Economy, Trade and Industry of Japan back in 2000. This year, it was held on 23-24 Oct 2007 at the New Otani Hotel, Osaka.

The Japan-China Economic Conference in Osaka is the highest-level Conference in Japan fostering closer business partnership between Japan and China. The Conference consisted of a plenary session and eight breakout seminars, where business leaders from both countries shared their insights on the major business issues involving the two countries. Held for the 7th time in Osaka, the Conference had proved to be a very effective platform to highlight Hong Kong's role in Sino-Japanese business relations. It was the second time for HK-JBCC to participate as a Special Sponsor, and for the very first time, Hong Kong's role as Asia's financial hub has been featured at the Conference.

Mr. Lawrence Fok, Executive Vice President (also, Head of Issuer Marketing Division), Hong Kong Exchanges and Clearing Ltd. was invited to speak at the main plenary session and the Hong Kong Breakout Seminar. The main plenary attracted more than 450 business leaders and management in Japan and China.



Mr. Lawrence Fok, Executive Vice President (also, Head of Issuer Marketing Division), Hong Kong Exchanges and Clearing Ltd. made a presentation about China's economic developments and the outlook of its financial services sector during the main plenary implications to Hong Kong at the main plenary.



Guest speakers of the Hong Kong Breakout Session include Mr. Lawrence Fok, Mr. Sean Matsuda, Chief Executive Officer, HSBC Investments (Japan) K.K. and Mr. Kiyoshi Izawa, Senior Manager Consultant, Solution Business Research Development Department, Risona Research Institute Co., Ltd.

D. Other Activities

a. Market Reports

Selected research reports published by the HKTDC, such as "CEPA V - Opportunities for Hong Kong" were translated into Japanese to provide timely and topical information on Hong Kong and the Chinese mainland to Japanese companies. Also, an abridged English version of 'Evolving Hong Kong - Newly Revealed Secrets of its Competitiveness' was published in December 2007.



b. 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.

The service has been offered at HKTDC's offices in Tokyo and Osaka by Japanese experts in Hong Kong and China business. 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 122 in-depth business consultations were completed in 2007/08.

c. Japanese VIPs to Hong Kong local trade fairs

In order to promote the Hong Kong trade fairs to the Japanese buyers, each year HK-JBCC sponsors key Japanese multipliers or VIP buyers to visit HKTDC trade fairs. A total of 18 VIPs were invited to attend different trade fairs in 2007/08. A large Japanese delegation was invited to visit the Hong Kong Filmart in March 2008 and attended a film production collaboration seminar", which was jointly organised by HKTDC and TIFFCOM.



The VIP delegation from Japan content industry was invited to join the breakfast meeting with the Chinese film delegation on 18 March 2008.

d. Webcast

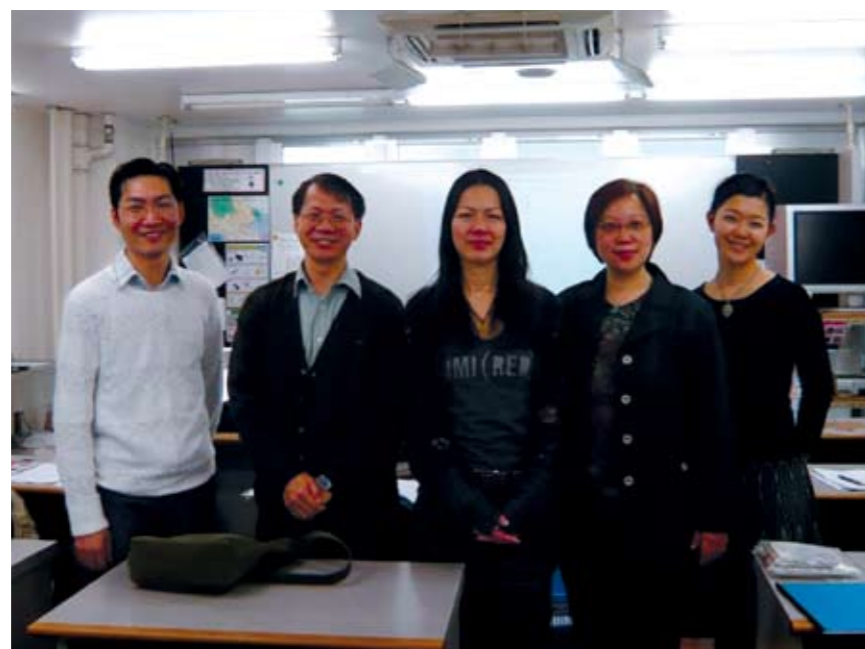
Webcast interview with successful Japanese companies and think tanks were conducted to share valuable business experience and future prospect of Hong Kong and China through the online platform. In 2007/08, interview with Ms. Yoshie Shigemitsu, Director, Shigemitsu Industry Co. Ltd., (Ajisen Noodle Chain Headquarters), Dr. Huang Tai-yan, Professor, Renmin University of China, Mr. Tsuguhiko Kadokawa, Chairman and Chief Executive Officer, Kadokawa Group Holdings, etc were uploaded to the website.



Webcast are available at <http://japan.hktdc.com/jpn.webcast01.htm>

e. Hiko Mizuno 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. In 2007/08, the HK-JBCC sponsored three winners of each of the two Competitions to attend a five-day course at the Hiko Mizuno College of Jewellery in Tokyo. The course helped the young talents acquire new techniques for design and marketing.



Winners of the competitions were impressed by the professional training by the Hiko Mizuno College of Jewellery. They obtained new design idea and techniques through the five-day workshop.

4. HONG KONG'S TRADE WITH JAPAN

A. Trade Figures, 1998 – 2008 (Jan-Mar) (HK\$ Million)

	1998	1999	2000	2001	2002	2003	2004
Domestic Exports	6,435	5,459	5,084	4,060	2,969	2,848	2,812
Re-Exports	64,194	67,506	82,050	83,551	80,743	91,154	104,733
Total Exports	70,629	72,965	87,134	87,611	83,722	94,003	107,545
Imports	179,947	162,652	198,976	176,599	182,569	213,995	256,141
Total Trade	250,576	235,616	286,110	264,210	266,281	307,997	363,686
Trade Balance	-109,318	-89,687	-111,842	-88,988	-98,858	-119,992	-148,596

	2005	2006	2007	% Change 2007/06	2008 (Jan-Mar)	% Change 2008/07	Hong Kong's Trade with Japan as % of HK's Total Trade in 2008 (Jan-Mar)
Domestic Exports	4,320	4,931	2,864	-41.9	590	-16.9	2.6
Re-Exports	114,258	115,490	116,703	+1.1	28,524	-1.6	4.6
Total Exports	118,578	120,422	119,568	-0.7	29,114	-1.9	4.5
Imports	256,501	268,140	287,329	+7.2	71,455	+8.9	10.2
Total Trade	375,079	388,562	406,896	+4.7	100,568	+5.6	7.5
Trade Balance	-137,923	-147,719	-167,761	n.a.	-42,341	n.a.	n.a.

Notes: 1) Hong Kong's overall domestic exports in 2007 decreased by 18.9% over 2006, and domestic exports to Japan decreased by 41.9%
2) n.a. = not applicable

B. Hong Kong's Top Ten Trading Partners, 2007 (HK\$ Million)

Markets	Hong Kong's Domestic Exports	Hong Kong's Re-exports	Hong Kong's Total Exports	% Change
1. CHINA	40,610	1,267,722	1,308,332	+13.2
2. U.S.A.	23,878	344,324	368,202	-0.8
3. JAPAN	2,864	116,703	119,568	-0.7
4. GERMANY	3,022	78,096	81,119	+7.2
5. UNITED KINGDOM	5,847	69,015	74,862	+1.7
6. TAIWAN	4,032	48,902	52,934	+1.6
7. KOREA REP	1,453	51,477	52,930	+2.0
8. SINGAPORE	3,047	47,403	50,450	+3.8
9. NETHERLANDS	2,922	41,498	44,420	+8.2
10. FRANCE	1,383	34,190	35,573	+6.7

Hong Kong's Imports			Hong Kong's Total Trade		
Suppliers	Amount	% Change	Trading Partners	Amount	% Change
1. CHINA	1,329,652	+11.5	1. CHINA	2,637,984	+12.3
2. JAPAN	287,329	+7.2	2. U.S.A.	506,970	+2.5
3. TAIWAN	205,102	+5.2	3. JAPAN	406,896	+4.7
4. SINGAPORE	194,775	+18.2	4. TAIWAN	258,037	+4.5
5. U.S.A.	138,768	+12.3	5. SINGAPORE	245,225	+14.9
6. KOREA REP	119,393	-0.2	6. KOREA REP	172,323	+0.5
7. MALAYSIA	62,818	+4.1	7. GERMANY	129,167	+7.6
8. THAILAND	57,373	+8.1	8. U.K.	105,086	*
9. GERMANY	48,048	+8.1	9. MALAYSIA	88,074	+7.0
10. PHILIPPINES	47,788	+17.0	10. THAILAND	86,179	+10.6

*insignificant

C. Hong Kong's Position in Japan's Trade, 2007 (Yen Billion)

Japan's Total Exports			Japan's Imports			Japan's Total Trade		
Ranking	Amount	% Share	Ranking	Amount	% Share	Ranking	Amount	% Share
5	4,572	5.4	43	170	0.2	10	4,742	3.0

5. ADMINISTRATION

A. Secretariat

Staff establishment as at 31 March 2008 was as follows:

Secretary-General	Ms. Iris Wong
Deputy Secretary-General	Ms. Myra Mak
Administrative Assistant	Ms. Gilly Ma

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 and the HKTDC was HK\$3,610,000 and HK\$61,710 respectively.

The accounts for the financial year 1 April 2007 to 31 March 2008 have been audited by PricewaterhouseCoopers, whose appointment was approved by resolution at the 26th Annual General Meeting. The Report of the Directors and the Financial Statements are on pages 17 to 28.

HONGKONG JAPAN BUSINESS CO-OPERATION COMMITTEE

(Incorporated in Hong Kong and limited by guarantee)

REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements for the year ended 31st March 2008.

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 31st March 2007	1,875
Surplus for the year	<u>1</u>
Retained surplus as at 31st March 2008	<u><u>1,876</u></u>

The directors recommend that the retained surplus as at 31st March 2008 be carried forward.

Directors

The directors of the Committee during the year were:

FUNG Kwok King Victor (Chairman)
CHAN Wing Kee
CHEN Nan Lok Philip
CHONG Hot Hoi Bob
HUNG Hak Hip Peter
LAM Tin Fuk
LAM Kin Fung Jeffrey
SHAO Kung Chuen Daniel
James E. THOMPSON
TUNG Chee Chen
Allan WONG
Marjorie YANG

CHENG Hoi Chuen	(retired and re-elected on 19th September 2007)
CHOW Yei Ching	(retired and re-elected on 19th September 2007)
KO Kam Chuen Stanley	(retired and re-elected on 19th September 2007)
Richard LI	(retired and re-elected on 19th September 2007)
WONG Shou Yeh David	(retired on 19th September 2007)

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

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, 28 July 2008

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 21-28, which comprise the balance sheet as at 31st March 2008, the income and expenditure account, the cash flow statement and the statement of changes in fund for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Committee are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 as to 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 and true and fair presentation of the financial statements 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 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 31st March 2008 and of the surplus 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.

PricewaterhouseCoopers
Certified Public Accountants
 Hong Kong, 28 July 2008

HONGKONG JAPAN BUSINESS CO-OPERATION COMMITTEE

(Incorporated in Hong Kong and limited by guarantee)

INCOME AND EXPENDITURE ACCOUNT

For the Year Ended 31st March 2008

	Note	<u>2007/08</u>	<u>2006/07</u>
		HK\$	HK\$
INCOME			
Government / HKTDC subventions	5	3,671,710	3,986,076
Bank interest		<u>25,090</u>	<u>39,755</u>
Total Income:		<u>3,696,800</u>	<u>4,025,831</u>
EXPENDITURE			
Staff costs charged by HKTDC	6	1,101,042	1,180,119
Rent and rates		84,000	57,020
Other administrative expenses		43,551	65,783
Auditor's remuneration		52,300	48,000
Expenditure on operational activities		<u>2,415,906</u>	<u>2,674,908</u>
Total Expenditure:		<u>3,696,799</u>	<u>4,025,830</u>
 SURPLUS FOR THE YEAR	 8	 <u>1</u>	 <u>1</u>

HONGKONG JAPAN BUSINESS CO-OPERATION COMMITTEE

(Incorporated in Hong Kong and limited by guarantee)

BALANCE SHEET

As At 31st March 2008

		2007/08	2006/07
		HK\$	HK\$
CURRENT ASSETS			
Other receivables	Note	2,800	11,000
Cash at bank	10	<u>413,542</u>	<u>382,372</u>
TOTAL ASSETS		<u><u>416,342</u></u>	<u><u>393,372</u></u>
CURRENT LIABILITIES			
Amount due to HKTDC	11	361,716	343,047
Other payable and accruals		<u>52,750</u>	<u>48,450</u>
TOTAL LIABILITIES		<u><u>414,466</u></u>	<u><u>391,497</u></u>
NET ASSETS		<u><u>1,876</u></u>	<u><u>1,875</u></u>
Financed by:			
ACCUMULATED FUND			
Balance as at 1st April		1,875	1,874
Add: Surplus for the year		<u>1</u>	<u>1</u>
Balance as at 31st March		<u><u>1,876</u></u>	<u><u>1,875</u></u>

(Signed)
FUNG Kwok King Victor
 Director

(Signed)
LAM Tin Fuk
 Director

The financial statements were approved by the Board of Directors on 28 July 2008

HONGKONG JAPAN BUSINESS CO-OPERATION COMMITTEE

(Incorporated in Hong Kong and limited by guarantee)

CASH FLOW STATEMENT

For the Year Ended 31st March 2008

		2007/08	2006/07
		HK\$	HK\$
CASH FLOW FROM OPERATIONS			
Surplus for the year	Note	1	1
Decrease / (increase) in other receivables		8,200	(5,182)
Change in balance with HKTDC		18,669	183,708
Increase in other payable and accruals		<u>4,300</u>	<u>2,085</u>
Increase in cash and cash equivalents		<u>31,170</u>	<u>180,612</u>
Bank balances and cash at the beginning of the year		<u>382,372</u>	<u>201,760</u>
Bank balances and cash at the end of the year	10	<u><u>413,542</u></u>	<u><u>382,372</u></u>

STATEMENT OF CHANGES IN FUND

For the Year Ended 31st March 2008

	2007/08	2006/07
	HK\$	HK\$
Total fund brought forward as at 1st April	1,875	1,874
Surplus for the year	<u>1</u>	<u>1</u>
Total fund carried forward as at 31st March	<u><u>1,876</u></u>	<u><u>1,875</u></u>

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 31st March 2008, there were 16 members (31st March 2007: 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 of financial statements

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.

The Committee has adopted HKAS 1 (Amendment) "Presentation of Financial Statements – Capital Disclosures" and HKFRS 7 "Financial Instruments: Disclosures" effective from 1st January 2007, which introduce more disclosures relating to financial risk and capital management.

(b) Standards, interpretations and amendments to standards that are not yet effective

The Committee has not early adopted the new standards, amendments and interpretations issued by the HKICPA that are not yet effective as at 31st March 2008. The Committee has considered that the only standard that is relevant to the Committee's operations is HKAS 1 (Revised) "Presentation of Financial Statements", which will be effective for accounting periods beginning on or after 1st January 2009. The Committee is in the process of assessing the impact of this standard on the disclosure and presentation of the financial statements in the future accounting periods.

(c) Income recognition

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

(d) Provisions

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.

(e) Receivables

Other 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 Income and Expenditure Account when there is objective evidence that the asset is impaired.

(f) Other payable and accruals

Other payable and accruals are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

4. Financial risk management

(a) Credit Risk

The carrying amounts of cash at bank balances and other receivables represent the Committee's maximum exposure to credit risk in relation to financial assets.

(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 2007/08, the subvention from the Government was HK\$3,610,000 (2006/07: HK\$3,610,000) and the balance required from HKTDC was HK\$61,710 (2006/07: HK\$376,076) respectively.

6. Staff costs

The total amount of staff costs of HK\$1,101,042 (2006/07: HK\$1,180,119) comprises:

	<u>2007/08</u>	<u>2006/07</u>
	HK\$	HK\$
Staff salaries and discretionary performance pay	1,034,962	1,088,037
Accommodation and other allowances, retirement benefit and staff-related expenses	<u>66,080</u>	<u>92,082</u>
	<u><u>1,101,042</u></u>	<u><u>1,180,119</u></u>

Certain 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 (2006/07: Nil).

8. Surplus of income over expenditure

According to the ground rules which control the expenditure of the Committee, any surplus of income over expenditure at the end of a financial year is to be returned to the Government. In view of the small surplus for the current year, no adjustment was made in the financial statements.

9. Taxation

The Committee, being a non-profit making organisation, is exempt from payment of Hong Kong profits tax under Section 87 of the Inland Revenue Ordinance.

10. Bank balances and cash

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

11. Amount due to HKTDC

The amount due to HKTDC is unsecured, interest free and repayable on demand.

HONGKONG | JAPAN
BUSINESS CO-OPERATION COMMITTEE

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