

HONGKONG | JAPAN

BUSINESS CO-OPERATION
COMMITTEE

ANNUAL REPORT

2009/2010



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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 2010 AGM.

Mr. Chan Wing Kee, GBS, JP	Mr. Vincent Cheng, GBS, OBE, JP
Dr. Chow Yei Ching, GBS	Mr. Stanley K.C. Ko, BBS, JP
Mr. Fred Lam, JP	Mr. Richard Li

Mr. Vincent Cheng, Dr. Chow Yei Ching and Mr. Stanley K.C. Ko, being three of the retiring Directors, have not offered themselves for election, leaving the Committee with 13 Directors. The other three 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 28th Annual General Meeting on 16 September 2010.

The following persons began serving on the Committee on 29 January 2010:

Dr. Jonathan Choi Koon-shum, BBS, JP

Chairman of Sun Wah Group

Ms. Pansy Ho

Managing Director of Shun Tak Holdings Limited

Dr. Sarah Liao, GBS, MBE, JP, FRSC

Member of China Council for International Cooperation on Environment and Development

Mr. Daryl Ng Win Kong

Executive Director of Sino Land Company Limited

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

Chairman of Four Seas Group

Mr. Michael Wu

Chairman and Managing Director of Maxim Caterers Limited

Mr. Thomas Jefferson Wu

Managing Director of Hopewell Holdings Limited

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 (resigned on 16 September 2010)

Dr. Jonathan Choi Koon-shum, BBS, JP (joined on 29 January 2010)

Mr. Bob Chong Hot Hoi, BBS

Dr. Chow Yei Ching, GBS (resigned on 16 September 2010)

Ms Pansy Ho (joined on 29 January 2010)

Mr. Peter Hung

Mr. Stanley K.C. Ko, BBS, JP (resigned on 16 September 2010)

Mr. Fred Lam, JP

The Hon. Jeffrey Lam, SBS, JP

Mr. Richard Li

Dr. Sarah Liao, GBS, MBE, JP, FRSC (joined on 29 January 2010)

Mr. Daryl Ng Win Kong (joined on 29 January 2010)

Dr. Daniel Shao, BBS

Dr. Stephen T. F. TAI, GBS, JP (joined on 29 January 2010)

Dr. Allan Wong, SBS, JP

Mr. Michael Wu (joined on 29 January 2010)

Mr. Thomas Jefferson Wu (joined on 29 January 2010)

3. REVIEW OF ACTIVITIES

A . The 31st Plenary Session

The 31st Plenary Session was held in Tokyo on 5 February 2010. It was co-chaired by Dr. Victor Fung, Chairman of the HK-JBCC and Mr. Kunio Suzuki, Chairman of J-HKBCC and Special Advisor of, Mitsui O.S.K. Lines, Ltd.

At the plenary, members discussed on China's ongoing economic development and the implications for Hong Kong and Japan. From this perspective, members discussed on the reform and development of Pearl River Delta Region, the latest initiatives concerning China's financial market, and mainland's booming consumer market.

Members also shared the experiences regarding the development of the environmental industry market in China and the challenges and opportunities involved, with a view to identifying areas for partnership among Hong Kong, Japan and the Chinese mainland.

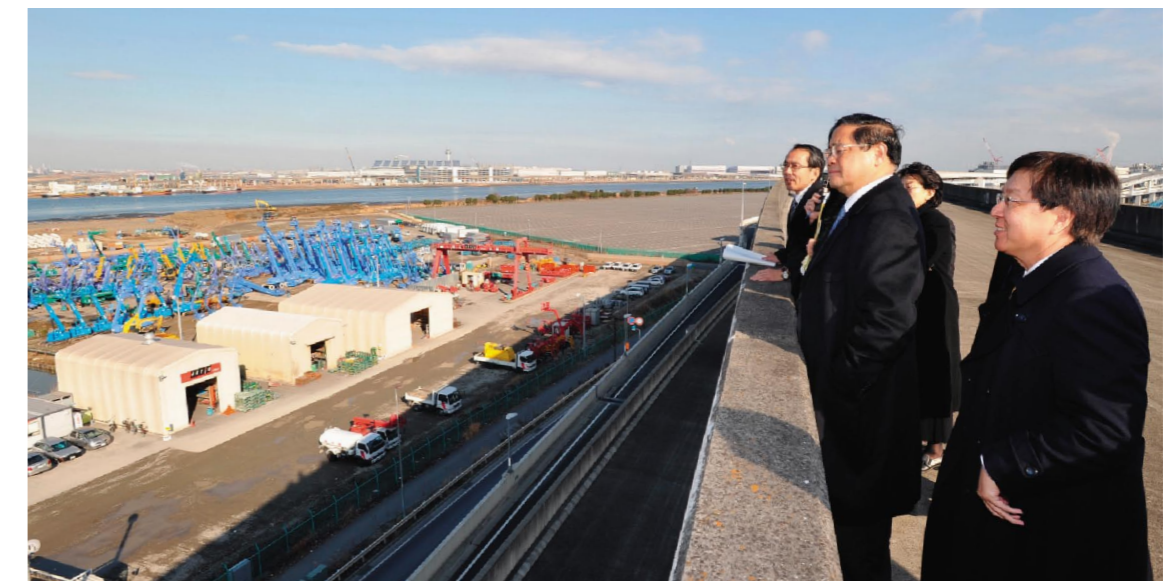


(From left) Mr. Fred Lam, Executive Director, Hong Kong Trade Development Council (HKTDC), Mr. Kunio Suzuki, Chairman, J-HKBCC; Dr. Victor Fung, Chairman, HK-JBCC and Ms. Nokubo Sanui, Managing Director, Nippon Keidanren

The day before the Plenary Session, the Hong Kong Committee met with the Minister for Foreign Affairs Katsuya Okada and the Parliamentary Secretary for Economy, Trade and Industry Chiaki Takahashi. In the talks, Chairman Dr. Fung noted Hong Kong's role as the southern gateway to the mainland and his willingness to help Japanese companies find markets on the mainland. They also had a luncheon meeting with key Japanese Diet members through the Japan-Hong Kong Parliamentarian League.



Led by the Chairman Dr. Victor Fung, members of the Hong Kong-Japan Business Co-operation Committee call on Katsuya Okada, Japan's Minister for Foreign Affairs, prior to the Plenary Session in Tokyo. Mr Okada (right) listens as Dr Fung (opposite Mr Okada) talks of Hong Kong's role as "the southern route to China".



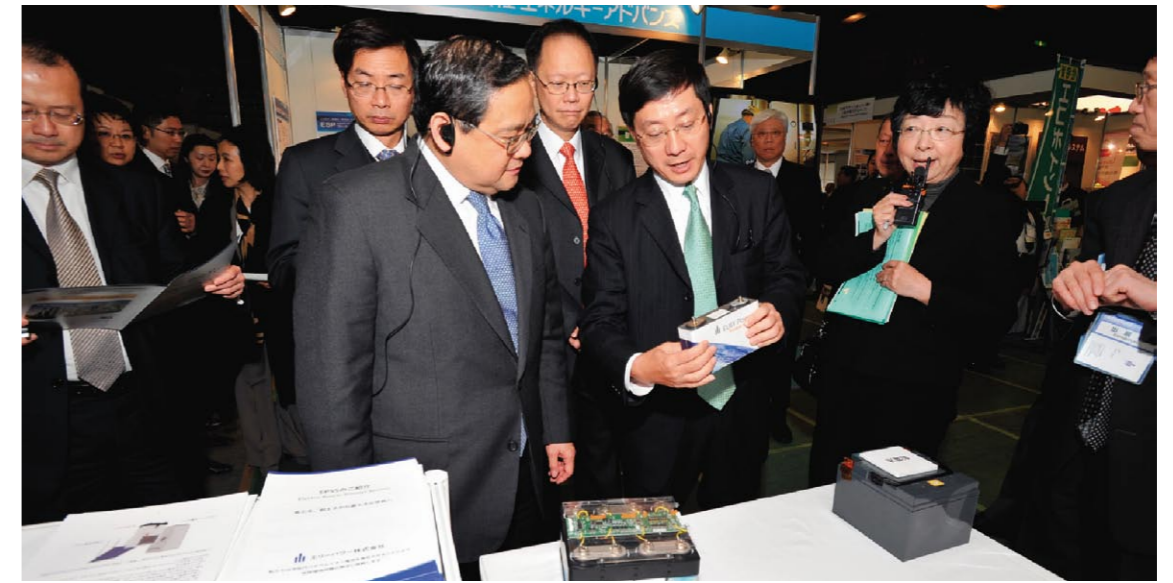
Members visiting the construction site of Haneda Airport Expansion Project on 4 February.

The Hong Kong Committee then visited the Handea Airport and peripheral area which aims to create an eco-friendly international business hub and a new central business district in Tokyo. The project is expected to generate enormous opportunities in logistics, transportation, environmental technology, real estate, commerce and retail businesses in Tokyo.

Members also visited the recycling plant of JFE Group, one of the most important recycling and engineering companies in Japan. Afterwards the Hong Kong Committee visited the Kawasaki International Eco-tech Fair, which gathered more than 120 exhibitors. Mr. Takao Abe, Mayor of Kawasaki City and Mr. Hiroshi Nishioka, Chairman of Kawasaki Chamber of Commerce and Industry received the Committee members and led a tour at the fairground.



Members visiting the recycling plant of JFE Group in Kawasaki.



Dr. Victor Fung and Mr. Fred Lam studying an eco-friendly battery at the Kawasaki International Eco-tech Fair 2010.

B. Hong Kong-Japan Design Industry Seminar and Reception in Osaka

In conjunction with the visit of design mission organised by Hong Kong Trade Development Council to Japan in March 2010, a large seminar and networking reception was organised for mission delegates from Hong Kong and major design related companies on 4 March 2010. The event offers timely information about Hong Kong's Design Industry and the business potential to the audience, as well as to provide a networking opportunity between Hong Kong and Japan design companies. The event was well attended by 145 Japanese participants from 104 companies.



Audience of the Seminar for Hong Kong and Japan Design Industry in Osaka held on 4 March.

C. Asia Content Business Summit and Networking Luncheon

The Asia Content Business summit is a joint effort of the Ministry of Economy, Trade and Industry (METI) of Japan and the Hong Kong Trade Development Council. The whole day programme gathered the top government officials of the major Asian economies active in the entertainment business (Japan, China, HK, Singapore, Malaysia and Thailand).

The HK-JBCC sponsored the networking luncheon for summit participants and other Japanese VIPs, seminar speakers and local film industry players to network with each other and explore collaboration opportunities. After that, the Committee organised a seminar on regional cooperation on content industry.



Guests attending the Asia Content Business Summit Networking Luncheon hosted by HK-JBCC and HKTDC on 23 March 2010.

D. Business Seminar and Chinese New Year Party in Tokyo

Co-organised by HK-JBCC, HKTDC and the Japan – Hong Kong Society, a business seminar on “The Future of East Asian Community ~Collaboration of Japan-China-Hong Kong” was held after the 31st plenary on 9th February 2010.

Prof. Huan Taiyan, Professor of the Renmin University of China and the Director of the Chinese Private Enterprises Research Centre and Mr. Shigeru Endo, President and CEO of Hutchison Whampoa Limited were invited as speakers for this event. Topics covered include the latest development of China's economy and Hong Kong's growing importance as a business platform for Japanese companies in exploring the Asian market.

The business seminar was followed by a networking party to celebrate the Chinese New Year. The whole event was well attended by more than 300 Japanese businessmen from various industries.



The Business Seminar “The Future of East Asian Community~Collaboration of Japan-China-Hong Kong” was well attended by more than 300 participants.

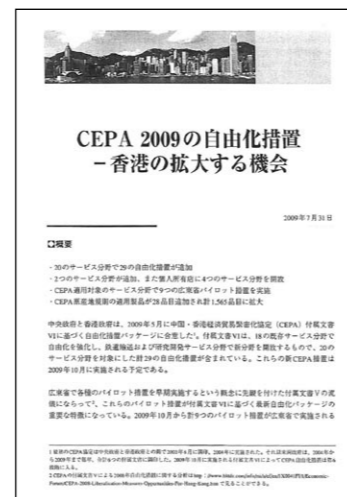


Mr. Shigeru Endo, President and CEO of Hutchison Whampoa Limited made a presentation on how Japanese companies can collaborate with Chinese mainland companies through Hong Kong as a business platform.

E. Other Activities

a. Market Reports

Selected research reports by the HKTDC, such as "CEPA 2009 Liberalisation Measures", were translated into Japanese to provide timely and topical information on Hong Kong and the Chinese mainland to Japanese companies.



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 who possessed ample practical knowledge in doing business in Hong Kong and China. 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 136 in-depth business consultations were completed in 2009/10.

c. 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. A total of 9 VIPs were invited to attend different trade fairs and events in 2009/10.

d. 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 2009/10, 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 obtained new design idea and techniques through the five-day workshop provided by the Hiko Mizuno College of Jewellery.

4. HONG KONG'S TRADE WITH JAPAN

A. Trade Figures, 2000 – 2010 (Jan-Mar) (HK\$ Million)

	2000	2001	2002	2003	2004	2005	2006
Domestic Exports	5,084	4,060	2,969	2,848	2,812	4,320	4,931
Re-Exports	82,050	83,551	80,743	91,154	104,733	114,258	115,490
Total Exports	87,134	87,611	83,722	94,003	107,545	118,578	120,422
Imports	198,976	176,599	182,569	213,995	256,141	256,501	268,140
Total Trade	286,110	264,210	266,281	307,997	363,686	375,079	388,562
Trade Balance	-111,842	-88,988	-98,858	-119,992	-148,596	-137,923	-147,719

	2007	2008	2009	% Change 2009/08	2010 (Jan-Mar)	% Change 2010/09	Hong Kong's Trade with Japan as % of HK's Total Trade in 2010 (Jan-Mar)
Domestic Exports	2,864	2,290	1,651	-27.9%	494	-31.8	3.2%
Re-Exports	116,703	118,663	107,217	-9.6%	27,838	-12.9	4.5%
Total Exports	119,568	120,952	108,869	-10%	28,372	-13.3	4.5%
Imports	287,329	297,552	236,369	-20.6%	66,533	-40.8	9.2%
Total Trade	406,896	418,504	345,238	-17.5%	94,906	-32.9	0.7%
Trade Balance	-167,761	-176,600	-127,499	n.a.	-38,161	n.a.	n.a.

Notes: 1) Hong Kong's overall domestic exports in 2009 decreased by 36.4% over 2008, and domestic exports to Japan decreased by 27.9%
2) n.a. = not applicable

B. Hong Kong's Top Ten Trading Partners, 2009 (HK\$ Million)

Markets	Hong Kong's Domestic Exports	Hong Kong's Re-exports	Hong Kong's Total Exports	% Change
1. CHINA	26,672	1,236,577	1,263,249	-7.8%
2. U.S.A.	7,316	277,919	285,236	-20.6%
3. JAPAN	1,651	107,217	108,869	-10%
4. GERMANY	512	78,829	79,432	-15.5%
5. U.K.	1,239	58,432	59,671	-20.8%
6. TAIWAN	1,917	52,795	54,713	-0.4%
7. INDIA	808	51,473	52,281	+0.2%
8. KOREA REP	1,195	41,936	43,132	-13%
9. SINGAPORE	2,224	40,027	42,252	-23.6%
10. NETHERLANDS	1,862	35,402	37,265	-17.8%

Hong Kong's Imports			Hong Kong's Total Trade		
Suppliers	Amount	% Change	Trading Partners	Amount	% Change
1. CHINA	1,249,373	-11.4%	1. CHINA	2,512,622	-9.7%
2. JAPAN	236,369	-20.6%	2. U.S.A.	427,374	-16.2%
3. SINGAPORE	174,658	-10.4%	3. JAPAN	345,238	-17.5%
4. TAIWAN	175,649	-8.5%	4. SINGAPORE	216,911	-13.3%
5. U.S.A.	142,137	-5.7%	5. TAIWAN	230,632	-6.7%
6. KOREA REP	103,046	-12.7%	6. KOREA REP	146,179	-12.8%
7. MALAYSIA	68,015	+2.8%	7. GERMANY	129,446	-12.2%
8. THAILAND	57,589	-9.7%	8. INDIA	104,881	-4.8%
9. INDIA	52,599	-9.3%	9. THAILAND	100,404	-13.3%
10. GERMANY	50,103	-6.2%	10. UK	95,846	-15.5%

C. Hong Kong's Position in Japan's Trade, 2009 (Yen Billion)

Japan's Total Exports			Japan's Imports			Japan's Total Trade		
Ranking	Amount	% Share	Ranking	Amount	% Share	Ranking	Amount	% Share
5	2,975	5.5	44	103	0.2	9	3,078	2.9

5. ADMINISTRATION

A. Secretariat

Staff establishment as at 31 March 2010 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\$39,850 respectively.

The accounts for the financial year 1 April 2009 to 31 March 2010 have been audited by PricewaterhouseCoopers, whose appointment was approved by resolution at the 27th Annual General Meeting. The Statement by the Directors on the Report and Accounts are on pages 17 to 28.

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 31st March 2010.

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 2009	1,877
Surplus for the year	<u>1</u>
Retained surplus as at 31st March 2010	<u><u>1,878</u></u>

The directors recommend that the retained surplus as at 31st March 2010 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
CHENG Hoi Chuen
CHONG Hot Hoi Bob
CHOW Yei Ching
KO Kam Chuen Stanley
LAM Kin Fung Jeffrey
LAM Tin Fuk
Richard LI
SHAO Kung Chuen Daniel
CHOI Koon Shum (newly appointed on 29th January 2010)
LIAO Sau Tung Sarah Mary (newly appointed on 29th January 2010)
HO Chiu King Pansy Catilina (newly appointed on 29th January 2010)

NG Win Kong Daryl	(newly appointed on 29th January 2010)
TAI Tak Fung	(newly appointed on 29th January 2010)
WU Thomas Jefferson	(newly appointed on 29th January 2010)
WU Wei Kuo Michael	(newly appointed on 29th January 2010)
HUNG Hak Hip Peter	(retired and re-elected on 19th October 2009)
Allan WONG	(retired and re-elected on 19th October 2009)
James E. THOMPSON	(retired on 19th October 2009)
TUNG Chee Chen	(retired on 19th October 2009)

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, 6th August 2010

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 31st March 2010, the statement of comprehensive income, the statement of cash flow 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 2010 and of its 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.

(Signed)

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 6th August 2010

HONGKONG JAPAN BUSINESS CO-OPERATION COMMITTEE

(Incorporated in Hong Kong and limited by guarantee)

F. STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31st March 2010

	Note	<u>2009/10</u>	<u>2008/09</u>
		HK\$	HK\$
INCOME			
Government / HKTDC subventions	5	3,649,850	3,622,738
Bank interest		<u>17</u>	<u>84</u>
Total Income:		<u>3,649,867</u>	<u>3,622,822</u>
EXPENDITURE			
Staff costs charged by HKTDC	6	1,083,805	1,180,542
Rent and rates		42,360	59,400
Other administrative expenses		30,696	32,004
Auditor's remuneration		57,120	56,000
Expenditure on operational activities		<u>2,435,885</u>	<u>2,294,875</u>
Total Expenditure:		<u>3,649,866</u>	<u>3,622,821</u>
SURPLUS FOR THE YEAR AND			
COMPREHENSIVE INCOME FOR THE YEAR	8	<u>1</u>	<u>1</u>

HONGKONG JAPAN BUSINESS CO-OPERATION COMMITTEE

(Incorporated in Hong Kong and limited by guarantee)

G. BALANCE SHEET

As At 31st March 2010

		2009/10	2008/09
		HK\$	HK\$
CURRENT ASSETS	Note		
Bank balances and cash	10	<u>639,074</u>	<u>237,763</u>
TOTAL ASSETS		<u>639,074</u>	<u>237,763</u>
CURRENT LIABILITIES			
Amount due to HKTDC	11	<u>579,356</u>	<u>179,468</u>
Other payable and accruals		<u>57,840</u>	<u>56,418</u>
TOTAL LIABILITIES		<u>637,196</u>	<u>235,886</u>
NET ASSETS		<u>1,878</u>	<u>1,877</u>
Financed by:			
ACCUMULATED FUND			
Balance as at 1st April		<u>1,877</u>	<u>1,876</u>
Add: Surplus for the year		<u>1</u>	<u>1</u>
Balance as at 31st March		<u>1,878</u>	<u>1,877</u>

(signed)
FUNG Kwok King Victor
 Director

(signed)
LAM Tin Fuk
 Director

The financial statements were approved by the Board of Directors on 6th August 2010.

HONGKONG JAPAN BUSINESS CO-OPERATION COMMITTEE

(Incorporated in Hong Kong and limited by guarantee)

H. STATEMENT OF CASH FLOWS

For the Year Ended 31st March 2010

	2009/10	2008/09
	HK\$	HK\$
Surplus for the year	1	1
Decrease in other receivables	-	2,800
Change in balance with HKTDC	399,888	(182,248)
Increase in other payable and accruals	<u>1,422</u>	<u>3,668</u>
Net cash inflow/(outflow) from operating activities	<u>401,311</u>	<u>(175,779)</u>
Increase/(decrease) in cash and cash equivalents	<u>401,311</u>	<u>(175,779)</u>
Cash and cash equivalents at the beginning of the year	<u>237,763</u>	<u>413,542</u>
Cash and cash equivalent at the end of the year	<u>639,074</u>	<u>237,763</u>
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	<u>639,074</u>	<u>237,763</u>

HONGKONG JAPAN BUSINESS CO-OPERATION COMMITTEE

(Incorporated in Hong Kong and limited by guarantee)

I. STATEMENT OF CHANGES IN FUND

For the Year Ended 31st March 2010

	<u>2009/10</u>	<u>2008/09</u>
	HK\$	HK\$
Total fund brought forward as at 1st April	1,877	1,876
Surplus for the year and comprehensive income for the year	<u>1</u>	<u>1</u>
Total fund carried forward as at 31st March	<u>1,878</u>	<u>1,877</u>

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 31st March 2010, there were 20 members (31st March 2009: 15 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.

During the year, the Committee has adopted the following revised standard which is effective in 2009/10 and considered relevant to its operations:

HKAS 1 (Revised), "Presentation of Financial Statements". The Committee has elected to present a combined statement of comprehensive income. The financial statements have been prepared under the revised disclosure requirements.

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

As at 31 March 2010, the following revised standard and amendment to existing standard which are considered relevant to the Committee's operations, are in issue but not yet effective:

		Effective from periods beginning on or after
HKAS 7 Amendment	"Statement of Cash Flow"	1 January 2010
HKAS 24 (Revised)	"Related Party Disclosures"	1 January 2011

The Committee is in the process of assessing the impact of the above disclosure and presentation of the financial statements in the future accounting periods.

(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) 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.

(e) 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.

(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.

(g) Retirement benefits

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

(g) Cash and cash equivalents

Cash and cash equivalents include bank balances and cash.

4. Financial risk management

(a) Credit risk

The carrying amounts of cash at bank balances represent the Committee's maximum exposure to credit risk in relation to financial assets. The bank balances are placed with financial institutions with good credit rating.

(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 2009/10, the subvention from the Government was HK\$3,610,000 (2008/09: HK\$3,610,000) and the balance required from HKTDC was HK\$39,850 (2008/09: HK\$12,738) respectively.

6. Staff costs

The total amount of staff costs of HK\$1,083,805 (2008/09: HK\$1,180,542) comprises:

	<u>2009/10</u>	<u>2008/09</u>
	HK\$	HK\$
Staff salaries and discretionary performance pay	980,128	1,032,169
Accommodation and other allowances, retirement benefit and staff-related expenses	<u>103,677</u>	<u>148,373</u>
	<u><u>1,083,805</u></u>	<u><u>1,180,542</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 (2008/09: 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 bank balances and cash 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
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