

**HONGKONG | JAPAN**

BUSINESS CO-OPERATION  
COMMITTEE

**ANNUAL REPORT**

2010/2011



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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 Jonathan Choi Koon-shum, BBS, JP. 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 Jonathan Choi Koon-shum, BBS, JP was appointed by the Chief Executive of the HKSAR to serve as Main Committee Chairman on 20 September 2011.

#### 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 2011 AGM.

Mr Chong Hot Hoi Bob

Mr Philip Chen

Mr Peter Hung

The Hon Jeff Lam

Dr Daniel Shao

All five members 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 29th Annual General Meeting on 20 October 2011.

The following persons began serving on the Committee on 31 May 2010:

Mr He Guangbai, JP (joined on 31 May 2010)

Vice Chairman and Chief Executive of BOC Hong Kong (Holdings) Limited

Mr Li Ning (joined on 31 May 2010)

Chairman of Li Ning Company Limited

Mr Liu Tingan (joined on 31 May 2010)

Deputy Chairman and President of China Life Insurance (Overseas) company Limited

Mr Yang Yuanqing (joined on 31 May 2010)

Chief Executive Officer of Lenovo Group Limited

Mr Cha Mou Zing Victor (joined on 21 June 2011)

Deputy Chairman and Managing Director of HKR International Limited

## **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, SBS, JP

Mr Bob Chong Hot Hoi, BBS

Mr He Guangbai, JP \*

Ms Pansy Ho

Mr Peter Hung

Mr Fred Lam, JP

The Hon. Jeffrey Lam, SBS, JP

Mr Li Ning \*

Mr Richard Li

Dr Sarah Liao, GBS, MBE, JP, FRSC

Mr Liu Tingan \*

Mr Daryl Ng Win Kong

Dr Daniel Shao, BBS

Dr Stephen T. F. TAI, GBS, JP

Dr Allan Wong, SBS, JP

Mr Michael Wu

Mr Thomas Jefferson Wu

Mr Yang Yuanqing \*

*\*Honorary member*

### 3. REVIEW OF ACTIVITIES

#### A . Evolving Hong Kong Seminar-Japan Green Technology and Finance

Held in Tokyo on 21 July 2010, the seminar was co-organised by Hong Kong Trade Development Council (HKTDC), Hong Kong Economic and Trade Office (HKETO), Kanto Bureau of Economy, Trade and Industry (Kanto METI) and supported by JETRO, Japan Venture Capital Association and Hong Kong IPO Club.

With the fast growing economy in China and the excellent financial infrastructure of Hong Kong, Japanese companies are very keen on expanding their environmental technology businesses in the Greater China via Hong Kong as their fund raising ground. The event offered timely information about fund procurement in the Hong Kong market and the business potential to the audience, as well as providing a networking opportunity between Hong Kong financial corporations and Japanese Technology companies. The seminar had successfully attracted 175 participants from 142 companies.



Audience of Evolving Hong Kong Seminar-Japan Green Technology and Finance held on 21 July.



Case study of "Business model of Japanese Recycling Company, operation in China via Hong Kong." during a panel discussion.

#### B . Networking Dinner with Nagasaki Governor

Mr. Houdou Nakamura, Governor of the Nagasaki Prefecture, led a delegation of 53 government officials to Fuzhou, Xiamen and Hong Kong from 15 to 20 November 2011. During their stay in Hong Kong, a welcoming dinner was hosted by Mr. Fred Lam, Executive Director of HKTDC on 19 November 2011.

As 2011 is the 100th anniversary of Chinese Revolution, with the close historical background of the City of Nagasaki and Dr. Sun Yatsen, it was envisaged that Hong Kong and Nagasaki will further develop its bilateral cooperation both on cultural and commercial perspectives.



A group photo of the Japanese governor and delegates.



Mr. Fred Lam (left), Executive Director, HKTDC and Mr. Houdou Nakamura (right), Governor of Nagasaki Prefecture, Japan.

### C . Networking Reception for Japanese Delegation to Inno Design Tech Expo

In conjunction with the Inno Design Tech Expo (IDT Expo) organised by HKTDC in December 2010, a networking reception were organised for mission delegates from Japan on 1 December 2010.

As a partner country, nearly 60 companies from Japan exhibited at IDT Expo 2010, presenting graphics, interior, products and technology design in four theme areas. Mr. Horace Pan, Chairman of Hong Kong Interior Design Association (HKIDA), has shared his views on the new trends of Hong Kong and China Design industries were also shared in the reception. This event was well attended by 62 representatives from 49 Japanese companies.



Welcome Remarks by  
Mr. Raymond Yip,  
Assistant Executive Director,  
HKTDC



Welcome Remarks by  
Mr. Tokuyuki Sudo,  
Executive Vice President, J  
apan External Trade Organisation  
(JETRO)



Welcome Remarks by Mr. Kazunori Iizuka, President, Japan Industrial Design Promotion Organisation (JIDPO)



Speech by Mr. Horace Pan, Chairman, Hong Kong Interior Design Association (HKIDA)

## D . High Level Networking Reception to promote Hong Kong-Japan Partnership in Tokyo

Co-organised by HK-JBCC and HKTDC, a high level networking reception promoting Hong Kong-Japan business collaboration was held on 9th February 2011 in Tokyo.

In the previous year, Hong Kong has attracted a significant number of exhibitors and buyers to our local exhibitions. In order to keep up with the momentum and further attract Japanese companies to utilise the Hong Kong platform, this large scale party was organised.

The networking reception was followed by a party to celebrate the Chinese New Year. The entire event was well attended by more than 300 senior government officials and business leaders from various industries.



Participants were enjoying the networking dinner.



Mr. Michihiko Kano,  
Minister of Agriculture,  
Forestry and Fisheries (MAFF)



Mr. Masayuki Naoshima, Former Minister of Economy, Trade and Industry (METI)



(Starting from the left) Mr. Kunio Kano, Regional Director (North Asia) of Hong Kong Tourism Board, Ms. Jennie Chok, Principal Representative of The Government of the Hong Kong Special Administrative Region, HKETO (Tokyo), Mr. Michihiko Kano, Minister of MAFF, Mr. Masayuki Naoshima, Former Minister of METI, Mr. Frederick Lam, Executive Director of HKTDC, Mr. Yoshinori Suematsu, Senior Vice-Minister, Cabinet Office of Japan and Ms. Shigemi Furuta, Director Japan of HKTDC.

## E . Outreach Seminars in Fukuoka, Osaka and Nagoya

Outreach seminars promoting Hong Kong as a gateway to China were held in various key cities in Japan, namely Fukuoka, Osaka and Nagoya in February 2011.

The events offered the timely platform for disseminating information about the economic development between Hong Kong and China and the advantages of Hong Kong. A number of prominent guest speakers from Japan-based-Hong-Kong companies were also invited to share their success stories in various industries, such as contents, finance and food industry.

The seminars were well attended by over 300 participants.



*The Hong Kong business seminar hosted in Fukuoka on 14 February 2011.*



*The business seminar hosted in Osaka on 23 February 2011.*



*A toasting session after the seminar in Fukuoka on 14 February 2011 .*

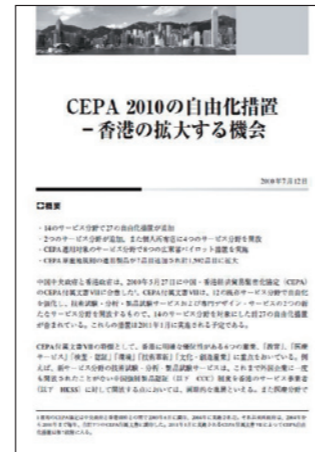


*In Nagoya's event on 24 February 2011, a toasting session led by Ms. Shigemi Furuta, Director, Japan, HKTDC.*

## F. Other Activities

### a. Market Reports

Selected research reports by the HKTDC, such as "CEPA 2010 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 127 in-depth business consultations were completed in 2010/11.

### 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 7 VIPs were invited to attend different trade fairs and events in 2010/11.

## 4. HONG KONG'S TRADE WITH JAPAN

### A. Trade Figures, 2001 – 2011 (Jan-Oct) (HK\$ Million)

	2001	2002	2003	2004	2005	2006	2007
Domestic Exports	4,060	2,969	2,848	2,812	4,320	4,931	2,864
Re-Exports	83,551	80,743	91,154	104,733	114,258	115,490	116,703
Total Exports	87,611	83,711	94,003	107,545	118,578	120,422	119,568
Imports	176,599	182,569	213,995	256,141	256,501	268,140	287,329
Total Trade	264,210	266,281	307,997	363,686	375,079	388,562	406,896
Trade Balance	-88,988	-98,858	-119,992	-148,596	-137,923	-147,719	-167,761

	2008	2009	2010	% Change 2010/09	2011 (Jan-Oct)	% Change 2011/10	Hong Kong's Trade with Japan as % of HK's Total Trade in 2011 (Jan-Oct)
Domestic Exports	2,290	1,651	2,032	23%	1,305	-22.1%	2.3%
Re-Exports	118,663	107,218	125,615	17.2%	109,348	6.5%	4.0%
Total Exports	120,952	108,869	127,647	17.2%	110,653	6.1%	4.0%
Imports	297,552	236,369	308,161	30.4%	267,103	4.7%	8.6%
Total Trade	418,504	345,238	435,808	26.2%	377,756	5.1%	6.4%
Trade Balance	-176,600	-127,500	-180,514	n.a.	-156,450	n.a.	n.a.

Notes: 1) n.a. = not applicable

## B. Hong Kong's Top Ten Trading Partners, 2010 (HK\$ Million)

Markets	Hong Kong's Domestic Exports	Hong Kong's Re-exports	Hong Kong's Total Exports	% Change
1. CHINA	31,223	1,566,999	1,598,222	26.5%
2. U.S.A.	8,356	323,733	332,089	16.4%
<b>3. JAPAN</b>	<b>2,032</b>	<b>125,615</b>	<b>127,647</b>	<b>17.2%</b>
4. GERMANY	861	79,776	80,637	1.6%
5. INDIA	971	73,481	74,451	42.4%
6. TAIWAN	2,815	65,789	68,604	25.4%
7. U.K.	1,554	59,226	60,780	1.9%
8. KOREA REP	1,495	52,174	53,668	24.4%
9. SINGAPORE	2,866	48,113	50,978	20.7%
10. NETHERLANDS	2,639	41,482	44,121	18.4%

Hong Kong's Imports			Hong Kong's Total Trade		
Suppliers	Amount	% Change	Trading Partners	Amount	% Change
1. CHINA	1,529,751	22.4%	1. CHINA	3,127,973	24.5%
<b>2. JAPAN</b>	<b>308,161</b>	<b>30.4%</b>	2. U.S.A.	511,249	19.6%
3. SINGAPORE	237,407	35.9%	<b>3. JAPAN</b>	<b>435,808</b>	<b>26.2%</b>
4. TAIWAN	224,761	28.0%	4. TAIWAN	293,365	27.3%
5. USA	179,160	26.0%	5. SINGAPORE	288,386	33%
6. KOREA REP	133,714	29.8%	6. KOREA REP	187,383	28.2%
7. MALAYSIA	84,705	24.5%	7. INDIA	146,246	39.4%
8. THAILAND	76,304	32.5%	8. GERMANY	138,297	6.8%
9. INDIA	71,794	36.5%	9. THAILAND	110,831	34.1%
10. GERMANY	57,660	15.1%	10. MALAYSIA	110,488	26.7%

## C. Hong Kong's Position in Japan's Trade, 2010 (Yen Billion)

Japan's Total Exports			Japan's Imports			Japan's Total Trade		
Ranking	Amount	% Share	Ranking	Amount	% Share	Ranking	Amount	% Share
5	3,705	5.5	43	133	0.2	8	3,838	3.0

## 5. ADMINISTRATION

### A. Secretariat

Staff establishment as at 31 March 2011 was as follows:

Secretary-General	Ms. Iris Wong
Deputy Secretary-General	Ms. Myra Mak
Administrative Assistant	Ms. Carol Tang

### 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\$3,272,612 and HKTDC was not required to fund the Committee.

The accounts for the financial year 1 April 2010 to 31 March 2011 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 18 to 29.

## 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 2011.

#### 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 2010	1,878
Result for the year	-
Retained surplus as at 31st March 2011	<u>1,878</u>

The directors recommend that the retained surplus as at 31st March 2011 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)  
CHEN Nan Lok Philip  
CHONG Hot Hoi Bob  
HO Chiu King Pansy Catilina  
HUNG Hak Hip Peter  
LAM Kin Fung Jeffrey  
LIAO Sau Tung Sarah Mary  
NG Win Kong Daryl  
SHAO Kung Chuen Daniel  
TAI Tak Fung  
WONG Allan  
WU Wei Kuo Michael  
WU Thomas Jefferson

CHAN Wing Kee (retired and re-elected on 17th September 2010)  
LAM Tin Fuk (retired and re-elected on 17th September 2010)  
LI Richard (retired and re-elected on 17th September 2010)  
FUNG Kwok King Victor (retired on 17th September 2010)  
CHENG Hoi Chuen (retired on 17th September 2010)  
CHOW Yei Ching (retired on 17th September 2010)  
KO Kam Chuen Stanley (retired on 17th September 2010)

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,*

## 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 5 to 13, which comprise the balance sheet as at 31st March 2011, 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 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 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 2011, 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,

## 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 2011

	Note	2010/11 HK\$	2009/10 HK\$
<b>INCOME</b>			
Government / HKTDC subventions	5	3,272,612	3,649,850
Bank interest		5	17
Total Income:		<u>3,272,617</u>	<u>3,649,867</u>
<b>EXPENDITURE</b>			
Staff costs charged by HKTDC	6	1,077,632	1,083,805
Rent and rates		42,360	42,360
Other administrative expenses		44,233	30,696
Auditor's remuneration		64,185	57,120
Expenditure on operational activities		2,044,207	2,435,885
Total Expenditure:		<u>3,272,617</u>	<u>3,649,866</u>
<b>SURPLUS FOR THE YEAR AND COMPREHENSIVE INCOME FOR THE YEAR</b>			
		<u><u>                    </u></u>	<u><u>                    </u></u> 1

## HONGKONG JAPAN BUSINESS CO-OPERATION COMMITTEE

(Incorporated in Hong Kong and limited by guarantee)

### G. BALANCE SHEET

As At 31st March 2011

	Note	2010/11 HK\$	2009/10 HK\$
<b>CURRENT ASSETS</b>			
Bank balances and cash	9	444,199	639,074
Prepayment		13,120	-
TOTAL ASSETS		<u>457,319</u>	<u>639,074</u>
<b>CURRENT LIABILITIES</b>			
Amount due to HKTDC	10	53,148	579,356
Accruals and other payables		402,293	57,840
TOTAL LIABILITIES		<u>455,441</u>	<u>637,196</u>
NET ASSETS		<u><u>1,878</u></u>	<u><u>1,878</u></u>
Financed by:			
<b>ACCUMULATED FUND</b>			
Balance as at 1st April		1,878	1,877
Add: Surplus for the year		-	1
Balance as at 31st March		<u><u>1,878</u></u>	<u><u>1,878</u></u>

(Signed)

**CHOI Koon Shum**  
Director

(Signed)

**LAM Tin Fuk**  
Director

The financial statements were approved by the Board of Directors on

## 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 2011

	<u>2010/11</u>	<u>2009/10</u>
	HK\$	HK\$
Surplus for the year	-	1
Increase in prepayment	<b>(13,120)</b>	-
(Decrease)/increase in balance with HKTDC	<b>(526,208)</b>	399,888
Increase in other payable and accruals	<b>344,453</b>	1,422
Net cash (outflow)/inflow from operating activities	<b>(194,875)</b>	401,311
(Decrease)/increase in cash and cash equivalents	<b>(194,875)</b>	401,311
Cash and cash equivalents at the beginning of the year	<b>639,074</b>	237,763
Cash and cash equivalent at the end of the year	<b>444,199</b>	639,074
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	<b>444,199</b>	639,074

## 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 2011

	<u>2010/11</u>	<u>2009/10</u>
	HK\$	HK\$
Total fund brought forward as at 1st April	<b>1,878</b>	1,877
Surplus for the year and comprehensive income for the year	<b>-</b>	1
Total fund carried forward as at 31st March	<b>1,878</b>	1,878

## 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 2011, there were 16 members (31st March 2010: 20 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.

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

As at 31 March 2011, 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 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) Accruals and other payables**

Accruals and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

	<u>2010/11</u>	<u>2009/10</u>
	HK\$	HK\$
Accruals	64,905	54,840
Overpayment of subvention to be returned to the Government	<u>337,388</u>	-
	<u><u>402,293</u></u>	<u><u>54,840</u></u>

**(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.

**(h) 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.

**4. Financial risk management (Continued)**

**(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 2010/11, the subvention from the Government was HK\$3,272,612 (2009/10: HK\$3,610,000) and HKTDC was not required to fund the Committee (2009/10: HK\$39,850).

**6. Staff costs**

The total amount of staff costs of HK\$1,077,632 (2009/10: HK\$1,083,805) comprises:

	<u>2010/11</u>	<u>2009/10</u>
	HK\$	HK\$
Staff salaries and discretionary performance pay	964,425	980,128
Accommodation and other allowances, retirement benefit and staff-related expenses	<u>113,207</u>	<u>103,677</u>
	<u><u>1,077,632</u></u>	<u><u>1,083,805</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 (2009/10: Nil).

**8. 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.

**9. Bank balances and cash**

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

**10. 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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