

HONGKONG | JAPAN
BUSINESS CO-OPERATION
COMMITTEE

ANNUAL REPORT
2017/2018



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1. INTRODUCTION

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

The Hong Kong Trade Development Council (HKTDC) acts as the Secretariat for the Hong Kong committee and the Japan Business Federation (also 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 opportunities between Hong Kong and Japan.

It is the priority of the HongKong 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 promote Hong Kong as a trade and service platform for Japanese companies to make an inroad into the Chinese and Asian markets.

2. MEMBERSHIP

The Chairman of the Hong Kong Committee is Mr Cha Mou Zing Victor. Members are business leaders of various service and product industries in Hong Kong.

A. Changes in Membership

Chairman of Committee

Mr Cha Mou Zing Victor was appointed by the Chief Executive of the Hong Kong Special Administrative Region to serve as Committee Chairman on 20 September 2016.

Committee

Changes during Annual General Meeting 2017

According to Clauses 28 & 29 of the Articles of Association one-third of the members (i.e. a total of five members) who have served the longest since their last re-election must retire in the 36th Annual General Meeting.

The following five members were identified for retirement in the Annual General Meeting in 2017:

Mr Cha Mou Zing Victor	Mr Shao Kung Chuen Daniel
Mr Chong Hot Hoi Bob	Mr Zhu Qi
Mr Li Richard	

Mr Zhu Qi, one of the retiring Directors, did not offer himself for re-election. 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 36th Annual General Meeting on 15 September 2017.

Mr Ng Wing Kong Daryl resigned as Director and Member of the Committee on 29 January 2018.

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

Committee

Chairman:

Mr Cha Mou Zing Victor

Members:

Mr Chan Wing Fui Peter

Dr Chan Raymond, JP

Mr Chen Aiping*

Dr Chen Nan Lok Philip, GBS, SBS, JP

Dr Cheng Chi Kong, JP

Ms Chiu Wing Kwan Winnie, JP

Mr Chong Hot Hoi Bob, BBS

Mr Chu Lap Lik Victor

Ms Fong Shun Man Margaret, JP

Dr Fu Yuning*

The Hon Lam Kin Fung Jeffrey, GBS, JP

Mr Li Richard

Mr Ng Win Kong Daryl, JP

Dr Shao Kung Chuen Daniel, BBS

Dr Tai Tak Fung Stephen, GBM, GBS, SBS, JP

Mr Wu Thomas Jefferson, JP

Dr Yim Fung, JP*

Mr Yue Yi*

Mr Zhang Lei

**Honorary member*

3. REVIEW OF ACTIVITIES

A . The 37th Plenary Session

The 37th Plenary of the HongKong Japan and Japan HongKong Business Co-operation Committees was held on 28 March in Tokyo, with business opportunities in the Chinese mainland a key focus of the discussions.

Some 40 senior business executives and officials from Hong Kong and Japan took part in the annual bilateral meeting, which was jointly chaired by Victor Cha, Chairman of the HongKong Japan Business Co-operation Committee and Deputy Chairman and Managing Director of HKR International Limited, and Katsunori Nagayasu, Chairman of the Japan HongKong Business Co-operation Committee and Senior Advisor of The Bank of Tokyo-Mitsubishi UFJ, Ltd.

Hong Kong–Japan partnership

In his opening remarks, Mr Cha noted that trade is central to Hong Kong and Japan has remained Hong Kong's fourth-largest trading partner with a trade volume of US\$ 49 billion in 2017, accounting for 4.8 per cent of Hong Kong's total trade. He emphasised Hong Kong's long-standing advantages as an international business hub, adding that, "ASEAN is Hong Kong's second-largest trade partner after the Chinese mainland, whereas Japan has a long history of successful business investments in the region. We will have lots of valuable discussions about the growing opportunities in the future in this region."

Mr Nagayasu said, "Under the Belt and Road Initiative, Hong Kong will play an important role in finance as well as logistics. There is great potential in various scopes for us to work closely together. Many Japanese companies see Hong Kong as a major market for encouraging business growth." He also pointed out that it is crucially important for Japan and Hong Kong to deepen mutual understanding to lead the way for growth and development in the region.

Members were briefed on the potential collaboration opportunities in several aspects including finance, tourism infrastructure and logistics.

Booming opportunities in China

During the session on the Belt and Road Initiative and the Guangdong-Hong Kong-Macao Bay Area, CY Leung, Vice Chairman of the National Committee of the Chinese People's Political Consultative Conference and Former Chief Executive of the Hong Kong Special Administrative Region, shared his insights on Hong Kong's roles. He cited China's President Xi Jinping that Hong Kong is an important node for the Belt and Road Initiative, "We do have the combined advantages of 'one country', Hong Kong being part of China, and 'two systems', Hong Kong

practicing another system, so we are a good connector and we would like to go out with Chinese mainland companies to other countries including Japan, and we would like to go into the Chinese mainland with our foreign business partners."

Mr Leung highlighted the enormous opportunities presented to Hong Kong under the Greater Bay Area development plan. With a combined population of 68 million and a total GDP equivalent to about 12.2 per cent of the Chinese mainland, the Greater Bay Area will be developed into a world-class city cluster with global competitiveness. "The opening up of markets will promote the free flow of goods, products, technology and services within the area." He added that Hong Kong and Japan can tap into the new opportunities together: "Using Hong Kong as a base, Japanese businesses can explore co-operation opportunities in projects related to infrastructure and technology, etc. in the Greater Bay Area."

Japan's economy on a growth path

At the Japan Economic Updates session, Hidekazu Horikoshi, Director and President of Bank of Tokyo-Mitsubishi UFJ (China) Ltd, pointed out that Japan's economy is now in a cyclical expansionary phase and the growth performance is supported by the robust growth in exports and private sector capital investment. In response to the major challenges of declining birth rate and ageing population, the Japanese government put forth a new economic policy package based on the idea of "Society 5.0", an initiative to utilise technology to resolve critical social challenges. He said both the private sector and the government have to work closely together to promote sustainable economic growth.

Regional cooperation

During the session themed "Asian Growth Strategies and New Opportunities", Margaret Fong, Executive Director of the Hong Kong Trade Development Council (HKTDC), highlighted the importance of Hong Kong-Japan partnership while seizing market opportunities in the ASEAN region. As Japan and Hong Kong are both major foreign investors in ASEAN, she expects investment from both regions to accelerate. "We have built a long-standing cross-border business relationship with ASEAN and a number of international brands also partner with us to access these markets. It makes a lot of sense for us to work together to bring Japanese products into this thriving consumer market." She also cited the Free Trade Agreement (FTA) signed between Hong Kong and ASEAN: "Our FTA covers trade in goods, services, investment, economy and technical cooperation, so it is quite a wide-ranging agreement." She said there are many areas in which Japanese companies can expand their partnership with Hong Kong to tap into the ASEAN market.

Ms Fong said the HKTDC is a comprehensive platform for Japanese businesses to open up new markets. "We have already seen a thousand Japanese companies coming to our various trade fairs and events to meet partners from around the world, in which ASEAN is always the key market for our buyers." As infrastructure development is the key factor driving economic growth under the Belt and Road Initiative and the Greater Bay Area development plan, she said the HKTDC has been launching a series of promotions and initiatives to bring SMEs to the Chinese mainland and emerging markets to explore the potential of infrastructure investment.



The 37th Plenary of the HongKong Japan and Japan HongKong Business Co-operation Committees was held in Tokyo on 28 March 2018. Some 40 senior business executives and officials from Hong Kong and Japan took part in the annual bilateral meeting



CY Leung, Vice Chairman of the National Committee of the Chinese People's Political Consultative Conference and Former Chief Executive of the Hong Kong Special Administrative Region (front row, second right) highlighted the enormous opportunities presented to Hong Kong under the Belt and Road Initiative and Greater Bay Area development plan



Members of the HongKong Japan Business Co-operation Committee called on Yuriko Koike, Governor of Tokyo (sixth left)



Victor Cha, Chairman of the HongKong Japan Business Co-operation Committee (right) paid a visit to Ichiro Matsui, Governor of Osaka (left)



Members of the HongKong Japan Business Co-operation Committee attended the welcoming dinner with representatives of industry associations in Japan in Tokyo Meiji Kinenkan

B . Hong Kong Food and Wine Seminars in Japan

Hong Kong has long been a leading showcase and trading centre for Japanese food. Food-related promotion is always one of the key categories under HK-JBCC. Apart from food products, rising overseas demand for Japanese wine and spirits led to greater export potential. Amidst this background, a series of thematic seminars targeting Japanese food and wine companies were organised in Tokyo, Osaka, Hokkaido, Gifu, Kochi, Hyogo, Shizuoka, Okinawa, Yamagata and Ibaraki. These events attracted more than 500 business players in total, promoting Hong Kong as a trading platform and logistics hub for Japanese food and wine.



Hong Kong's role as a key trading hub for Japanese food and wine was promoted during the seminar in Yamagata on 17 February 2018

C . Belt and Road Seminar in Japan



193 participants from 165 companies attended the Hong Kong Business Seminar in Osaka focusing on the Belt and Road Initiative on 25 July 2017

As China's "Belt and Road Initiative" continues to gain attention around the globe, a series of Belt and Road-themed seminars were organised in Osaka and Fukuoka. The seminars aimed at introducing business opportunities arising from the Initiative and encouraging Japanese companies to capture these opportunities through Hong Kong. Hong Kong's strengths as a commercial hub for doing Belt and Road related businesses were especially highlighted. The seminar in Osaka recorded an impressive turnout of more than 190 participants.

D . Environmental Technology Seminars in Japan

Environmental technology was another area for business co-operation between Hong Kong and Japan. Eight outreach seminars promoting Hong Kong environmental protection industry were held in cities including Tokyo, Osaka, Kyoto, Mie, Fukuoka and Kawasaki in 2017/18. The highlight of this series of promotion was the eco-seminar held at N-Expo, the largest eco exhibition in Japan. The seminar attracted more than 40 participants and introduced Hong Kong's advantages and its eco-business landscape.



More than 40 participants attended the eco seminar at N-Expo on 23 May 2017

E . Hong Kong Green Building Workshop at KENTEN

Green building has long been a popular area under Hong Kong-Japan environmental technology promotion. In June 2017, the HK-JBCC organised a Green Building Workshop at KENTEN, the largest green building fair in West Japan with more than 20,000 participants. The workshop reached out to over 51 companies from Osaka, Kyoto, Hyogo, Shiga, and other places in Kansai.



51 participants from 51 companies attended the Green Building Workshop at KENTEN on 8 June 2017

F . Hong Kong Life Science Seminar in Osaka

Hong Kong and Japan are well-known for their high life expectancies and hence have great demand for better healthcare, driving up potential for co-operation in life science between the two places. In December 2017, a life-science seminar was organised in Osaka, introducing biomedical and healthcare industry in Hong Kong and promoting the partnership between Hong Kong and Japanese bio-medical companies.



Over 65 life science industry players participated in the seminar held in Osaka on 14 Dec 2017

G . Hong Kong Content Promotion Seminars in Tokyo, Kyushu and Okinawa

Japanese content such as animations, games and film have been global hits. Export potential for Japanese culture and content-related products has been immense over the years. Hong Kong has been the first port of call for Japanese content and many of the related business. HK-JBCC held several seminars in Tokyo, Kyushu and Okinawa to reinforce Hong Kong's position as an effective channel for Japanese companies to promote their cultural business to the Chinese mainland and Asia. The seminars were attended by more than 100 industry players.



Around 40 participants attended Seminar in Tokyo promoting content and licensing held on 4 August 2017

H. The Spring Reception in Tokyo

The spring reception was jointly organised by the Hong Kong Economic and Trade Office (Tokyo), HK-JBCC and HKTDC in Tokyo on 28 February 2018.

Attended by over 480 guests from Japanese political and business circles, academia and community groups, the reception served as an excellent annual platform for high-level business leaders to build closer rapport and explore potential collaborations between Hong Kong and Japan.



Mr Silas Chu, HKTDC's Director of Japan delivered remarks on Hong Kong as a global business platform at the reception



HE Cheng Yong-hua, the Ambassador Extraordinary and Plenipotentiary Embassy of the People's Republic of China proposed a toast with other guests

I. Other Activities

a. Business Advisory Service

Since its inception in March 2004, the Business Advisory Services have been well received by Japanese companies who are interested in doing business with Hong Kong and Chinese Mainland.

18 Japanese experts who possessed ample practical knowledge in doing business in Hong Kong and Chinese Mainland have been engaged to serve 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, and Belt and Road areas. A total of 107 (45 from Tokyo, 62 from Osaka) in-depth business consultations were completed in 2017/18. The business advisory services were provided to Japanese SMEs in local areas such as Saitama, Tokyo, Yamaguchi and Fukuoka during relevant outreach seminars and briefings.



Business Advisory Services were arranged during Seibu Bank Fair in May 2017

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

Since 2005, HK-JBCC has been sponsoring winners from the Jewellery Design Competition and Hong Kong Watch & Clock Design Competition to attend an intensive design workshop at the Hiko Mizuno Design College in Tokyo, Japan. The course has helped Hong Kong design talents to strengthen their design and marketing skills inspired by their Japanese design tutors. A total of six winners of the two competitions were sponsored by HK-JBCC to attend a five-day course in March 2018 (5 March to 9 March and 26 March to 30 March 2018) at the Hiko Mizuno College of Jewellery in Tokyo.



Winners of the competitions obtained new design idea and techniques through a five-day workshop provided by the Hiko Mizuno College of Jewellery

4. HONG KONG'S TRADE WITH JAPAN

A. Trade Figures, 2008 – March 2018 (HK\$ Million)

	2008	2009	2010	2011	2012	2013	2014
Domestic Exports	2,290	1,651	2,032	1,531	1,192	1,262	1,267
Re-Exports	118,663	107,218	125,615	133,624	142,778	133,967	130,238
Total Exports	120,952	108,869	127,647	135,155	143,970	135,229	131,505
Imports	297,552	236,369	308,161	318,601	311,605	286,343	288,891
Total Trade	418,504	345,238	435,808	453,756	455,575	421,572	420,396
Trade Balance	-176,600	-127,500	-180,514	-183,446	-167,635	-151,114	-157,386

	2015	2016	2017	% Change 2017/16	2018 (Jan-Mar)	% Change 2018/17	Hong Kong's Trade with Japan as % of HK's Total Trade in 2018 (Jan-Mar)
Domestic Exports	1,048	1,199	995	-17%	259	-17%	2.6%
Re-Exports	121,724	115,547	127,479	10.3%	31,279	7.3%	3.4%
Total Exports	122,772	116,746	128,474	10%	31,538	7%	3.3%
Imports	260,294	246,698	253,394	2.7%	58,089	0.5%	5.4%
Total Trade	383,067	363,444	381,868	5.1%	89,627	2.7%	4.4%
Trade Balance	-137,522	-129,952	-124,921	n.a.	-26,551	n.a.	n.a.

Notes: 1) n.a. = not applicable

B. Hong Kong's Top Ten Trading Partners, 2017 (HK\$ Million)

Markets	Hong Kong's Domestic Exports	Hong Kong's Re-exports	Hong Kong's Total Exports	% Change 17/16
1. CHINA	17,268	2,088,561	2,105,829	7.1%
2. U.S.A.	3,465	326,733	330,198	2.5%
3. TAIWAN	2,079	87,292	89,371	14.3%
4. JAPAN	995	127,479	128,474	5.1%
5. SINGAPORE	2,406	58,617	61,023	8.1%
6. KOREA REP	1,139	55,534	56,672	23.4%
7. INDIA	1,462	157,173	158,635	27%
8. THAILAND	1,060	53,076	54,135	10.1%
9. MALAYSIA	957	27,705	28,663	21.8%
10. VIETNAM	2,429	77,203	79,632	11.7%

HONG KONG'S IMPORTS			HONG KONG'S TOTAL TRADE		
Suppliers	Amount	% Change	Trading Partners	Amount	% Change
1. CHINA	2,030,145	5.9%	1. CHINA	4,135,974	7.1%
2. TAIWAN	329,678	12.9%	2. U.S.A.	543,935	2.5%
3. SINGAPORE	288,107	10.1%	3. TAIWAN	419,050	14.3%
4. JAPAN	253,394	2.7%	4. JAPAN	381,868	5.1%
5. KOREA REP	252,056	28.5%	5. SINGAPORE	349,130	8.1%
6. U S A	213,737	3.4%	6. KOREA REP	308,728	23.4%
7. MALAYSIA	114,877	26.8%	7. INDIA	266,047	27%
8. INDIA	107,412	15.8%	8. THAILAND	143,777	21.8%
9. THAILAND	89,641	8.5%	9. MALAYSIA	143,539	10.1%
10. PHILIPPINES	76,275	27.6%	10. VIETNAM	141,277	11.7%

C. Hong Kong's Position in Japan's Trade, 2017 (USD Billion)

Japan's Total Exports			Japan's Imports			Japan's Total Trade		
Ranking	Value	% Share	Ranking	Value	% Share	Ranking	Value	% Share
5	35.4	5.1	40	1.8	0.3	8	37.3	2.7

5. ADMINISTRATION

A. Secretariat

Staff establishment as at 31 March 2018 was as follows:

Secretary-General	Ms Winsome Chan
Deputy Secretary-General	Ms Anne Chung

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\$616,694.

The accounts for the financial year 1 April 2017 to 31 March 2018 have been audited by PricewaterhouseCoopers, whose appointment was approved by resolution at the 36th Annual General Meeting. The Statement by the Directors on the Report and Accounts are on pages 17 to 31.

HONGKONG JAPAN BUSINESS CO-OPERATION COMMITTEE

港日經濟合作委員會

(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 2018.

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

The results of the Committee for the year are set out in the statement of comprehensive income on page 23.

The directors recommend that the retained surplus of HK\$1,878 as at 31 March 2018 be carried forward.

Directors

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

CHA Mou Zing Victor	(Chairman)(retired and re-elected on 15 September 2017)
CHAN Raymond	
CHAN Wing Fui Peter	
CHEN Nan Lok Philip	
CHIU Wing Kwan Winnie	
CHU Lap Lik Victor	
FONG Shun Man Margaret	
LAM Kin Fung Jeffrey	
ZHANG Lei	
TAI Tak Fung	
WU Thomas Jefferson	
CHONG Hot Hoi Bob	(retired and re-elected on 15 September 2017)
LI Richard	(retired and re-elected on 15 September 2017)
SHAO Kung Chuen Daniel	(retired and re-elected on 15 September 2017)
ZHU Qi	(retired on 15 September 2017)
NG Win Kong Daryl	(resigned on 29 January 2018)

REPORT OF THE DIRECTORS (Continued)

Directors (Continued)

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.

Directors' material interest in transactions, arrangements and contracts that are significant in relation to the Committee's business

Ms. Margaret Fong is the Executive Director of Hong Kong Trade Development Council ("HKTDC") which is incorporated in Hong Kong.

Apart from the above, no transactions, arrangements and 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.

Business review

No business review is presented for 2018 as the Committee has been able to claim an exemption under section 388(3) of the Companies Ordinance Cap. 622 since it falls within the reporting exemption.

Permitted indemnity provisions

At no time during the financial year and up to the date of this Report of the Directors, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Committee.

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)

Winsome Chan Wing Shan
Secretary - General
Hong Kong, 19 Jul 2018

**E. INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
HONGKONG JAPAN BUSINESS CO-OPERATION COMMITTEE
港日經濟合作委員會
(Incorporated in Hong Kong and limited by guarantee)**

Opinion

What we have audited

The financial statements of HongKong Japan Business Co-operation Committee ("the Committee") set out on pages 23 to 31, which comprise:

- the balance sheet as at 31 March 2018;
- the statement of comprehensive income for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of changes in fund for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Committee as at 31 March 2018, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

Independence

We are independent of the Committee in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
HONGKONG JAPAN BUSINESS CO-OPERATION COMMITTEE
港日經濟合作委員會
(Incorporated in Hong Kong and limited by guarantee) (Continued)**

Other information

The directors of the Committee are responsible for the other information. The other information comprises the information included in the Report of the Directors, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the financial statements, the directors are responsible for assessing the Committee's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Committee or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HONGKONG JAPAN BUSINESS CO-OPERATION COMMITTEE

港日經濟合作委員會

(Incorporated in Hong Kong and limited by guarantee) (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Committee's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
HONGKONG JAPAN BUSINESS CO-OPERATION COMMITTEE**

港日經濟合作委員會

(Incorporated in Hong Kong and limited by guarantee) (Continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Committee's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Committee to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

(Signed)

PricewaterhouseCoopers

Certified Public Accountants

HONGKONG JAPAN BUSINESS CO-OPERATION COMMITTEE

港日經濟合作委員會

(Incorporated in Hong Kong and limited by guarantee)

F. STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March

	Note	<u>2018</u>	<u>2017</u>
		HK\$	HK\$
INCOME			
Government / HKTDC subventions	4	4,226,694	3,857,939
EXPENDITURE			
Staff costs charged by HKTDC	5	1,220,803	1,182,209
Rent and rates		88,440	87,600
Other administrative expenses		34,278	44,697
Auditor's remuneration		44,300	44,300
Operational activities		2,838,873	2,499,133
		<u>4,226,694</u>	<u>3,857,939</u>
Result for the year and total comprehensive income for the year		<u>-</u>	<u>-</u>

The notes on pages 26 to 31 are an integral part of these financial statements.

HONGKONG JAPAN BUSINESS CO-OPERATION COMMITTEE

港日經濟合作委員會

(Incorporated in Hong Kong and limited by guarantee)

G. BALANCE SHEET

As At 31st March

		<u>2018</u>	<u>2017</u>
		HK\$	HK\$
CURRENT ASSETS	Note		
Bank balances	7	173,003	308,853
Prepayments and other receivables	8	<u>51,865</u>	<u>79,008</u>
TOTAL ASSETS		<u>224,868</u>	<u>387,861</u>
CURRENT LIABILITIES			
Amount due to HKTDC	9	177,990	340,983
Accruals and other payables	10	<u>45,000</u>	<u>45,000</u>
TOTAL LIABILITIES		<u>222,990</u>	<u>385,983</u>
NET ASSETS		<u>1,878</u>	<u>1,878</u>
Financed by:			
ACCUMULATED FUND		<u>1,878</u>	<u>1,878</u>

The financial statements on pages 23 to 31 were approved by the Board of Directors on 19 Jul 2018 and are signed on its behalf by:

(Signed)
CHA Mou Zing Victor
Director

(Signed)
FONG Shun Man Margaret
Director

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H. STATEMENT OF CASH FLOWS

For the Year Ended 31 March

	<u>2018</u>	<u>2017</u>
	HK\$	HK\$
Results for the year	-	-
Decrease in amount due to HKTDC	(162,993)	(244,334)
Decrease/(increase) in prepayments and other receivables	27,143	(37,272)
Decrease in accruals and other payables	-	(49,157)
	<u> </u>	<u> </u>
Net cash outflow from operating activities	(135,850)	(330,763)
	<u>-----</u>	<u>-----</u>
Decrease in cash and cash equivalents	(135,850)	(330,763)
	<u> </u>	<u> </u>
Cash and cash equivalents at the beginning of the year	308,853	639,616
	<u> </u>	<u> </u>
Cash and cash equivalents at the end of the year	173,003	308,853
	<u> </u>	<u> </u>
Analysis of balances of cash and cash equivalents:		
Bank balances	173,003	308,853
	<u> </u>	<u> </u>

HONGKONG JAPAN BUSINESS CO-OPERATION COMMITTEE

港日經濟合作委員會

(Incorporated in Hong Kong and limited by guarantee)

I. STATEMENT OF CHANGES IN FUND

	HK\$
Total fund as at 31 March 2016	1,878
Result for the year and total comprehensive income for the year	-
Total fund as at 31 March 2017	<u>1,878</u>
Result for the year and total comprehensive income for the year	-
Total fund as at 31 March 2018	<u><u>1,878</u></u>

J. NOTES TO THE FINANCIAL STATEMENTS

1. General information

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. As at 31 March 2018, there were 15 members (31 March 2017: 17 members).

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.

2. Summary of significant 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. 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 new or revised standards, amendments and improvements to existing standards (collectively the "new HKFRSs") that have come into effect and are considered relevant to its operations.

As at 31 March 2018, the following new HKFRS has been adopted by the Committee for the financial year beginning on or after 1 April 2017 and is considered relevant to the Committee's operations:

HKAS 7 (Amendment)	Disclosure Initiative
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The adoption of these amendments to existing standards has no material impact on the Committee's result.

(b) New HKFRSs which are not yet effective

As at 31 March 2018, the following new HKFRSs which are considered relevant to the Committee's operations, are in issue but not yet effective:

		Effective from periods beginning on or after
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRSs (Amendment)	Annual Improvements to HKFRSs 2014 – 2016 Cycle	1 January 2018
HKFRSs (Amendment)	Annual Improvements to HKFRSs 2015 – 2017 Cycle	1 January 2019

Nature of changes

HKFRS 15 Revenue from contracts with customers

HKFRS 15 establishes a framework for determining whether, how much and when revenue is recognised. The new standard is based on the principle that revenue is recognised when control of a good or service transfer to a customer. This will replace existing revenue recognition guidance, including HKAS 18 Revenue, HKAS 11 Construction Contracts, and the related Interpretations when it becomes effective. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Date of adoption and impact to the Committee

The Committee will apply the above new HKFRSs when they become effective. The Committee has already commenced an assessment of the related impact to the Committee. According to the preliminary assessment, no significant impact on the financial performance and positions of the Committee is expected when adopting HKFRS 15.

(c) Foreign currencies translation

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. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated into Hong Kong dollars at the exchange rate ruling at the balance sheet date. Exchange gains and losses on foreign currency translations are dealt with in the profit or loss.

(d) Cash and cash equivalents

Cash and cash equivalents include cash 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. If the collection of receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

(f) 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.

(g) Income recognition

Government and HKTDC subventions are recognised in the specific fiscal year as approved by the Government and HKTDC.

(h) Employee benefits

Contributions to defined benefits and defined contribution schemes of HKTDC for the year are recognised in the profit or loss.

(i) Income tax

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

(j) 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 or exercising significant influence over the Committee in making financial and operating decisions, or vice versa.

3. Financial risk management

(a) Credit risk

The Committee is exposed to credit risk in relation to cash at bank and receivables. The Committee's maximum exposure is the carrying amount of these financial assets. To manage this risk, the management has monitoring procedures to ensure that, follow-up action is taken to recover overdue debts. In addition, the management reviews the recoverable amounts of receivables to ensure that adequate impairment is made for the irrecoverable amounts.

The Committee'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.

4. Government / HKTDC subventions

According to the existing funding arrangement, the Government and HKTDC agree to fund the expenditure of the Committee. For the financial year ended 31 March 2018, the subvention from the Government was HK\$3,610,000 (2017: HK\$3,610,000) and the balance to be funded by HKTDC would be HK\$616,694 (2017: HK\$247,939).

5. Staff costs

The total amount of staff costs comprises:

	2018	2017
	HK\$	HK\$
Staff salaries and discretionary performance pay	1,159,385	1,118,654
Retirement benefit expenses	61,418	63,555
	<u>1,220,803</u>	<u>1,182,209</u>

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

6. Directors' remuneration

None of the directors received any emoluments in respect of their services rendered to the Committee during the year (2017: Nil).

During the year, no emoluments, retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2017: Nil). No consideration was provided to or receivable by third parties for making available directors' services (2017: Nil).

There are no loans, quasi-loans or other dealings in favour of directors and their controlled bodies corporate (2017: Nil).

Other than those disclosed in the Report of the Directors, no director of the Committee had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Committee's business to which the Committee was or is a party that subsisted at the end of the year or at any time during the year (2017: Nil).

7. Bank balances

Bank balances are denominated in Hong Kong dollars.

8. Prepayments and other receivables

As at 31 March 2018, other receivables were fully performing and were aged within 30 days. The carrying amounts at the year end approximate their fair values, and are denominated in Hong Kong dollars.

9. Amount due to HKTDC

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

10. Accruals and other payables

The carrying amounts at year end approximate their fair value and are denominated in Hong Kong dollars.

HONGKONG | JAPAN
BUSINESS CO-OPERATION COMMITTEE

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