

HONGKONG | JAPAN

BUSINESS CO-OPERATION
COMMITTEE

ANNUAL REPORT

2005/2006



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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, and promote 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 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 Chairman of the Committee on 19 September 2004 and was reappointed for another term of two years with effect from 19 September 2006.

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 2006 Annual General Meeting:

Mr. Chan Wing Kee	Mr. Fred Lam	Mr. James E. Thompson
Mr. C.C. Tung	Dr. Allan Wong	

The above 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 24th Annual General Meeting on 19 September, 2006.

Mr. Peter Hung, Chairman of Hop Hing Holdings Limited, began serving on the Committee on 27 October, 2005.

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. Christopher Cheng, OBE, JP (resigned on 26 July 2005)

Mr. Vincent Cheng, GBS, OBE, JP

Mr. Bob Chong Hot Hoi

Dr. Chow Yei Ching, GBS

Mr. Peter Hung (appointed on 27 October 2005)

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

Mr. Fred Lam, JP

The Hon. Jeffrey Lam, SBS, JP

Mr. Richard Li

Dr. Daniel Shao, BBS

Mr. James E. Thompson, GBS

Mr. C.C. Tung

Dr. Allan Wong, SBS, JP

Mr. David S.Y. Wong, OBE, JP

Ms. Marjorie Yang

3. REVIEW OF ACTIVITIES

A . The 28th Plenary Session

The 28th Plenary Session was held on 15 February 2006 at the Hong Kong Convention and Exhibition Centre in Hong Kong.

The Plenary Session was co-chaired by Dr. Victor Fung, Chairman of the Hong Kong–Japan Business Co-operation Committee, and Mr. Toshiyuki Shinmachi, Chairman of the Japan–Hong Kong Business Co-operation Committee. The opening remarks from the Co-Chairmen was followed by remarks from Mr. Takanori Kitamura, Consul-General of Japan.

Topical issues discussed at the Plenary Session included:

- overview of the latest economic and trade developments of Hong Kong and Japan;
- an update on Japan's economy and business activities of Japanese companies in Hong Kong; and
- Hong Kong/Japan partnership opportunities in China.

After the Plenary Session, members of both the Hong Kong and Japan Committees were invited to a luncheon hosted by The Hon. Donald Tsang, Chief Executive of the HKSAR Government.



Hong Kong-Japan and Japan-Hong Kong Business Co-operation Committee members pictured with The Hon. Donald Tsang, Chief Executive of the HKSAR Government at the 28th Plenary Session on 15 February 2006 in Hong Kong.

B. Japan Think-tank Mission to Hong Kong and the Pan-PRD

The mission was a joint effort of the Hong Kong-Japan Business Co-operation Committee, the Hong Kong Trade Development Council and the Hong Kong Economic and Trade Office (Tokyo). Eleven

senior researchers from leading Japanese think-tanks joined the mission. Fact-finding visits to Hong Kong, Guangzhou and Chengdu were arranged with the objectives of introducing Hong Kong's new positioning and expanded role against the framework of the Pan-PRD (Pan-Pearl River Delta) regional co-operation. As a result of the mission, a number of articles were published in various media and institute journals. The mission also generated coverage of positive remarks on Hong Kong's role in the Pan-PRD.



Think-tank mission members visited Guangzhou Toyota Motor Co. Ltd.

C. Other Activities

a. Japan-Hong Kong Business Symposium On the Occasion of the Japan-Hong Kong Year

On 19 October 2005, the Hong Kong-Japan Business Co-operation Committee co-organised with JETRO Hong Kong, the Hong Kong Japanese Chamber of Commerce and Industry and the Hong Kong Trade Development Council to stage the Japan-Hong Kong Business Symposium. The Symposium was one of the major activities of the Japan-Hong Kong Year 2005, organised by the Consulate-General of Japan in Hong Kong.

Entitled "Integration in East Asia: Developing Closer Japan-Hong Kong Business Relations", the seminar invited leading Japanese industry players to deliver speeches on the latest Japan-China economic relationship and Hong Kong's position in the global economy. Hong Kong business leaders and HKJBCC members, namely, Dr. Victor Fung, Dr. Allan Wong and Mr. Fred Lam shared their views in the event to illustrate Hong Kong's expanding roles as supply chain management hub as well as technology trading and business services platform. More than 280 participants attended the seminar.

b. Quarterly Japanese Newsletter

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香港トレードニュース

HONG KONG JAPAN BUSINESS DEVELOPMENT COMMITTEE

香港貿易發展局
Hong Kong Trade Development Council

2006.02.01

日本と香港の掛け橋

翻譯一 大阪市長を表敬訪問し、中小企業の対中事業支援を約束

日本官庁、産業界トップとの連携

香港貿易發展局では日本経済を推進する官庁、経済・産業団体、商工会議所、地方自治体、中小企業振興団体等に対し、広く香港資源情報と活用方法の提供を推進しております。

昨年は日本各地で香港資源啓蒙事業を実施致しましたが、その主なものとして、日本食ブームが沸き起こる中国華南地区からの食材需要に対し、札幌市、静岡市、福岡市、大阪市、仙台市で「香港・華南地区食品産業セミナー」を相継いで開催、地元の日本野菜、果物、米などの対中華南地区輸出の各種相談を受けました。

また日本自動車産業の広州進出に関して現地珠江デルタ地区の香港製造業やサービス産業従事企業が如何なる現地経営資源を供給できるかを検討する「中国・香港自動車産業情報セミナー」を東京、名古屋、大阪で開催、日本貿易振興機構をはじめ、日

本自動車部品協会、その他自動車関連団体、地方自治体、商工会議所などの支援を受け、三都市で600名を超える企業人が集結、香港産業界からの説明を熱心に聴講しました。また急激な工業化に伴い環境汚染の課題広がる珠江デルタ地区を対象に、北九州市、長浜市、大阪市で「香港・華南地区環境保全産業情報セミナー」を実施、来日した香港環境保全協会会長が現地事情と事業機会について説明しました。

香港貿易發展局では従来の縫製業、雑貨日用品、電子産業などの軽工業に続き、重化学工業、サービス産業振興を展開して参る所存です。

拡大する中国自動車産業における事業機会獲得に向け日港連携を討議
日本貿易振興機構 理事長 渡辺 浩 氏 (中央)
自動車部品協会 理事長 伊藤 紀彦 氏 (左)

The Hong Kong Trade News was launched in February 2006 to provide information on business opportunities and latest economic developments in Hong Kong and China. The newsletter is printed

quarterly and is in Japanese language. It can also be assessed via *japan.tdctrade.com*, the Japanese lead-in site of *tdctrade.com*. There are now over 4000 readers.

c. Market Reports

Selected research reports by the HKTDC, such as "CEPA III: Opportunities for Hong Kong" was translated into Japanese to provide timely and topical information on Hong Kong and the Chinese mainland to Japanese companies.

d. Business Advisory Service

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

The Service has been offered at HKTDC's offices in Tokyo and Osaka by Japanese experts in Hong Kong and China business. During the year, sectoral business advisors were also invited to attend HKTDC's outreach seminars in Saitama, Shizuoka, Sendai and Nagoya. The experts provided complimentary consultation service to the seminar participants on the spot.

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 98 in-depth business consultations were completed in 2005/06.

e. Sponsorship for Design Training in Japan

Hong Kong Trade Development Council organises the Hong Kong Jewellery Design Competition

every year to foster and groom local young design talents in the jewellery industry. In 2005/06, the Hong Kong - Japan Business Co-operation Committee sponsored three Best of Show winners of the Competition 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 of jewellery.



Winners of Hong Kong Jewellery Design Competition exchanged their views on design and marketing with experienced Japanese tutors of Hiko Mizuno College of Jewellery.

4. HONG KONG'S TRADE WITH JAPAN

A. Trade Figures, 1996 – 2006 (Jan-Mar) (HK\$ Million)

	1996	1997	1998	1999	2000	2001
Domestic Exports	11,335	10,641	6,435	5,459	5,084	4,060
Re-Exports	80,154	77,724	64,194	67,506	82,050	83,551
Total Exports	91,489	88,365	70,629	72,965	87,134	87,611
Imports	208,239	221,646	179,947	162,652	198,976	176,599
Total Trade	299,727	310,011	250,576	235,616	286,110	264,210
Trade Balance	-116,750	-133,281	-109,318	-89,687	-111,842	-88,988

	2002	2003	2004	2005	% Change 2005/04	2006 (Jan-Mar)	% Change 2006/05	Hong Kong's Trade with Japan as % of HK's Total Trade in 2006 (Jan-Mar)
Domestic Exports	2,969	2,848	2,812	4,320	+53.6	1,336	+59.9	4.0
Re-Exports	80,743	91,154	104,733	114,258	+9.1	27,915	+5.3	5.5
Total Exports	83,722	94,003	107,545	118,578	+10.3	29,251	+6.9	5.4
Imports	182,569	213,995	256,141	256,501	+0.1	60,639	+4.4	10.6
Total Trade	266,281	307,997	363,686	375,079	+3.1	89,890	+5.2	8.1
Trade Balance	-98,858	-119,992	-148,596	-137,923	n.a.	-31,389	n.a.	n.a.

Note: n.a. = not applicable

B. Hong Kong's Top Ten Trading Partners, 2005 (HK\$ Million)

Markets	Hong Kong's Domestic Exports	Hong Kong's Re-exports	Hong Kong's Total Exports	% Change
1. China	44,643	967,923	1012,565	+14.0
2. U.S.A.	37,767	322,872	360,639	+5.6
3. Japan	4,320	114,258	118,578	+10.3
4. Germany	4,353	68,367	72,720	+15.6
5. U.K.	7,304	61,944	69,247	+5.2
6. Taiwan	5,142	45,285	50,427	+2.7
7. Rep. of Korea	1,650	46,591	48,241	+9.5
8. Singapore	4,076	42,465	46,541	+6.8
9. Netherlands	5,386	37,252	42,639	+28.7
10. France	1,347	30,341	31,688	+19.2

Hong Kong's Imports			Hong Kong's Total Trade		
Suppliers	Amount	% Change	Trading Partners	Amount	% Change
1. China	1,049,335	+14.3	1. China	2,061,900	+14.1
2. Japan	256,501	+0.1	2. U.S.A.	479,892	+5.8
3. Taiwan	168,227	+9.4	3. Japan	375,079	+3.1
4. Singapore	135,190	+21.8	4. Taiwan	218,654	+7.8
5. U.S.A.	119,252	+6.5	5. Singapore	181,731	+17.6
6. Rep. of Korea	103,035	+2.6	6. Rep. of Korea	151,277	+4.7
7. Malaysia	57,153	+10.0	7. Germany	113,774	+10.6
8. Thailand	46,455	+23.0	8. U.K.	100,220	+5.8
9. Germany	41,054	+2.6	9. Malaysia	75,738	+8.5
10. Philippines	38,278	+13.5	10. Thailand	68,557	+17.4

C. Hong Kong's Position in Japan's Trade, 2005 (Yen Billion)

Japan's Total Exports			Japan's Imports			Japan's Total Trade		
Ranking	Amount	% Share	Ranking	Amount	% Share	Ranking	Amount	% Share
5	3,969	6.0	39	173	0.3	6	4,142	3.4

5. ADMINISTRATION

A. Secretariat

Staff establishment as at 31 March 2006 was as follows:

Secretary-General	Ms. Jenny Koo
Deputy Secretary-General	Ms. Myra Mak
Administrative Assistant	Ms. Joanna Lo

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\$124,000 respectively.

The accounts for the financial year 1 April 2005 to 31 March 2006 have been audited by PricewaterhouseCoopers, whose appointment was approved by resolution at the 24th Annual General Meeting. The Statement by the Directors on the Report and Accounts are on pages 14 to 20.

HONGKONG JAPAN BUSINESS CO-OPERATION COMMITTEE

(Incorporated in Hong Kong and limited by guarantee)

REPORT OF THE DIRECTORS

The directors submit their report together with the audited accounts for the year ended 31st March 2006.

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	HKD
Retained surplus as at 31st March 2005	1,873
Surplus for the year	<u>1</u>
Retained surplus as at 31st March 2006	<u><u>1,874</u></u>

The directors recommend that the retained surplus as at 31st March 2006 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

CHOW Yei Ching

KO Kam Chuen Stanley

LAM Tin Fuk

Richard LI

James E. THOMPSON

TUNG Chee Chen

Allan WONG

WONG Shou Yeh David

HUNG Hak Hip Peter

(appointed on 27th October 2005)

CHONG Hot Hoi Bob	(retired and re-elected on 26th July 2005)
LAM Jeffrey Kin Fung	(retired and re-elected on 26th July 2005)
SHAO Kung Chuen Daniel	(retired and re-elected on 26th July 2005)
Marjorie YANG	(retired and re-elected on 26th July 2005)
CHENG Wai Chee Christopher	(resigned on 26th July 2005)

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

Interest in contracts

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

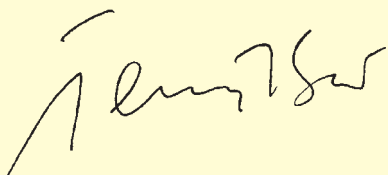
Management contracts

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

Auditors

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

By order of the Board,



Secretary - General

Jenny Koo

Hong Kong, 19 July 2006

AUDITORS' REPORT TO THE MEMBERS OF HONGKONG JAPAN BUSINESS CO-OPERATION COMMITTEE

(Incorporated in Hong Kong and limited by guarantee)

We have audited the accounts on pages 17 to 20 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Hong Kong Companies Ordinance requires the directors to prepare accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts 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.

Basis of opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Committee's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the accounts give a true and fair view of the Committee's state of affairs as at 31st March 2006 and of its surplus and cash flows for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.



PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 19 July 2006

HONGKONG JAPAN BUSINESS CO-OPERATION COMMITTEE

(Incorporated in Hong Kong and limited by guarantee)

INCOME AND EXPENDITURE ACCOUNT

For the Year Ended 31st March 2006

	Note	<u>2005/06</u> HKD	<u>2004/05</u> HKD
INCOME			
Government / HKTDC subventions	4	3,734,000	3,823,000
Bank interest		<u>18,587</u>	<u>697</u>
		<u>3,752,587</u>	<u>3,823,697</u>
EXPENDITURE			
Staff costs charged by HKTDC		<u>1,190,088</u>	<u>1,272,279</u>
Office expenses:			
Rent and rates		56,160	46,800
Other administrative expenses		57,711	52,085
Auditors remuneration		<u>45,920</u>	<u>41,000</u>
		<u>159,791</u>	<u>139,885</u>
Expenditure on operational activities		<u>2,402,707</u>	<u>2,411,532</u>
		<u>3,752,586</u>	<u>3,823,696</u>
SURPLUS FOR THE YEAR		<u>1</u>	<u>1</u>

HONGKONG JAPAN BUSINESS CO-OPERATION COMMITTEE

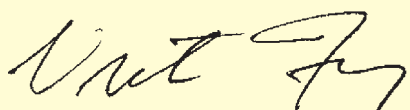
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BALANCE SHEET

As At 31st March 2006

	<u>2005/06</u>	<u>2004/05</u>
	HKD	HKD
CURRENT ASSETS		
Accounts receivable	5,818	8,288
Cash and bank balances	201,760	36,041
Amount due from HKTDC	-	35,684
	<u>207,578</u>	<u>80,013</u>
CURRENT LIABILITIES		
Amount due to HKTDC	159,339	-
Accounts payable and accruals	46,365	78,140
	<u>205,704</u>	<u>78,140</u>
NET ASSETS	<u>1,874</u>	<u>1,873</u>
Financed by:		
ACCUMULATED FUND		
Balance as at 1st April	1,873	1,872
Add: Surplus for the year	<u>1</u>	<u>1</u>
Balance as at 31st March	<u>1,874</u>	<u>1,873</u>

The accounts on pages 17 to 20 were approved by the Board of Directors on 19 July 2006 and are signed on its behalf by:



FUNG Kwok King Victor
Director



LAM Tin Fuk
Director

HONGKONG JAPAN BUSINESS CO-OPERATION COMMITTEE

(Incorporated in Hong Kong and limited by guarantee)

CASH FLOW STATEMENT

For the Year Ended 31st March 2006

	<u>2005/06</u> HKD	<u>2004/05</u> HKD
Surplus for the year	1	1
Decrease / (increase) in accounts receivable	2,470	(8,283)
Change in balance with HKTDC	195,023	(1,320,630)
(Decrease) / increase in accounts payable and accruals	<u>(31,775)</u>	<u>32,615</u>
Increase / (decrease) in cash and cash equivalents	165,719	(1,296,297)
Cash and cash equivalents at the beginning of the year	<u>36,041</u>	<u>1,332,338</u>
Cash and cash equivalents at the end of the year	<u><u>201,760</u></u>	<u><u>36,041</u></u>

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31st March 2006

	<u>2005/06</u> HKD	<u>2004/05</u> HKD
Total equity brought forward	1,873	1,872
Surplus for the year	<u>1</u>	<u>1</u>
Total equity carried forward	<u><u>1,874</u></u>	<u><u>1,873</u></u>

NOTES TO THE ACCOUNTS

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 2006 there were 17 members (31st March 2005: 17 members).

2. General information

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

3. Principal accounting policies

a) Basis of preparation of accounts

The accounts 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.

b) Change in accounting policies

In 2005/06, the Committee adopted the new/revised HKFRSs below, which are relevant to its operations.

HKAS 1 Presentation of Financial Statements

HKAS 7 Cash Flow Statements

HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

The adoption of above HKASs did not result in any change to the Committee's accounting policies and had no material effect on the accounts except for certain changes in presentation and disclosures as required by HKASs 1 and 7.

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

The Committee has not early adopted the new standards, amendments and interpretations issued by the HKICPA that are not yet effective as at 31st March 2006. The Committee has considered that the only one that is relevant to the Committee's operations is HKFRS 7 "Financial Instruments: Disclosures", which will be effective for accounting periods beginning on or after 1st January 2007. The Committee is in the process of assessing the impact of this on future accounting periods.

4. Government / HKTDC subventions

According to the existing funding arrangement, the Government and Hong Kong Trade Development Council ("HKTDC") agree to fund the expenditure of the Committee. For 2005/2006, the subvention from the Government was HK\$3,610,000 (2004/2005: HK\$3,610,000) and the balance required from HKTDC was HK\$124,000 (2004/2005: HK\$213,000).

5. 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 accounts.

6. Directors' remuneration

None of the directors received any remuneration in respect of their services rendered during the year (2004/2005: Nil).

7. 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.

HONGKONG | JAPAN
BUSINESS CO-OPERATION COMMITTEE

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