
***ASEAN PROMOTION CENTRE ON
TRADE, INVESTMENT AND TOURISM***

*Financial Statements for the
Year Ended March 31, 2008, and
Independent Auditors' Report*

INDEPENDENT AUDITORS' REPORT

To the Council of
ASEAN PROMOTION CENTRE ON
TRADE, INVESTMENT AND TOURISM:

We have audited the accompanying balance sheet of ASEAN PROMOTION CENTRE ON TRADE, INVESTMENT AND TOURISM (the "Centre") as of March 31, 2008, and the related statements of revenue, expenses and changes in fund balance, and cash flows for the year then ended, all expressed in Japanese yen. These financial statements are the responsibility of the Centre's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Centre as of March 31, 2008, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 2. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

July 4, 2008

ASEAN PROMOTION CENTRE ON TRADE, INVESTMENT AND TOURISM

Balance Sheet
March 31, 2008

ASSET	Japanese Yen	U.S. Dollars (Note 2)	LIABILITIES AND FUND BALANCE	Japanese Yen	U.S. Dollars (Note 2)
CURRENT ASSETS:					
Cash and bank deposits	¥ 331,154,764	\$ 3,305,268	CURRENT LIABILITIES:		
Account receivable (Note 5.b)	6,301,647	62,897	Accounts payable	¥ 47,253,706	\$ 471,641
Prepaid expenses	13,543,610	135,179	Receipts in advance (Note 5.b)	<u>80,433,558</u>	<u>802,810</u>
Advance to staff members	220,401	2,200			
Other current assets	<u>939,520</u>	<u>9,377</u>	Total current liabilities	<u>127,687,264</u>	<u>1,274,451</u>
Total current assets	<u>352,159,942</u>	<u>3,514,921</u>	LONG-TERM LIABILITIES:		
PROPERTY, PLANT AND EQUIPMENT:					
Property, plant and equipment	78,826,004	786,765	Long-term bank loan (Note 6.a)	82,195,780	820,399
Accumulated depreciation	<u>(63,700,365)</u>	<u>(635,795)</u>	Accrued severance benefits (Note 3.c)	<u>121,548,799</u>	<u>1,213,183</u>
Net property, plant and equipment	<u>15,125,639</u>	<u>150,970</u>	Total long-term liabilities	<u>203,744,579</u>	<u>2,033,582</u>
INVESTMENTS AND OTHER ASSETS:					
Software	624,910	6,237	COMMITMENTS AND CONTINGENT LIABILITIES (Note 6.c)		
Lease deposits (Note 6.a)	100,601,780	1,004,110	FUND BALANCE (Note 7):		
Deposits (Note 6.b)	500,000	4,991	Appropriated for future refurbishing costs	18,290,000	182,553
Long-term prepaid expenses	<u>201,545</u>	<u>2,011</u>	Appropriated for special fund	52,876,315	527,760
Total investments and other assets	<u>101,928,235</u>	<u>1,017,349</u>	Appropriated for earmarked expenses	6,245,500	62,337
TOTAL					
	<u>¥ 469,213,816</u>	<u>\$ 4,683,240</u>	Appropriated for property, plant and equipment and software	15,750,549	157,207
			Unappropriated	<u>44,619,609</u>	<u>445,350</u>
			Total fund balance	<u>137,781,973</u>	<u>1,375,207</u>
			TOTAL	<u>¥ 469,213,816</u>	<u>\$ 4,683,240</u>

See notes to financial statements.

ASEAN PROMOTION CENTRE ON TRADE, INVESTMENT AND TOURISM

Statement of Revenue, Expenses and Changes in Fund Balance Year Ended March 31, 2008

	<u>Japanese Yen</u>	<u>U.S. Dollars</u> (Note 2)
REVENUE (Note 5):		
Contributions from member countries	¥ 768,118,000	\$ 7,666,613
Funds from ASEAN-Japan Integration Fund	173,366,042	1,730,373
Funds from ASEAN-Japan General Exchange Fund	6,301,647	62,897
Other income:		
Interest and dividend income	1,602,096	15,990
Others	<u>221,990</u>	<u>2,216</u>
Total revenue	<u>949,609,775</u>	<u>9,478,089</u>
EXPENSES:		
Projects:		
Trade	189,928,086	1,895,679
Investment	121,614,639	1,213,840
Tourism	95,447,238	952,662
Public relations	64,890,093	647,671
ASEAN national activities	50,954,141	508,575
Depreciation expenses	683,940	6,827
Loss on disposal of property, plant and equipment	3,161,215	31,552
Administration:		
Meetings of Council and Executive Board	6,949,653	69,365
Office maintenance (Note 6.a)	50,003,153	499,083
Office operation	11,379,814	113,582
Staff expenses	252,320,520	2,518,420
Provision for accrued severance benefits (Note 3.c)	16,132,691	161,021
Rent for Permanent Exhibition Hall (Note 6.a)	79,589,130	794,382
Depreciation expenses	3,111,971	31,061
Amortization expenses	326,040	3,254
Loss on disposal of property, plant and equipment	29,600	295
Loss on impairment of long-lived assets (Note 4)	<u>1,737,198</u>	<u>17,339</u>
Total expenses	<u>948,259,122</u>	<u>9,464,608</u>
EXCESS OF REVENUE OVER EXPENSES	1,350,653	13,481
FUND BALANCE, BEGINNING OF YEAR	<u>136,431,320</u>	<u>1,361,726</u>
FUND BALANCE, END OF YEAR	<u>¥ 137,781,973</u>	<u>\$ 1,375,207</u>

See notes to financial statements.

ASEAN PROMOTION CENTRE ON TRADE, INVESTMENT AND TOURISM

Statement of Cash Flows Year Ended March 31, 2008

	<u>Japanese Yen</u>	<u>U.S. Dollars</u> (Note 2)
OPERATING ACTIVITIES:		
Cash received from member countries and ASEAN-Japan Integration Fund	¥ 850,877,707	\$ 8,492,641
Cash received from other operating activities	465,926	4,650
Cash paid to suppliers and staff	(946,388,561)	(9,445,938)
Interest received	1,316,096	13,136
Interest paid	<u>(2,447,566)</u>	<u>(24,429)</u>
Net cash used in operating activities	<u>(96,176,398)</u>	<u>(959,940)</u>
INVESTING ACTIVITIES:		
Acquisition of property, plant and equipment and software	(457,800)	(4,569)
Cash paid to insurance company for deposit	(500,000)	(4,991)
Cash paid to staff for salary advance	(1,134,676)	(11,325)
Cash received from staff for monthly settlements of salary advance	1,697,235	16,940
Acquisition of investments in securities	(199,714,000)	(1,993,352)
Proceeds from redemption of investment securities	<u>200,000,000</u>	<u>1,996,207</u>
Net cash used in investing activities	<u>(109,241)</u>	<u>(1,090)</u>
NET DECREASE IN CASH AND BANK DEPOSITS	(96,285,639)	(961,030)
CASH AND BANK DEPOSITS, BEGINNING OF YEAR	<u>427,440,403</u>	<u>4,266,298</u>
CASH AND BANK DEPOSITS, END OF YEAR	<u>¥ 331,154,764</u>	<u>\$ 3,305,268</u>

See notes to financial statements.

ASEAN PROMOTION CENTRE ON TRADE, INVESTMENT AND TOURISM

Notes to Financial Statements Year Ended March 31, 2008

1. ORGANIZATION

ASEAN PROMOTION CENTRE ON TRADE, INVESTMENT AND TOURISM (the "Centre") was established on May 25, 1981, as an un-incorporated, non-profit organization under the Agreement among the governments of Japan and five ASEAN Member Countries. This Agreement was extended to May 24, 2012 at the 26th Annual Meeting of the Council held in Tokyo in February 2007. The Centre's main purpose is to promote exports from the ASEAN Member Countries to Japan, particularly semi-processed and manufactured products; to accelerate the inflow of investment from Japan to the ASEAN Member Countries, including the transfer of skills and technology; and to vitalize tourist traffic from Japan to the ASEAN Member Countries through close cooperation between Japan and the ASEAN Member Countries. There are 11 member countries as of March 31, 2008.

2. BASIS OF PRESENTING FINANCIAL STATEMENTS

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The financial statements are stated in Japanese yen, the currency of the country in which the Centre operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers and have been made at the rate of ¥100.19 to \$1, the approximate rate of exchange at March 31, 2008. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Property, Plant and Equipment and Software*—Property, plant and equipment and software, limited to those with individual amounts of ¥200,000 (\$1,996) or more, are stated at cost. Depreciation of property, plant and equipment is computed substantially by the declining-balance method at rates based on the estimated useful lives of the assets. The range of useful lives is principally from 2 to 15 years. Amortization of software is computed by the straight-line method at rates based on the estimated useful lives of 5 years.
- b. Long-lived Assets*—The Centre reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the net selling price at disposition.

c. **Severance Benefits**—Staff members of the Centre are entitled to receive a lump-sum payment upon termination of their employment either by resignation or retirement. The amount of benefits for a permanent appointee is determined based on the rate of one-month base salary at the time of resignation or retirement for every completed year of service. For a fixed-term appointee, it is determined at the rate of monthly base salary for a year of service computed on a pro-rata, monthly basis effective at the time of termination of his/her employment in accordance with 'RULES AND REGULATIONS.' The Centre has recorded the amount of 100% liability that the Centre would have to pay for all the staff members if they resign at the balance sheet date. This is permitted under accounting principles generally accepted in Japan for certain companies whose number of staff members are less than three hundred. The provision charged to operations for the year ended March 31, 2008 amounted to ¥16,132,691 (\$161,021).

d. **New Accounting Pronouncement**

Lease Accounting—On March 30, 2007, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the existing accounting standard for lease transactions issued on June 17, 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Lessee

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions shall be capitalized recognizing lease assets and lease obligations in the balance sheet.

4. LONG-LIVED ASSETS

The Centre reviewed its long-lived assets for impairment as of March 31, 2008 and, as a result, recognized an impairment loss of ¥1,737,198 (\$17,339) for certain promotion videos because they are idle assets.

5. SOURCE OF FUNDING

a. **Contributions**

The contributions from member countries are recognized as revenues in the year when such contributions become due and payable.

The members of the Centre made the following contributions for the year ended March 31, 2008:

	<u>Japanese Yen</u>	<u>U.S. Dollars</u>
Obligatory contribution:		
Japan	¥ 473,585,000	\$ 4,726,869
ASEAN Member Countries	52,620,000	525,202
Rent for Permanent Exhibition Hall	86,382,000	862,182
Voluntary contribution from Japan	<u>155,531,000</u>	<u>1,552,360</u>
Total	<u>¥ 768,118,000</u>	<u>\$ 7,666,613</u>

Article X of the Agreement establishing the Centre states that "Except for the rent of the permanent ASEAN Trade, Investment and Tourism Exhibition Hall, which shall be borne by Japan, the annual budget of the Centre shall be met in the following proportion: Japan: 90 per cent, the ASEAN Member Countries: 10 per cent." This annual budget is now referred to as obligatory contribution.

In addition, the Centre also receives voluntary contribution from Japan, which started in 1988 to meet its increasing financial requirements for the implementation of the Centre's new programs and projects.

b. Other Funding

The Centre received extra funding from the ASEAN-Japan Integration Fund ("JAIF") for the years ended March 31, 2007 and 2008. The Centre recognized these funds as revenues in conformity with percentage of completion method. Unrecognized revenues from JAIF were recorded as "Receipts in advance" on the balance sheet as of March 31, 2008.

The Centre also received extra funding from the ASEAN-Japan General Exchange Fund ("JAGEF") on May 13, 2008, due to the delay of disbursement from JAGEF. Therefore this revenue was recorded as "Account receivable" on the balance sheet as of March 31, 2008.

The funds from JAIF and JAGEF were as follows:

	<u>Japanese Yen</u>	<u>U.S. Dollars</u>
Funds from JAIF	¥ 94,206,256	\$ 940,276
Funds from JAIF (ASEAN Week Festival)	79,159,786	790,097
Funds from JAGEF	6,301,647	62,897

The funds from JAIF were used for the expenses of five projects. The expenses of the project "Capacity Building Workshop on Japanese FDI," which was implemented during FY2007, was included in the expenses under "Investment." The three projects out of the other four, "Enhancement of the Japan-ASEAN Design Council," "Capacity-Building Program—The B.E.S.T Program for SMEs" and "Capacity-Building Program on Information and Communications Technology—Transforming ASEAN TPO Websites into Transactions-based Web Services," have been ongoing as of March 31, 2008 and are expected to continue until May 2008. These expenses were included in the expenses under "Trade." The major portion of the project "Promotion of ASEAN Tourism to Enhance ASEAN's Image Recovery" will be implemented in FY2008.

The other JAIF funds were used for the expenses of the four projects in commemoration of the 40th Anniversary of ASEAN Foundation, which were already implemented during FY2007.

The funds from JAGEF were used for the expenses of the project "CLMV Regional Investment Promotion Seminar: Opportunities and Challenges of the Sub-region as a Japanese Investment Destination," which was implemented in January 2008.

6. COMMITMENTS

a. Lease Commitments and Loan from Bank

As of March 31, 2008, the aggregate lease deposits of ¥100,601,780 (\$1,004,110) consists of ¥100,485,780 (\$1,002,952) and ¥116,000 (\$1,158) for the Permanent Exhibition Hall/Secretariat Office including the Information Corner, and the parking space, respectively.

Total monthly rent, including maintenance fees for the Permanent Exhibition Hall/Secretariat Office and Information Corner, the signboard fee and the parking space fee are ¥8,443,140 (\$84,271), ¥160,000 (\$1,597) and ¥58,000 (\$579), respectively.

The amount of ¥82,195,780 (\$820,399) for the lease deposit was financed by bank loans, which bear an interest rate of 2.975% per annum. The principal amount is payable on June 30, 2009. The interest expenses were included under the "Rent for the Permanent Exhibition Hall."

The building, which the Centre leases, was entrusted to Mitsubishi UFJ Trust and Banking Corporation and the beneficial right of the trust was transferred to ORIX Real Estate K.K. on September 26, 2002. As a result, the lease deposit as of March 31, 2008 is refundable from ORIX Real Estate K.K. upon the termination of the lease.

b. *Deposit*

As of March 31, 2008, a deposit of ¥500,000 (\$4,991), which is provisional premiums of overseas travel accident insurance for receiving missions on the occasion of business meetings during holding exhibitions from ASEAN, is refundable from Mitsui Sumitomo Insurance Co., Limited. upon the termination of the contract.

c. *Contractual Purchase Obligations*

The Centre has contractual purchase obligations related to the annual budget for FY2007 as of March 31, 2008. The amount of the obligations is ¥6,245,500 (\$62,337), which consists of ¥5,575,500 (\$55,649) for trade activities and ¥670,000 (\$6,688) for IT activities as of March 31, 2008.

7. FUND BALANCE

a. *Appropriated for Future Refurbishing Costs*

The Centre reserved the amount of ¥18,290,000 (\$182,553), which had been previously charged to expenses, for the purpose of future possible refurbishing costs at the end of the lease contract.

b. *Appropriated for Special Fund*

The Centre Council periodically appropriates fund balances for contingency fund and special fund. As of March 31, 2008, the aggregate appropriated fund balance of ¥52,876,315 (\$527,760) consists of ¥2,204,000 (\$21,998) and ¥50,672,315 (\$505,762) for contingency fund and special fund, respectively.

c. *Appropriated for Earmarked Expenses*

The amount of earmarked expenses, which are outstanding purchase orders and other commitments for materials and services not received as of the balance sheet date of March 31, 2008, was not recorded as "Accounts payable" on the balance sheet and "Expenses" on the statement of revenue, expenses and changes in fund balance in accordance with accounting principles generally accepted in Japan.

The amount of ¥6,245,500 (\$62,337) is appropriated for contractual purchase obligations.

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