



香港國際仲裁中心
Hong Kong International
Arbitration Centre

2011

ANNUAL
REPORT



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Chairman

*1 Huen WONG JP

Vice-Chairpersons

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Robin PEARD JP

Council Members

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* Michael J MOSER
* Philip YANG
* Neil KAPLAN CBE QC SBS
*2 Henri ALVAREZ QC
Chiann BAO
John BUDGE SBS MBE JP
Peter CALDWELL
CHAN Bing Woon SBS JP
Teresa CHENG GBS SC JP
Russell COLEMAN SC
*2 Justin D'AGOSTINO
Matthew GEARING
*2 Peter GOLDSMITH QC PC
Sally HARPOLE
*2 Timothy HILL
Fred KAN
Daniel LAM BBS JP
Stephen MALOY
Robin PEARD JP
Kathryn SANGER
Gary SOO
Christopher TO
Anna WU SBS JP

*1 Appointment since 1 June 2011

*2 Appointment since 7 October 2011

*3 Appointment since 5 August 2011

* Honorary Chairman

International Advisory Board

*3 Ronald ARCULLI GBS JP
Yves FORTIER CC QC
Bernard HANOTIAU
Hon Mr Justice Michael HARTMANN
Michael HWANG SC
Gabrielle KAUFMANN-KOHLER
Niels KRAUNSOE
*3 Elsie LEUNG GBM JP
*3 Hon Mr Justice Geoffrey MA
Arthur MARRIOTT QC
*3 Anthony NEOH SC JP
Jan PAULSSON
Michael PRYLES
*3 Hon Mr Justice Robert TANG SC SBS JP
V V VEEDER QC
YU Jianlong

Secretary-General

Chiann BAO

Deputy Secretary-General

Primrose LAW
LIU Jing

Assistant Secretary-General

Dennis CAI
Erica CHAN

Counsel

James CHUN
Kiran SANGHERA

Secretariat Members

Debbie CHONG, Case Administrator
Isabelly LAI, Administrative Officer
Tammy LEUNG, Office Assistant
Ricky KWAN, Administrative Assistant
Vicky NG, Administrative Assistant
Paddy TAM, IT Executive
Karen TAN, Business Development Officer

Chairman's Message



Huen WONG JP

It is my pleasure and honour to greet you as the Chairman of the Hong Kong International Arbitration Centre (HKIAC) for the first time.

I took over the position from Dr. Michael Moser in May 2011. Thanks to the encouragement and confidence my fellow Council Members have placed in me, I have been able to assume my office in a truly exciting and important year for the arbitration and dispute resolution industry in Hong Kong.

2011 saw many significant legislative developments for arbitration and dispute resolution; principally, the coming into effect of the new Arbitration Ordinance, which had brought in the long-awaited unitary regime for arbitration in Hong Kong. Throughout the year, the HKIAC organized a series of seminars and talks in Hong Kong and internationally to launch the new Ordinance and introduce fellow practitioners with highlights of the important changes. Indeed, our flagship annual conference - the ADR in Asia Conference - showcased the new Arbitration Ordinance and also the various hot topics in alternative dispute resolution. Once again, fellow practitioners, both local and foreign, flocked to Hong Kong to join us at our annual conference.

In November, we witnessed the gazetting of another piece of landmark legislation - the Mediation Bill. The Bill seeks to provide a regulatory framework for the conduct of mediation by setting out certain standards expected of a mediator. The Bill deals primarily with presentation of the confidentiality of mediation communications and the circumstances a mediation communication may be admitted in evidence. The Mediation Bill is expected to pass into law within the first half of 2012.

HKIAC also received the welcome news of government's announcement that HKIAC would expand its premises by taking over the remaining area of the 38th floor at Two Exchange Square. With approximately two times the original space, we will be able to meet the increasing demand for suitable and neutral hearing space and enhance our service to all dispute resolution users. To this end, we have formed a special task force who are working directly with the end users to design this expanded premises. The project is expected to be completed towards the last quarter of 2012.

Finally, towards the end of 2011, the HKIAC Council appointed four leading international commercial arbitration

practitioners - Lord Peter Goldsmith QC, Henri Alvarez QC, Justin D'Agostino and Timothy Hill - to join the Council. These individuals replaced four retiring Council Members who have agreed to continue to serve on the International Advisory Board. We are confident that the new Members, the existing Council Members and the International Advisors, together will play a role critical in fulfilling the mission of the HKIAC i.e. to promote arbitration in Hong Kong.

Hong Kong has continued to thrive as a convenient and attractive arbitration venue and the HKIAC sits at the centre of this dispute resolution activity. Through the concerted efforts by the Council, the Secretariat and the general members who selflessly and generously lend their support, the HKIAC will certainly enter into the Year of the Dragon with bright prospect for another fruitful and prolific year in growing the arbitration and dispute resolution community.



Huen Wong JP
Chairman
31 December 2011

Secretary-General's Report



Chiann BAO

1. HKIAC 2011 Caseload: An Overview

The HKIAC handled 502 dispute resolution matters in 2011. These included 275 arbitration matters, 127 domain name disputes and 100 mediation disputes.

1.1 Arbitration Cases

Of the 275 arbitration cases handled by the HKIAC in 2011, 65% were international and 35% were domestic. Of the total, 41 cases were fully administered by the HKIAC in accordance with its rules. The total amount in dispute for administered cases was approximately US\$3.8 billion.

International cases involved parties from the following jurisdictions: Anguilla, Australia, British Virgin Islands, Brazil, Cambodia, Cayman Islands, China, Czech Republic, Denmark, France, Germany, Greece, India, Indonesia, Israel, Italy, Japan, Liberia, Luxembourg, Macau, Malaysia, Mauritius, Panama, Philippines, Poland, Singapore, South Africa, South Korea, Switzerland, Taiwan, United Arab Emirates, United Kingdom, and the United States of America.

Of these jurisdictions and apart from Hong Kong, parties from British Virgin Islands, Cayman Islands, China, Japan, Singapore, South Korea, and the United States represented the most frequent users of the HKIAC.

Of the total number of arbitration cases, 14% involved construction, 29% involved commercial, 15% corporate disputes, 4% insurance and 38% involved maritime disputes.

The role played by the HKIAC in the above cases included determining the number of arbitrators, appointing arbitrators, administering cases under relevant rules and/or providing supporting services such as room hire, holding deposits and other additional services. The HKIAC made a total of 123 arbitrator appointments in 2011.

The Maritime Arbitration Group, a division of the HKIAC, consisting of HKIAC arbitrators who specialize in maritime, reported that its members had been appointed on 98 occasions in 2011.

1.2 Domain Name Cases

Statistics on Domain Name Dispute Cases –UDRP, TDRP, HKDRP and CNDRP

Statistics for Domain Name Disputes 2011

	ADNDRC				HKIAC	
	Beijing	Hong Kong	Seoul	Kuala Lumpur	HKDRP	CNDRP
UDRP						
Transferred	80	76	9	0	9	23
Withdrawn	4	7	2	0	1	1
Rejected	5	3	0	0	0	1
Cancelled	5	1	0	0	0	0
Split Decision	1	0	0	0	0	0
Pending	14	1	3	0	0	1
TDRP						
Appeal Rejected	0	3	0	0		
Total:	109	91	14	0	10	26

As of 31 December 2011, a total of 214 cases were referred to the Asian Domain Name Dispute Resolution Centre (ADNDRC) (Beijing Office, Seoul Office, Kuala Lumpur Office and Hong Kong

Office) in 2011. Of these, 109 were filed with the Beijing Office, 14 were filed with the Seoul Office, and 91 were filed with the Hong Kong Office.

The number of .hk domain name cases filed remains steady.

In terms of .cn domain name dispute cases, 26 cases were filed with the HKIAC in 2011.

1.3 Mediation Cases

Mediation has been more widely used by the public, and last year saw 100 mediation cases referred to the HKIAC for administration.

2. Usage of HKIAC Facilities

Organisations that have used HKIAC services during the period include the following:

- Chartered Institute of Arbitrators (East Asia Branch)
- City University of Hong Kong
- Hong Kong Institute of Arbitrators
- Hong Kong Mediation Council
- Society of Construction Law Hong Kong
- The University of Hong Kong
- The Law Society of Hong Kong
- The Academy of Experts

3. Finances

For further information, see the Finance Committee Report which follows.

4. International Advisory Board

The International Advisory Board is composed of a small number of leading figures in the Hong Kong business and international arbitration communities who will be consulted from time to time on matters relating to the HKIAC policies and its future development.

Members of the Board include:

Name	Year Appointed	Term of Appointment ends on
Ronald ARCULLI	5 August 2011	6 August 2014
Anson CHAN	3 February 2009	2 February 2012
Yves FORTIER	3 February 2009	2 February 2012
Bernard HANOTIAU	3 February 2009	2 February 2012
Hon Mr Justice Michael HARTMANN	5 August 2011	6 August 2014
Michael HWANG	3 February 2009	2 February 2012
Gabrielle KAUFMANN-KOHLER	3 February 2009	2 February 2012
Niels KRAUNSOE	3 February 2009	2 February 2012
Elsie LEUNG	5 August 2011	6 August 2014
Hon Mr Justice Geoffrey MA	5 August 2011	6 August 2014
Arthur MARRIOTT	3 February 2009	2 February 2012
Anthony NEOH	5 August 2011	6 August 2014
Jan PAULSSON	3 February 2009	2 February 2012
Michael PRYLES	3 February 2009	2 February 2012
Hon Mr Justice Robert TANG	5 August 2011	6 August 2014
V V VEEDER	3 February 2009	2 February 2012
YU Jianlong	3 February 2009	2 February 2012

5. HKIAC Meetings

For the period from 1 January 2011 to 31 December 2011, meetings of the HKIAC Council and various subcommittees were convened as follows:

HKIAC Meetings

(1 January 2011 to 31 December 2011)

HKIAC Council Meetings

- 22 August 2011
- 7 October 2011
- 16 December 2011 (AGM)

HKIAC Management Meetings

- 7 April 2011
- 30 May 2011
- 6 July 2011
- 17 August 2011
- 21 September 2011
- 22 November 2011
- 29 December 2011

HKIAC Panel Selection Committee Meetings (Arbitrators)

- 22 February 2011
- 7 April 2011
- 17 June 2011
- 22 September 2011

Hong Kong Mediation Council Meetings

- 17 January 2011
- 21 February 2011
- 21 March 2011
- 18 April 2011
- 16 May 2011
- 20 June 2011
- 13 July 2011 (AGM)
- 19 September 2011
- 24 October 2011
- 21 November 2011
- 12 December 2011

Joint Consultative Committee Meetings

- 9 March 2011
- 23 June 2011
- 18 August 2011

Asian Dispute Review Journal Editorial Board Committee Meetings

- 12 January 2011
- 21 March 2011
- 18 April 2011
- 23 May 2011
- 20 June 2011
- 18 July 2011
- 17 August 2011
- 19 September 2011
- 17 October 2011
- 21 November 2011
- 19 December 2011

HKIAC Mediator Accreditation Committee Meeting

- 11 January 2011
- 8 March 2011
- 11 May 2011
- 12 July 2011
- 14 September 2011
- 8 November 2011

Appointment Advisory Board Meeting

- 28 January 2011

6. HKIAC Panel Selection Committee (Arbitrators)

The HKIAC Panel Selection Committee convened 4 meetings in 2011, approving a total of 12 applications for inclusion on its Panel of Arbitrators and 8 applications for inclusion on its List of Arbitrators. Details can be viewed at the HKIAC website at [www.hkiac.org].

Members of the Committee include:

Neil KAPLAN	Chairperson
Peter CALDWELL	Committee Member
Teresa CHENG	Committee Member
Russell COLEMAN	Committee Member
Michael MOSER	Committee Member
Philip YANG	Committee Member
Chiann BAO	Secretary

7. HKIAC Arbitrator Appointment Committee

The HKIAC Arbitrator Appointment Committee convened regularly to carry out its delegated powers to appoint arbitrators and to determine the number of arbitrators in the circumstances described under Sections 23(3) and 24 of the Arbitration Ordinance (Chapter 609) and the Arbitration (Appointment of Arbitrators and Umpires) Rules.

Members of the Committee include:

Huen WONG	Chairperson
John BUDGE	Committee Member
Kathryn SANGER	Committee Member
Christopher TO	Committee Member
Philip YANG	Committee Member
Chiann BAO	ex officio

8. Appointment Advisory Board (Arbitrators)

Under the Arbitration (Appointment of Arbitrators and Umpires) Rules made by the HKIAC under Sections 23(3) and 24 of the Arbitration Ordinance (Chapter 609) with the approval of the Chief Justice, the Appointment Advisory Board effectively and efficiently carried out its functions as stipulated in the Ordinance.

Members of the Board include:

Name	Representing	Year Appointed	Term of Appointment ends on
Simon CHEE	The Hong Kong Institute of Architects	1 January 2011	31 December 2013
T T CHEUNG	The Hong Kong Institute of Surveyors	1 January 2011	31 December 2013
Oscar CHOW	Hong Kong General Chamber of Commerce	1 January 2011	31 December 2013
Philip FAN	The Chinese Chamber of Commerce	1 January 2011	31 December 2013
Jack HSU	The Hong Kong Shipowners Association Ltd	1 January 2011	31 December 2013
Joseph LI	The Law Society of Hong Kong	1 January 2011	31 December 2013
Clara TANG	Judiciary	1 January 2011	31 December 2013
Lisa WONG	Hong Kong Bar Association	1 January 2011	31 December 2013
Wai Tung WONG	The Hong Kong Institution of Engineers	1 January 2011	31 December 2013
Jonathan YAU	The Hong Kong Federation of Insurers	1 January 2011	31 December 2013

From 1 January 2011 to 31 December 2011 members of the Board had a total of 122 cases referred to them for deliberation.

9. HKIAC Mediator Accreditation Committee

The HKIAC Mediator Accreditation Committee convened 6 meetings in 2011 and approved a total of 76 HKIAC General Accredited Mediators, 5 HKIAC Family Accredited Mediators and 5 HKIAC Accredited Family Supervisors.

Number of HKIAC Accredited Mediators

(from 1 January 2011 to 31 December 2011)

	1 January 2011	31 December 2011
HKIAC General Accredited Mediators	471	547
HKIAC Family Accredited Mediators	161	166
HKIAC Accredited – Family Supervisors	40	45

The HKIAC Mediator Accreditation Committee approved a total of 61 General Mediation Training Courses. These 40-hour accredited courses were organised by ADR International Limited, The Chinese University of Hong Kong, School of Law - City University of Hong Kong, Conflict Resolution Centre, Faculty of Law - the University of Hong Kong, Global Mediation Services Ltd, G2G Mediation Centre Limited, the Hong Kong Academy of Law, Hong Kong Catholic Marriage Advisory Council, HKU SPACE, ISE Consultants Ltd and The Hong Kong Polytechnic University.

Members of the Committee include:

John BUDGE	Chairperson
CHAN Bing Woon	Committee Member (until 30 June 2011)
Jack CHAN	Committee Member (commencing on 1 July 2011)
Peter CHEUNG	Committee Member (until 30 June 2011)
Sally HARPOLE	Committee Member (commencing on 1 July 2011)
Edmond KO	Committee Member (commencing on 1 July 2011)
Thomas KWONG	Committee Member
Hon Mr Justice LAM Man Hon Johnson	Committee Member
Mimi LEE	Committee Member (until 30 June 2011)
LEUNG Hing Fung	Committee Member (commencing on 1 July 2011)
David SANDBORG	Committee Member (until 30 June 2011)
SO Kam Shing	Committee Member
TAM LAU May-chi May	Committee Member (until 30 June 2011)
Christopher TO	Committee Member
Amarantha YIP	Committee Member (commencing on 1 July 2011)
Chiann BAO	Secretary

10. Joint Consultative Committee

The Joint Consultative Committee mainly focuses on promoting all forms of alternative dispute resolution on a collaborative basis.

Members of the Committee include:

Chiann BAO	Hong Kong International Arbitration Centre
Norris YANG	ADR Chambers (HK) Ltd
Joe GILFEATHER	Chartered Institute of Arbitrators(East Asia Branch)
Lilian YUE	Conflict Resolution Centre
Helena YUEN	Conflict Resolution Centre
Christopher TO	Construction Industry Council
Robert WHITEHEAD	Hong Kong Bar Association
Ruth WONG	Hong Kong Family Welfare Society
Gary SOO	Hong Kong Institute of Arbitrators
Sylvia SIU	Hong Kong Mediation Centre
CHAN Bing Woon	Hong Kong Mediation Council
Cheng-Yee KHONG	International Chamber of Commerce
Nicholas TURNER	Society of Construction Law Hong Kong
Mike ALLEN	The Academy of Experts
Nicola COHEN	The Academy of Experts
WONG Tin Cheung Conrad	The Hong Kong Construction Association Ltd
FUNG Kwai Kin	The Hong Kong Federation of Electrical and Mechanical Contractors Ltd
LAU Ching Kwong	The Hong Kong Institution of Engineers
Heidi CHU	The Law Society of Hong Kong
Maureen MUELLER	The Law Society of Hong Kong

11. Asian Dispute Review Journal – Editorial Board Committee

The Committee convened 11 meetings in 2011 and published 4 issues of the Journal.

Members of the Editorial Board include:

Peter CALDWELL	Chairperson
Alison TREASURE	Editor and Publishing Director
Robert MORGAN	Consulting and Commission Editor
Paul BARRETT	Chartered Institute of Arbitrators (East Asia Branch)
Paulo FOHLIN	Chartered Institute of Arbitrators (East Asia Branch)
Christopher TO	Hong Kong Institute of Arbitrators
Paul VARTY	Hong Kong Institute of Arbitrators
Chiann BAO	Hong Kong International Arbitration Centre
Julian STARGARDT	Hong Kong Mediation Council
YK CHAN	Board Member
John CHOONG	Board Member
KHONG Cheng Yee	Board Member
Mary THOMSON	Board Member

12. HKIAC Users' Council

The HKIAC Users' Council was set up in 2009 to promote the growing interest in arbitration, mediation and alternative dispute resolution in the Asia-Pacific region, and to provide a platform for the exchange of information and experience among users of dispute settlement services.

Membership is divided into two categories, Individual Membership and Institutional Membership. To date, there are more than 300 members.

13. HK45

Founded by a group of young arbitration lawyers within the Hong Kong arbitration community, HK45 was established in 2010 to promote the interest in and knowledge of issues relating to international arbitration. The Group held 5 seminars in 2011.

14. HKIAC Administration and Services

The HKIAC has actively assisted the following organisations with their day-to-day operations:

- Hong Kong Mediation Council and its 4 Mediation Interest Groups
 - Construction
 - Commercial
 - General
 - Family
 - Chartered Institute of Arbitrators (East Asia Branch)
 - Hong Kong Institute of Arbitrators
 - Society of Construction Law Hong Kong
- HKIAC also administers the following Mediation and/or Arbitration schemes:
 - Construction Disputes Mediation Scheme
 - Commercial Mediation Scheme
 - Lehman-Brothers-related Investment Products Dispute Mediation & Arbitration Scheme
 - New Insurance Mediation Pilot Scheme
 - Surveying Dispute Mediation and Arbitration Scheme

15. Events 2011

January

- 27** **Rotary Club of Peninsula South Presentation**
- Organiser: HKIAC
 - Hong Kong

February

- 16** **VIAC Seminar and HKIAC Spring Festival Cocktail Reception**
- Organiser: HKIAC
 - Hong Kong

- 19** **HKIAC Panel of Arbitrators Seminar**
- Organiser: HKIAC
 - Hong Kong

- 25** **Mock Arbitration (featuring HKIAC Rules)**
- Organisers: HKIAC & Shanghai In-house Counsel Association
 - Shanghai

March

- 3** **APRAG-ICSID Conference**
- Organisers: APRAG & ICSID
 - Seoul

- 3-4** **The 14th Annual IBA International Arbitration Day**
- Organiser: IBA
 - Seoul

March

7	<p>Evening Talk: “A Review of Recent Developments” by Lord Hoffmann</p> <ul style="list-style-type: none"> • Organisers: HKIAC & CIArb • Hong Kong 	22	<p>HK45/Users’ Council Seminar: Introducing the New Hong Kong Arbitration Ordinance</p> <ul style="list-style-type: none"> • Organisers: HKIAC & Freshfields • Hong Kong
16-17	<p>The 8th Annual Asia-Pacific In-house Counsel Summit</p> <ul style="list-style-type: none"> • Organiser: AsiaLaw • Hong Kong 	24	<p>In-House Congress Beijing 2011</p> <ul style="list-style-type: none"> • Organiser: Pacific Business Press • Beijing

April

4	<p>The 5th Annual Generations in Arbitration Conference in Hong Kong</p> <ul style="list-style-type: none"> • Organiser: MAA • Hong Kong 	15-21	<p>Willem C. Vis International Commercial Arbitration Moot</p> <ul style="list-style-type: none"> • Organiser: William C Vis Moot • Vienna
4-10	<p>Willem C. Vis (East) International Commercial Arbitration Moot</p> <ul style="list-style-type: none"> • Organiser: Willem C Vis Moot • Hong Kong 	21-24	<p>IPBA Annual Conference</p> <ul style="list-style-type: none"> • Organiser: IPBA • Osaka/Kyoto
8-10	<p>ICC Asia Pacific Conference</p> <ul style="list-style-type: none"> • Organiser: ICC • Hong Kong 		

May

<p>11</p>	<p>Seminar: International Arbitration 2.0 and Beyond. What Arbitral Institutions Can Do to Contribute to the Development of International Arbitration</p> <ul style="list-style-type: none"> • Organisers: HKIAC & Herbert Smith • Hong Kong 	<p>19-20</p>	<p>ICCA 50th Anniversary</p> <ul style="list-style-type: none"> • Organiser: ICCA • Geneva
<p>12-13</p>	<p>SmartHK 2011</p> <ul style="list-style-type: none"> • Organiser: HKTDC • Guangzhou 	<p>25</p>	<p>Recent Developments in Domain Name Dispute Seminar</p> <ul style="list-style-type: none"> • Organiser: HKIAC • Hong Kong
<p>12-13</p>	<p>International Arbitration, ADR and Mediation Summit 2011</p> <ul style="list-style-type: none"> • Organiser: CCH / Kluwer • Hong Kong 	<p>27-28</p>	<p>CIArb Asia Pacific Conference: Investment & Innovation – International Dispute Resolution in Asia Pacific</p> <ul style="list-style-type: none"> • Organiser: CIArb • Sydney
<p>16-17</p>	<p>The 11th IFCAI Biennial International Conference: Costs in Arbitration</p> <ul style="list-style-type: none"> • Organiser: IFCAI • Berlin 	<p>30</p>	<p>New Arbitration Ordinance Seminar</p> <ul style="list-style-type: none"> • Organiser: HKIAC • Hong Kong

June

<p>1</p>	<p>Seminar and Cocktail Reception on New Arbitration Ordinance</p> <ul style="list-style-type: none"> • Organisers: Department of Justice of HKSAR Government & HKIAC • Hong Kong 	<p>15</p>	<p>The 7th Annual ALB In-House Legal Summit</p> <ul style="list-style-type: none"> • Organiser: ALB Legal • Shanghai
<p>2</p>	<p>2nd Annual Asia e-Discovery & Data Retention Conference</p> <ul style="list-style-type: none"> • Organiser: InnoXcell • Hong Kong 	<p>21-23</p>	<p>International Construction Conference and Construction Services Exhibition Conference</p> <ul style="list-style-type: none"> • Organiser: The Lighthouse Club • Hong Kong
<p>2</p>	<p>The 7th Annual ALB In-House Legal Summit</p> <ul style="list-style-type: none"> • Organiser: ALB Legal • Seoul 	<p>24</p>	<p>Brownbag Lunch Seminar: “How Can Arbitration Practitioners and the Institutions Benefit from Each Other in the Future”</p> <ul style="list-style-type: none"> • Organisers: HKIAC & CEAC • Hong Kong

July

<p>7</p>	<p>ADNDRC Conference 2011</p> <ul style="list-style-type: none"> • Organiser: ADNDRC (Seoul Office) • Seoul 	<p>19</p>	<p>International Arbitration Club of New York Seminar: “Practical Guide to Arbitration in Hong Kong”</p> <ul style="list-style-type: none"> • Organiser: Baker & McKenzie • New York
<p>8-10</p>	<p>APRAG Conference 2011</p> <ul style="list-style-type: none"> • Organiser: APRAG • Kuala Lumpur 	<p>21</p>	<p>Seminar: Managing Disputes in Asia</p> <ul style="list-style-type: none"> • Organiser: Chicago International Dispute Resolution Association • Chicago

August

11	Hong Kong's New Arbitration Ordinance <ul style="list-style-type: none"> • Organiser: American Chamber of Commerce • Hong Kong 	30	In-House Congress Seoul 2011 <ul style="list-style-type: none"> • Organiser: Pacific Business Press • Seoul
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September

6	Arbitration in Hong Kong: Latest Trends and Developments <ul style="list-style-type: none"> • Organiser: British Chamber of Commerce • Hong Kong 	29	MIP Asia-Pacific IP Forum <ul style="list-style-type: none"> • Organiser: Managing Intellectual Property • Hong Kong
12-15	Think Asia, Think Hong Kong <ul style="list-style-type: none"> • Organiser: HKTDC • London 	29	Seminar: "Ensuring the Recognition and Enforcement of Foreign Arbitral Awards in China – What Arbitrators and Counsel Need to Know?" <ul style="list-style-type: none"> • Organisers: ICC & HKIAC • Hong Kong
20	Resolving Business Disputes in Today's China <ul style="list-style-type: none"> • Organiser: Juris Conference • New York 	30	HKIAC Users' Council Lunchtime Talk: "Should the 1958 New York Convention be Revised?" by Dr. Guido Carducci <ul style="list-style-type: none"> • Organiser: HKIAC • Hong Kong

October

6

HKIAC Users' Council Annual Symposium –Evening Talk: “What Do Corporate Users Really Want From the Process of Arbitration?” by Mr. W. Laurence Craig

- Organiser: HKIAC
- Hong Kong

20

Half Day Conference: “Malaysian & Hong Kong Arbitration Law & Practice”

- Organisers: HKIAC & KLRCA
- Kuala Lumpur

9-12

The 24th Annual LawAsia Conference “Legal Systems in Asia Pacific Region – Where Are We and Where Are We Headed?”

- Organiser: LawAsia
- Seoul

26

Evening Talk : “Perspectives on Effective Advocacy and Cross-Cultural Influences in International Arbitration” by Christopher K Tahbaz

- Organiser: HKIAC
- Hong Kong

18-19

Seminar on “Alternative Dispute Resolution in Asia – The Hong Kong Advantage”

- Organiser: HKTDC
- Indonesia/Kuala Lumpur

November

<p>2</p>	<p>In-House Congress Shanghai 2011</p> <ul style="list-style-type: none"> • Organiser: Pacific Business Press • Shanghai 	<p>25</p>	<p>The 18th Annual Goff Arbitration Lecture</p> <ul style="list-style-type: none"> • Organiser: City University of Hong Kong • Hong Kong
<p>15-18</p>	<p>The 39th Annual IFAWPCA Convention – Built on Collaboration & Fair Contract Terms</p> <ul style="list-style-type: none"> • Organiser: IFAWPCA • Hong Kong 	<p>25</p>	<p>HKIAC and KCAB Mock Arbitration</p> <ul style="list-style-type: none"> • Organisers: HKIAC & KCAB • Seoul
<p>18</p>	<p>SCLHK One Day International Conference 2011</p> <ul style="list-style-type: none"> • Organiser: SCLHK • Hong Kong 	<p>30</p>	<p>The 7th Annual ALB In-House Legal Summit</p> <ul style="list-style-type: none"> • Organiser: ALB Legal • Beijing

December

<p>6</p>	<p>Kaplan Lecture: “The Importance of Being Competent” by Lord Justice Bernard Rix</p> <ul style="list-style-type: none"> • Organiser: HKIAC • Hong Kong 	<p>8-9</p>	<p>Lexis-Nexis 6th Annual Dispute Avoidance and Resolution Conference</p> <ul style="list-style-type: none"> • Organiser: Lexis-Nexis • Hong Kong
<p>7</p>	<p>New gTLDs: Help Shape the Future of Internet?</p> <ul style="list-style-type: none"> • Organiser: HKIAC • Hong Kong 		

16. Co-operation Agreements Signed with Other Institutions

In 2011, the HKIAC signed a total of 2 co-operation agreements, which are as follows:-

1. International Centre for Settlement of Investment Disputes
2. Association of Arbitration Courts of Uzbekistan

Conclusion

HKIAC has served as the hub for dispute resolution services in Asia for over twenty-five years. And, following the successful celebration of the HKIAC Silver Anniversary in 2010, HKIAC has seen the passage of the long-awaited arbitration ordinance and the announcement of the expanded premises in 2011. These events serve as evidence of the tireless efforts by and support of the dispute resolution community in Hong Kong and abroad.

It is with this strengthened foundation coupled with the guidance by the HKIAC Council that enable the HKIAC Secretariat to continue improving its service to users. In this year, HKIAC has intensified its efforts to bolster its internal and external platforms while maintaining its cost-effective administration of cases. Looking ahead into the Year of the Dragon, HKIAC expects to forge ahead and further improve and tailor its services to meet the highest expectations of its users.



Report by
Chiann BAO
Secretary-General
Hong Kong International Arbitration Centre
31 December 2011

Hong Kong Mediation Council Chairman's Report



CHAN Bing Woon SBS JP

A Fruitful Year for Mediation

The Hong Kong Mediation Council (the "HKMC"), together with the Hong Kong International Arbitration Centre (the "HKIAC"), have played an important role in the past year and is gaining further momentum in 2012. Since the implementation of the Practice Direction 31 on Mediation in 2010, mediation has been more widely used by the public and has further established itself as a form of dispute resolution in Hong Kong.

Joint Mediation Helpline Office ("JMHO")

Since the establishment of JMHO in 2010, the JMHO has reported over a hundred mediation applications in 2011. This joint project is a major milestone to enhance the use, standards and practice of mediation in Hong Kong and has further advanced dispute resolution. The success of the JMHO is jointly supported by the Hong Kong Bar Association, the Law Society of Hong Kong, Hong Kong International Arbitration Centre - Hong Kong Mediation Council, Hong Kong Institute of Arbitrators, Chartered Institute of Arbitrators (East Asia Branch), Hong Kong Institute of Architects, Hong Kong Institute of Surveyors and Hong Kong Mediation Centre.

Mediation Schemes

Since the launch of the Lehman-Brothers-related Investment Products Dispute Mediation and Arbitration Scheme in November 2008, the HKIAC has received 356 requests for mediation. A total of 143 mediations have taken place and the settlement rate currently stands at 89%. The Hong Kong Monetary Authority has extended this Scheme due to the continued demand for resolution of Lehman-Brothers-related investment products dispute through mediation and documents-only arbitration.

New Insurance Mediation Pilot Scheme

On 3 November 2011, the Hong Kong Federation of Insurers (HKFI) and the HKMC jointly announced the successful completion of the NIMPS which had successfully achieved the purpose of settling disputes in resolving employees' compensation and work related personal injury claims. Since the introduction of NIMPS in 2007, the scheme has resolved 34 dispute cases, 9 through mediation and 25 by direct negotiation. Positive feedbacks were received from the insurance companies and injured workers indicating the success of NIMPS. The completion of the NIMPS has marked a good start for the development of mediation.

Mediation Bill

One of the recommendations of the Working Group on Mediation was to enact a Mediation Ordinance. The Mediation Bill was introduced into the Legislative Council for Second Reading in November last year. It addressed the uncertain core issues of mediation, such as confidentiality and admissibility of mediation. The enactment of the Mediation Ordinance will promote wider use of mediation to resolve disputes in Hong Kong and further strengthen Hong Kong's status as an international dispute resolution centre.

Mediation Interest Groups and Their Activities

The four Mediation Interest Group leaders, namely Ms Catherine Chow (Family), Professor Leung Hing Fung (Construction), Ms Jody Sin (General) and Mr Julian Stargardt (Commercial), have continued to promote mediation in Hong Kong and the region. The interest groups have conducted training courses, seminars and conferences to various private organisations and public bodies.

Mediator Accreditation

For the purpose of HKIAC mediator accreditation, the HKIAC administered 7 Stage 2 assessments in 2011. Assessments were conducted in both English and Cantonese.

The Way Forward

The way forward is very promising for mediation. The HKMC and HKIAC have taken major steps to promote mediation and arbitration in Hong Kong. The year of 2012 will definitely be more challenging for the Mediation Industry in Hong Kong. I would like to thank the members of the HKIAC Committee and the chairpersons of the four interest groups who have made a tremendous effort during the term. Finally, I would like to thank the HKIAC Secretariat for their unfailing support given to us, without which our work at the HKMC would not have been as fruitful as it has been.



CHAN Bing Woon SBS JP

Chairman

Hong Kong Mediation Council

31 December 2011

Finance Committee Report

Council's Report

The Council has pleasure in submitting their report and audited financial statements for the year ended 31 December 2010.

Principal activity

The principal activity of the Centre is to provide facilities and services for alternative dispute resolution.

Results

The results of the Centre for the year ended 31 December 2010 are set out in the income and expenditure statement on pages 29 to 30.

Reserves

Movements in the reserves of the Centre during the year are set out in the statement of changes in equity on page 32.

Council members

The Council members who held office during the year and up to the date of this report were:

Anthony F NEOH	Sally Ann HARPOLE
Ching, Robert TANG	Stephen Arthur MALOY
Chun, Daniel LAM	Tao Li, Geoffrey MA
John R BUDGE	Wing, Christopher TO
Ka Chong, Frederick KAN	Yeuk Wah, Teresa CHENG
Liang Yee, Philip YANG	Bing Woon CHAN
Michael John HARTMANN	Hung Yuk Anna WU
Michael Joseph MOSER	Kathryn Sara Hippolyte SANGER
Neil Trevor KAPLAN	Kwai Huen, Albert WONG
Oi-Sie Elsie LEUNG	Kwok Leung SOO
Peter Scott CALDWELL	Matthew GEARING
Robin Somers PEARD	Russell Adam COLEMAN
Ronald Joseph ARCULLI	Chiann BAO (Appointed on 1 May 2010)

In accordance with Clauses 46 and 49 of the Centre's Article of Association, one third of the Council members shall retire, and shall be eligible for re-election.

Council members' interest

No contracts of significance to which the Centre was a party and in which a council member of the Centre 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 Centre were entered into or existed during the year.

Property, plant and equipment

Details of significant changes in the property, plant and equipment of the Centre during the year are set out in note 6 to the financial statements.

Donations

Donations made by the Centre during the year amounted HK\$25,000.

Auditor

A resolution will be submitted to the annual general meeting to re-appoint Mazars CPA Limited, *Certified Public Accountants*, as auditor of the Centre.

On behalf of the Council

A handwritten signature in blue ink, appearing to be 'K. S. ...', written over a horizontal line.

Chairman

Independent Auditor's Report

To the members of

Hong Kong International Arbitration Centre

(incorporated in Hong Kong with liability limited by guarantee and not having a share capital)

Report on the Financial Statements

We have audited the financial statements of Hong Kong International Arbitration Centre set out on pages 5 to 25, which comprise the statement of financial position as at 31 December 2010, and the income and expenditure statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Council members' responsibility for the financial statements

The council members of the Centre are responsible for the preparation of these 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 council members determine is necessary to enable the presentation 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 HKICPA. 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 council members, as well as evaluating the overall presentation of the financial statements.

Independent Auditor's Report

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 the Centre's affairs as at 31 December 2010 and of its surplus and cash flows for the year then ended in accordance with HKFRS and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

A handwritten signature in blue ink, appearing to read 'Chan Chi Ming Andy', is written over a faint, light blue grid background.

Certified Public Accountants
Hong Kong
16 December 2011

Chan Chi Ming Andy
Practising Certificate number: P05132

Income and Expenditure Statement

Year ended 31 December 2010

	Note	2010 HK\$	2009 HK\$
Operating income			
Room hire		5,457,780	4,154,003
Administration income		2,493,314	2,466,456
Appointment fee income		605,276	550,109
Domain name income		235,095	133,496
Mediation and arbitration scheme income		984,072	1,679,842
Panel fee income		591,540	389,165
Sundry income		32,118	109,150
Conference and seminar income		2,418,175	1,049,944
Simulations income		1,695,289	1,606,939
Grants from Commerce and Economic Development in association with Professional Services Development Assistance Scheme		594,107	72,041
Grants from the Office of the Telecommunications Authority in association with information communication technologies projects		281,964	93,055
	2	15,388,730	12,304,200
Other income			
Interest income	2	837	51
Expenditure			
Accountancy fee		57,700	57,400
Audit fee		48,500	34,500
Building management fee		459,000	439,416
Conference and seminar expenses		3,382,247	840,509
Depreciation		722,116	693,283
Donation		25,000	-
Electricity		87,189	85,620
Entertainment		62,220	19,441
Insurance		219,746	202,448
Mediation and arbitration scheme expenses		645,141	1,389,772
MPF contribution expenses		122,709	119,562
Office supplies		37,660	42,407
Overseas travelling		420,248	215,366
Postage, printing and stationery		263,170	196,087
Rates		407,400	447,550
Repairs and maintenance		110,334	95,135
Simulations expenses		1,308,234	1,274,885
Staff costs		5,130,140	4,906,169
Subscription and magazines		218,769	176,953
Sundries		190,173	259,383
Telephone and fax		201,061	164,514
Expenses in association with Professional Services Development Assistance Scheme		594,107	72,041
Expenses in association with information communication technologies projects		330,737	93,055
		15,043,601	11,825,496

Income and Expenditure Statement (Continued)

Year ended 31 December 2010

	Note	2010 HK\$	2009 HK\$
Surplus from operation		345,966	478,755
Investment (loss) gain			
Net (loss) gain from investment		(93,497)	31,396
Unrealised gain on revaluation of investment		1,155,101	2,101,192
		1,061,604	2,132,588
Share of result of jointly controlled entities		17,405	-
Surplus for the year	3	1,424,975	2,611,343

Statement of Comprehensive Income

Year ended 31 December 2010

	2010 HK\$	2009 HK\$
Surplus for the year	1,424,975	2,611,343
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	1,424,975	2,611,343

Statement of Financial Position

At 31 December 2010

	Note	2010 HK\$	2009 HK\$
Non-current assets			
Property, plant and equipment	6	2,473,705	2,488,112
Financial assets at fair value through profit or loss	7	13,634,121	12,218,705
Interest in jointly controlled entities	8	17,405	-
		16,125,231	14,706,817
Current assets			
Cash deposits held by investment managers	7	6,770,099	7,123,583
Accounts receivable	9	901,280	946,953
Prepayment and temporary payments		668,981	295,581
Investment income receivables		502	29
Amount due from jointly controlled entities	10	439,343	160,211
Bank balances and cash		53,978,886	43,455,281
		62,759,091	51,981,638
Current liabilities			
Deposits received from claimants and respondents		52,422,939	41,309,469
Accruals and temporary receipts		1,141,430	1,291,591
Grants received in advance		511,995	704,412
		54,076,364	43,305,472
Net current assets		8,682,727	8,676,166
NET ASSETS		24,807,958	23,382,983
Capital and reserves			
Capital contributions	11		
Private sectors		1,593,389	1,593,389
Government		20,285,255	20,285,255
		21,878,644	21,878,644
Accumulated surplus	12	2,929,314	1,504,339
		24,807,958	23,382,983

Approved and authorised for issue by the Council Members on 16 December 2011



Council Member



Council Member

Statement of Changes in Equity

Year ended 31 December 2010

	Capital contribution HK\$	Accumulated (deficit) surplus HK\$	Total HK\$
At 1 January 2009	21,878,644	(1,107,004)	20,771,640
Total comprehensive income for the year	-	2,611,343	2,611,343
At 31 December 2009 and at 1 January 2010	21,878,644	1,504,339	23,382,983
Total comprehensive income for the year	-	1,424,975	1,424,975
At 31 December 2010	21,878,644	2,929,314	24,807,958

Statement of Cash Flows

At 31 December 2010

	Note	2010 HK\$	2009 HK\$
OPERATING ACTIVITIES			
Cash generated from operations and net cash from operating activities	14	10,876,993	33,150,342
INVESTING ACTIVITIES			
Interest received		837	51
Purchase of property, plant and equipment		(707,709)	(630,805)
Net cash used in investing activities		(706,872)	(630,754)
Net increase in cash and cash equivalent		10,170,121	32,519,588
Cash and cash equivalents at beginning of year		50,578,864	18,059,276
Cash and cash equivalents at end of year		60,748,985	50,578,864
Analysis of the balances of cash and cash equivalents			
Cash deposits held by investment managers		6,770,099	7,123,583
Bank balances and cash <i>(Note (i))</i>		53,978,886	43,455,281
		60,748,985	50,578,864

Note (i)

Included in bank balances and cash was bank deposit with carrying amount of HK\$682,016 (2009: HK\$682,003) which was received from the government for Professional Services Development Assistance Scheme.

Notes to the Financial Statements

Year ended 31 December 2010

CORPORATE INFORMATION

Hong Kong International Arbitration Centre is a liability limited by guarantee company incorporated in Hong Kong. The Centre's registered office is located at 38/F., Two Exchange Square, Central, Hong Kong. The principal activity of the Centre is to provide facilities and services for alternative dispute resolution.

1. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance.

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2009 financial statements. The adoption of the new / revised HKFRS that are relevant to the Centre and effective from the current year had no significant effects on the results and financial position of the Centre for the current and prior years. A summary of the principal accounting policies adopted by the Centre is set out below.

Basis of measurement

The measurement basis used in the preparation of the financial statements is historical cost, except for financial assets at fair value through profit or loss, which are measured at fair value as explained in the accounting policies.

Income recognition

Income is recognised when it is probable that the economic benefits will flow to the Centre and when the income and costs, if applicable, can be measured reliably and on the following bases.

Income from room hire is recognised in the period in which the rooms are let out.

Income from administration services, appointment fee, seminar and domain name income are recognised in the period when services are rendered.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Annual subscription fees are recognised on a time proportion basis.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to the income and expenditure statement during the year in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment, over their estimated useful lives from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method, at the annual rate of 20%.

Financial instruments

Financial assets and financial liabilities are recognised when the Centre becomes a party to the contractual provisions of the instruments and on a trade date basis. A financial asset is derecognised when the Centre's contractual rights to future cash flows from the financial asset expire or when the Centre transfers the financial asset and the Centre has transferred substantially all the risks and rewards of ownership of the financial assets. A financial liability is derecognised only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. They are carried at fair value, with any resultant gain and loss recognised in income and expenditure statement.

Financial assets are classified as held for trading if they are (i) acquired principally for the purpose of selling in the near future; (ii) part of a portfolio of identified financial instruments that the Centre manages together and has a recent actual pattern of short-term profit-taking; or (iii) derivatives that are not financial guarantee contracts or not designated and effective hedging instruments.

Financial assets are designated at initial recognition as at fair value through profit or loss if (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or (ii) they are part of a Centre of financial assets and / or financial liabilities that are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) they contain embedded derivatives that would need to be separately recorded.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition, over the year to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in the income and expenditure statement.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Impairment of financial assets

At the end of each reporting period, the Centre assesses whether there is objective evidence that financial assets, other than those at fair value through profit or loss, are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the financial assets' original effective interest rate. Such impairment loss is reversed in subsequent periods through income and expenditure statement when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities

The Centre's financial liabilities include payables and accruals. All financial liabilities except for derivatives are recognised initially at their fair value and subsequently measured at amortised cost, using effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Impairment of non-financial assets

At the end of each reporting period, the Centre reviews internal and external sources of information to determine whether its property, plant and equipment have suffered an impairment loss or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less cost to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Centre estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expenditure immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as income immediately.

Joint venture

A joint venture is a contractual arrangement whereby the Centre and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity. The accounting policy for jointly controlled entities is as follows:

Jointly controlled entities

The Centre's interest in jointly controlled entity is accounted for under the equity method of accounting. The income and expenditure statement includes the Centre's share of the results of the jointly controlled entity for the year. The statement of financial position includes the Centre's share of the net assets of the jointly controlled entity.

Net (loss) gain from investment

Net (loss) gain from investment represents the interest income received and receivable, net gains or losses on disposals of investments, net exchange gains or losses, bank charges and management fees in respect of the Centre's investment portfolio.

Foreign currency translation

Items included in the Centre's financial statements are measured using the currency of the primary economic environment in which the Centre operates ("functional currency").

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income and expenditure statement.

Translation differences on non-monetary items, such as equity investments held that are classified as financial assets at fair value through income and expenditure statement, are reported as part of the fair value gain or loss.

Cash equivalents

For the purpose of the statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the years necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual installments.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Related parties

A party is related to the Centre if:

- (a) directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Centre, or has an interest in the Centre that gives it significant influence over the Centre; or has joint control over the Centre;
- (b) the party is an associate of the Centre;
- (c) the party is a joint venture in which the Centre is a venturer;
- (d) the party is a member of the key management personnel of the Centre;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) the party is a post-employment benefit plan for the benefit of employees of the Centre, or of any entity that is a related party of the Centre.

Employee benefits

Defined contribution plans

The obligations for contributions to defined contribution retirement scheme are recognised as an expenditure in the income and expenditure statement as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to the contributions are vested fully on those employees. The assets of the scheme are held separately from those of the Centre in an independently administered fund.

Future changes in HKFRS

At the date of authorisation of these financial statements, the Centre has not adopted the new / revised standards and interpretations issued by HKICPA that are not yet effective for the current year. The council members are in the process of assessing the possible impact on the future adoption of these new revised HKFRS, but are not yet in a position to reasonably estimate their impact on the Centre's financial statements.

2. TURNOVER AND INCOME

Turnover and income recognised by category are as follows:

	2010 HK\$	2009 HK\$
Turnover and income	15,388,730	12,304,200
Operating income		
Other income		
Bank interest income	837	51
Total income	15,389,567	12,304,251

3. SURPLUS FOR THE YEAR

This is stated after charging:

	2010 HK\$	2009 HK\$
Employee benefits expenses, including council members	5,130,140	4,906,169
Employee benefits expenses directly attributable to Lehman-Brothers-Related Investment Products Dispute Mediation and Arbitration Scheme	138,762	126,000
Employee benefits expenses subsidised by the government authority in association with information communication technologies projects	216,750	88,624
Employee benefits expenses subsidised by the government authority in association with Professional Services Development Assistance Scheme Project	257,500	-
MPF contribution expenses, including council members	122,709	119,562
MPF contribution expenses directly attributable to Lehman-Brothers-Related Investment Products Dispute Mediation and Arbitration Scheme	7,478	5,300
MPF contribution expenses subsidised by the government authority in association with information communication technologies projects	10,838	4,431
MPF contribution expenses subsidised by the government authority in association with Professional Services Development Assistance Scheme Project	8,750	-
Total staff costs	5,892,927	5,250,086
Auditor's remuneration		
- Current year	42,000	33,500
- Under provision in previous years	6,500	1,000
Depreciation of property, plant and equipment	722,116	693,283

4. COUNCIL MEMBERS' EMOLUMENTS

Council members' emoluments disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	2010 HK\$	2009 HK\$
Council members' emoluments		
Fees	-	-
Other emoluments	1,672,822	1,572,000

5. TAXATION

The Centre has been given exemption under section 88 of the Inland Revenue Ordinance (Cap. 112) from all Hong Kong taxes by reason of being a charitable institution with effect from 5 July 1985.

6. PROPERTY, PLANT AND EQUIPMENT

	Office equipment HK\$	Furniture and fixtures HK\$	Leasehold improvements HK\$	Total HK\$
Reconciliation of carrying amount– year ended 31 December 2009				
At beginning of year	331,558	28,623	2,190,409	2,550,590
Additions	303,836	9,529	317,440	630,805
Depreciation	(147,792)	(9,140)	(536,351)	(693,283)
At end of the reporting period	487,602	29,012	1,971,498	2,488,112
Reconciliation of carrying amount– year ended 31 December 2010				
At beginning of year	487,602	29,012	1,971,498	2,488,112
Additions	58,409	649,300	-	707,709
Depreciation	(145,886)	(31,146)	(545,084)	(722,116)
At end of the reporting period	400,125	647,166	1,426,414	2,473,705
At 1 January 2010				
Cost	2,319,007	782,654	5,856,278	8,957,939
Accumulated depreciation	(1,831,405)	(753,642)	(3,884,780)	(6,469,827)
	487,602	29,012	1,971,498	2,488,112
At 31 December 2010				
Cost	2,377,416	1,431,954	5,856,278	9,665,648
Accumulated depreciation	(1,977,291)	(784,788)	(4,429,864)	(7,191,943)
	400,125	647,166	1,426,414	2,473,705

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2010 HK\$	2009 HK\$
Held for trading:		
Listed equity securities in Hong Kong	1,386,303	1,330,722
Listed equity securities in overseas	3,251,943	2,688,470
Listed equity investment funds in overseas	426,471	315,087
Unlisted investment funds in overseas	8,569,404	7,884,426
	13,634,121	12,218,705

Cash deposits of HK\$6,770,099 (2009: HK\$7,123,583) held by investment managers is classified in cash deposits held by investment managers accounts under current assets.

The fair value of all listed equity securities and debt securities were based on their current bid prices in an active market. The fair values of such unlisted investments funds were established by reference to the prices quoted by the banks which are the fund administrators.

8. INTEREST IN JOINTLY CONTROLLED ENTITIES

	2010 HK\$	2009 HK\$
Share of net assets	17,405	-

During the year, the Centre, together with other 7 parties jointly set up a non-profit organisation namely Joint Mediation Helpline Office Limited.

Details of the jointly controlled entities at the end of the reporting period are as follows:

Name of jointly controlled entities	Place of incorporation	Proportion of interest entitled by the Centre		Principal activities
		2010	2009	
Asian Domain Name Dispute Resolution Centre	Hong Kong	50%	50%	Settlement of domain name disputes by administrative proceeding in Hong Kong and the People's Republic of China
Joint Mediation Helpline Office Limited	Hong Kong	12.5%	-	Provision and promotion of mediation services

Summary of financial information which based on the unaudited financial statements of jointly controlled entities are as follows:

	2010 HK\$	2009 HK\$
Share of jointly controlled entities' assets and liabilities		
Current assets	327,375	232,649
Current liabilities	(528,516)	(448,037)
Share of jointly controlled entities' revenue and expenses		
Revenue	724,651	642,017
Expenses	(674,476)	(910,062)

9. ACCOUNTS RECEIVABLE

The ageing analysis of accounts receivable that are neither individually nor collectively considered to be impaired are as follows:

	2010 HK\$	2009 HK\$
Neither past due nor impaired	502,919	309,358
Less than 1 month past due	288,157	264,823
1 to 3 months past due	93,753	326,963
Over 3 months past due	16,451	45,809
	398,361	637,595
	901,280	946,953

Receivables that were past due but not impaired relate to a number of independent customers that have good track record with the Centre. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The Centre does not hold any collateral over these balances.

10. AMOUNT DUE FROM JOINTLY CONTROLLED ENTITIES

The amounts due from jointly controlled entities are unsecured, interest-free and have no fixed repayment term. The carrying amount of the amounts due approximates their fair values.

11. CAPITAL CONTRIBUTIONS

The Centre is limited by guarantee and has no share capital. In accordance with the Centre's Memorandum of Association, the liability of each member is limited to HK\$100.

- a) Private sectors' contributions represent the original donations of HK\$39,000 received from 13 organizations at the initial stage and contributions subsequently received from private sectors for the period up to 31 December 1987.

11. CAPITAL CONTRIBUTIONS (Continued)

- b) Government contribution represents the aggregate contribution from government up to 31 December 1990.

In the event of the happening of either of the following occurrences the Centre shall return to Government such unexpended portion of the sum of HK\$19.1 million as may seem reasonable to the Secretary for the Treasury, subject to the final decision of the Financial Secretary:-

- (i) if for any two consecutive years the audited accounts of the Centre show an excess of income (excluding interest income) over expenditure subject only to the figure for expenditure including a sum which the Centre would have to pay by way of open market rental for any premises occupied by it if at the time the rent therefore is subsidised in whole or in part; or
- (ii) the Centre, after consultation with and with the concurrence of, the Financial Secretary has decided that there is no further requirement for its services in Hong Kong or that it is no longer a viable concern.

12. ACCUMULATED SURPLUS

	2010 HK\$	2009 HK\$
At beginning of year	1,504,339	(1,107,004)
Surplus for the year	1,424,975	2,611,343
At end of the reporting period	2,929,314	1,504,339

13. COMMITMENTS UNDER OPERATING LEASES

At the end of the reporting period, the Centre had total future minimum lease payments under non-cancellable operating leases for office equipment, which are payable as follows:

	2010 HK\$	2009 HK\$
Within one year	21,600	21,600
In the second to fifth years inclusive	28,800	50,400
	50,400	72,000

Portion of the Centre's property, 38/F., Two Exchange Square, 8 Connaught Place, Central, Hong Kong, comprising an area of 700 square metres, is paying HK\$1 rental per annum to The Financial Secretary Incorporated commenced from 1 October 1994.

14. CASH GENERATED FROM OPERATIONS

	2010 HK\$	2009 HK\$
Surplus for the year	1,424,975	2,611,343
Interest income	(837)	(51)
Depreciation	722,116	693,283
Share of result of jointly controlled entities	(17,405)	-
Change in working capital:		
Account receivables	45,673	(145,500)
Financial assets at fair value through profit or loss	(1,415,416)	(228,075)
Investment income receivables	(473)	40,636
Prepayments and temporary payments	(373,400)	39,910
Due from a jointly controlled entity	(279,132)	(374,099)
Accruals and temporary receipts	(150,161)	190,856
Grants received in advance	(192,417)	704,412
Deposits received	11,113,470	29,617,627
Cash generated from operations	10,876,993	33,150,342

15. RELATED PARTIES TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in these financial statements, during the year, the Centre had the following transactions with related parties:

Related party relationship	Nature of transactions	2010 HK\$	2009 HK\$
Jointly controlled entities	Administration fee income	188,000	214,000
	Donation contribution	(25,000)	-

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Centre's principal financial instruments comprise financial assets at fair value through profit or loss, bank balances and cash. The main purpose of these financial instruments is to raise and maintain finance for the Centre's operations. The Centre has various other financial instruments such as accounts receivable and deposits received from claimants and respondents and accruals and temporary receipts, which arise directly from its business activities.

The main risks arising from the Centre's financial instruments are price risk, foreign currency risk and liquidity risk. The Council members review and agree policies for managing each of these risks and they are summarised below.

Price risk

The Centre is exposed to price risks arising from its financial assets at fair value through profit or loss. The sensitivity analysis has been determined based on the exposure to price risk. At the end of the reporting period, if the price had been 10% (2009: 10%) higher/lower than the securities quoted market while all other variables were held constant, the Centre's surplus for the year would have been HK\$506,472 higher/lower (2009: HK\$433,428 higher/lower), mainly as a result of changes in fair value of investments. The Centre's sensitivity to price has not changed significantly from the prior year.

The sensitivity analysis has been determined assuming that the reasonably possible changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to the exposure to price risk in existence at that date. It is also assumed that the fair values of the Centre's investments would change in accordance with the historical correlation with the relevant stock market index or the relevant stock market index or the relevant risk variables, that none of the Centre's financial assets at fair value through profit or loss would be considered impaired as a result of a reasonably possible decrease in the relevant stock market index or other relevant risk variables, and that all other variables remain constant. The stated changes represent management's assessment of reasonably possible changes in the relevant stock market index or the relevant risk variables over the period until the next annual end of the reporting period. The analysis is performed on the same basis for 2009.

Further, the Centre holds some unlisted investments which are measured at fair value at 31 December 2010 and 2009. Although there was no similar transaction since then, the management considers there should not have significant change in the fair value of the investments.

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk

The cash deposits held by investment managers and cash and bank balances, are mainly kept at US\$ and HK\$. As US\$ is officially pegged to the HK\$, the management considers the exchange risk to be minimised.

Liquidity risk

The Centre's objective is to maintain a continuity of funding through the operating cycle between debtors and creditors. The Centre's financial liabilities at the end of the reporting period are all due for payment on demand.

Fair value disclosures

In the opinion of the council members, the carrying amounts of financial assets and liabilities approximate their fair values.

The following presents the carrying value of financial instruments measured at fair value at 31 December 2010 across the three levels of the fair value hierarchy defined in HKFRS 7, *Financial Instruments: Disclosures*, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments;
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data;
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

Assets measured at fair value

	31 December 2010 HK\$	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$
Financial assets at fair value through profit or loss (note 7)				
Listed equity securities in Hong Kong	1,386,303	1,386,303	-	-
Listed equity securities in overseas	3,251,943	3,251,943	-	-
Listed equity investment funds in overseas	426,471	426,471	-	-
Unlisted investment funds in overseas	8,569,404	-	8,224,344	345,060
	13,634,121	5,064,717	8,224,344	345,060

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Fair value disclosures (Continued)

Assets measured at fair value

	31 December 2009 HK\$	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$
Financial assets at fair value through profit or loss (note 7)				
Listed equity securities in Hong Kong	1,330,722	1,330,722	-	-
Listed equity securities in overseas	2,688,470	2,688,470	-	-
Listed equity investment funds in overseas	315,087	315,087	-	-
Unlisted investment funds in overseas	7,884,426	-	7,460,365	424,061
	12,218,705	4,334,279	7,460,365	424,061

During the year ended 31 December 2010, there were no transfers between Level 1 and Level 2 fair value measurements.

The movement during the year in the balance of Level 3 fair value measurements is as follows:

	2010 HK\$	2009 HK\$
Unlisted investment funds in overseas:		
Opening balance	424,061	742,966
Payment for purchases	105,225	52,294
Net unrealised gains or losses recognised in income and expenditure statement during the year	25,610	(55,922)
Proceeds from sales	(209,836)	(315,277)
Closing balance	345,060	424,061

Assets measured at fair value on level 3

In the opinion of the council members, changing one or more of the inputs to reasonably possible alternative assumptions would not change fair value significantly.

17. COMPARATIVE FIGURES

Comparative figures of income and expenditure statement have been reclassified to conform with the current year's presentation. Details are set out as follows:

	As previously reported HK\$	Reclassification HK\$	As restated HK\$
Operating income			
Conference and seminar income	693,731	356,213	1,049,944
Expenditure			
Conference and seminar	484,296	356,213	840,509

The reclassification represents the grossing up of expenses from conference and seminar income to conference and seminar expenses to better reflect the nature of the income and expense and to bring them in line with current year's classification.



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