



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

2012

ANNUAL
REPORT



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Chairman

Huen WONG JP

Vice-Chairpersons

Teresa CHENG GBS SC JP

Robin PEARD JP

Council Members

Huen WONG JP

* Michael J MOSER

* Philip YANG BBS

* Neil KAPLAN CBE QC SBS

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

Justin D'AGOSTINO

Matthew GEARING

Peter GOLDSMITH QC PC

Sally HARPOLE

Timothy HILL

Frederick KAN

Daniel LAM BBS JP

¹ Hing Fung LEUNG

Stephen MALOY

Robin PEARD JP

² Lucy REED

Kathryn SANGER

Gary SOO

Christopher TO

Anna WU SBS JP

International Advisory Board

Ronald ARCULLI GBS JP

Yves FORTIER CC QC

Bernard HANOTIAU

Hon Mr Justice Michael HARTMANN

Michael HWANG SC

Gabrielle KAUFMANN-KOHLER

Niels KRAUNSOE

Elsie LEUNG GBM JP

Hon Mr Justice Geoffrey MA

Arthur MARRIOTT QC

Anthony NEOH SC JP

Jan PAULSSON

Michael PRYLES

Hon Mr Justice Robert TANG SC SBS JP

VV 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

Aditya KURIAN

Assistant Counsel

Zhong GUAN

Secretariat Members

Karen TAN, Business Development Officer

Kiran SANGHERA, Consultant

Debbie CHONG, Case Administrator

Isabelly LAI, Administrative Officer

Vicky NG, Administrative Assistant

Paddy TAM, IT Executive

Cat SHUM, Office Assistant

* *Honorary Chairman*

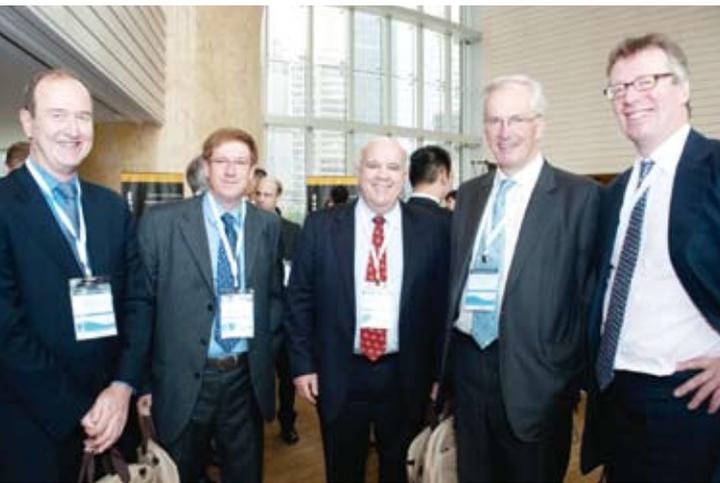
¹ *Appointed on 25 July 2012*

² *Appointed on 18 June 2012*



New Premises Launched





Hong Kong Arbitration Week 2012



Chairman's Message



Huen WONG JP

The year of the Dragon has proven to be an extremely dynamic year for the arbitration community in Hong Kong and the HKIAC. Several momentous events occurred during this year. At home, one of the most significant developments was the completion of the HKIAC premises. The HKIAC has now expanded in order to meet the increasing demand for suitable, neutral hearing and meeting venues in Hong Kong. The renovated premises, now stretching to 1,300 sq m, is located in the heart of Hong Kong's business district at Exchange Square. The expanded and refurbished HKIAC premises enjoy stunning 360 degree views of Hong Kong and state-of-the-art facilities. Altogether the HKIAC now offers seven hearing rooms and twelve break-out rooms. As part of the celebration of the expanded and improved facilities, the HKIAC hosted the inaugural HK Arbitration Week with a series of events in Hong Kong to promote international arbitration. The HK Arbitration Week brought together leading practitioners from diverse jurisdictions to celebrate the triumphs and challenges of international arbitration in a number of different forums. The week commenced with a seminar, jointly organized by ICC and HK45, on "The Role of Asia in International Arbitration

the 21st century". Many delegates had the opportunity to attend the first ever ICSID-run course in Asia and the first Hong Kong Arbitration Charity Ball. The annual ADR in Asia Conference, which brought over 230 arbitrators, academics and practitioners from across the globe was the flagship event and continued to attract a wide audience. The week concluded with the first GAR Live Hong Kong Conference. We were fortunate and grateful to have many law firms and other bodies locally and internationally who generously supported this successful week.

The expansion of our premises comes at a time when the arbitration market in Hong Kong continues to thrive. Indeed, at the HKIAC we have seen an ever-growing number of cases, especially those that are conducted under the HKIAC Administered Arbitration Rules. Just over five years since their introduction, Chinese parties are the number one users followed by Singapore, India, South Korea and the British Virgin Islands. The existing rules, intended for parties who are seeking a 'light touch' approach to administered arbitration aim to maximise party autonomy. In response to user feedback and five years

of practice, the HKIAC has embarked on the process of revising its rules. As a result of consultation with end users and the international arbitration community at large, we have identified several key areas for improvement. The changes are designed to promote efficiency and give parties greater flexibility in the arbitral process in response to the increasing number and complexity of arbitrations the HKIAC has administered in the recent past. The revisions, which will come into effect in May 2013, reflect current best practices in the international arbitration community.

Abroad, perhaps one of the most significant highlights of 2012 was the Indian government's announcement clarifying the enforcement status of Chinese (and Hong Kong) awards. With the Indian government's gazettal of China (and Hong Kong), any uncertainty as to the enforceability of Hong Kong awards is now eliminated. This welcome announcement could not have been more timely as the development will very likely enhance our appeal to the Indian market,

especially as the rate of Sino-Indian trade grows at an increasingly rapid pace.

The year of 2012 is the first year of a new era for Hong Kong, the HKIAC and the entire arbitration community in Hong Kong. We will embrace this opportunity and continue its positive momentum with various new initiatives to welcome the opportunities and challenges that lie ahead. This year's successes would not have been possible without the dedication of our council members, the HKIAC Secretariat and the arbitration community in Hong Kong. I would like to take this opportunity to thank them for their support and hard work.



Huen WONG JP
Chairman
31 December 2012

Secretary-General's Report



Chiann BAO

1. HKIAC 2012 Caseload: An Overview

The HKIAC handled 456 dispute resolution matters in 2012. These included 293 arbitration matters, 116 domain name disputes and 47 mediation disputes.

1.1 Arbitration Cases

Of the 293 arbitration cases handled by the HKIAC in 2012, 68% were international and 32% were domestic. Of the total, 68 cases were fully administered by the HKIAC in accordance with its rules. This is a 40% increase from 2011 to 2012. The total amount in dispute for administered cases was approximately US\$1.8 billion.

International cases involved parties from the following jurisdictions: Angola, Australia, Belgium, Brazil, Brunei, Cambodia, Canada, Cayman Islands, China, Costa Rica, Cyprus, Denmark, Djibouti, Ecuador, Germany, India, Indonesia, Italy, Japan, Kyrgyzstan, Macau, Malta, Marshall Islands, Mauritius, Netherlands, Norway, Philippines, Russia, Samoa, South Africa, South Korea, Switzerland, Taiwan, Thailand, the British Virgin Islands, United

Kingdom, United States, and Vietnam. Of these jurisdictions and apart from Hong Kong, parties from the British Virgin Islands, China, Germany, India, Mauritius, Singapore, South Korea, Switzerland, United Kingdom and United States represented the most frequent users of the HKIAC.

Of the total number of arbitration cases, 24% involved construction, 27% involved commercial, 8% corporate disputes, 3% insurance and 38% involved maritime disputes.

The HKIAC made a total of 196 arbitrator appointments in 2012. The role played by the HKIAC under its administered, ad hoc and UNCITRAL Rules 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 Maritime Arbitration Group, a division of the HKIAC, consisting of HKIAC arbitrators who specialize in maritime, reported that its members had been appointed on 163 occasions in 2012.

1.2 Domain Name Cases

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

Statistics for Domain Name Disputes 2012

	ADNDRC				HKIAC	
	Beijing	Hong Kong	Seoul	Kuala Lumpur	HKDRP	CNDRP
UDRP						
Transferred	92	38	10	2	10	37
Withdrawn	0	15	2	0	2	6
Rejected	5	2	1	0	1	0
Cancelled	6	1	0	1	0	0
Split Decision	0	0	0	0	0	0
Pending	3	1	1	0	2	1
Total:	106	57	14	3	15	44

As of 31 December 2012, a total of 239 cases were referred to the Asian Domain Name Dispute Resolution Centre (ADNDRC) (Beijing Office, Seoul Office, Kuala Lumpur Office and Hong Kong Office) in 2012. Of these, 106 were filed with the Beijing Office, 57 were filed with the Hong Kong Office, 14 were filed with the Seoul Office, and 3 were filed with the Kuala Lumpur Office.

In addition, 59 cases were referred to the HKIAC in 2012. Of the 59 cases, 15 cases were .hk domain name dispute cases and 44 cases were .cn domain name dispute cases.

1.3 Mediation Cases

2012 saw 47 mediation cases referred to the HKIAC for administration and mediation appointment.

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 leading figures in the Hong Kong business community and in international arbitration 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
Yves FORTIER	3 February 2012	2 February 2015
Bernard HANOTIAU	3 February 2012	2 February 2015
Hon Mr Justice Michael HARTMANN	5 August 2011	6 August 2014
Michael HWANG	3 February 2012	2 February 2015
Gabrielle KAUFMANN-KOHLER	3 February 2012	2 February 2015
Niels KRAUNSOE	3 February 2012	2 February 2015
Elsie LEUNG	5 August 2011	6 August 2014
Hon Mr Justice Geoffrey MA	5 August 2011	6 August 2014
Arthur MARRIOTT	3 February 2012	2 February 2015
Anthony NEOH	5 August 2011	6 August 2014
Jan PAULSSON	3 February 2012	2 February 2015
Michael PRYLES	3 February 2012	2 February 2015
Hon Mr Justice Robert TANG	5 August 2011	6 August 2014
V V VEEDER	3 February 2012	2 February 2015
YU Jianlong	3 February 2012	2 February 2015

5. HKIAC Meetings

During the period from 1 January 2012 to 31 December 2012, meetings of the HKIAC Council and various subcommittees were convened as follows:

HKIAC Meetings

(1 January 2012 to 31 December 2012)

HKIAC Council Meetings

- 16 March 2012
- 14 June 2012
- 16 October 2012
- 17 December 2012 (AGM)

HKIAC Management Meetings

- 19 January 2012
- 15 February 2012
- 20 March 2012
- 9 May 2012
- 22 June 2012
- 27 July 2012
- 15 August 2012
- 10 September 2012
- 31 October 2012
- 27 November 2012

HKIAC Panel Selection Committee Meetings (Arbitrators)

- 27 January 2012
- 15 March 2012
- 4 June 2012
- 9 October 2012
- 27 November 2012

HKIAC Mediation Council Meetings

- 16 January 2012
- 20 February 2012
- 19 March 2012
- 16 April 2012
- 21 May 2012
- 18 June 2012
- 25 July 2012
- 17 September 2012
- 18 October 2012

- 15 November 2012
- 17 December 2012

Joint Consultative Committee Meetings

- 12 March 2012
- 13 November 2012

Asian Dispute Review Journal Editorial Board Meetings

- 23 January 2012
- 20 February 2012
- 19 March 2012
- 23 April 2012
- 21 May 2012
- 18 June 2012
- 23 July 2012
- 20 August 2012
- 21 September 2012
- 22 October 2012
- 19 November 2012
- 21 December 2012

HKIAC Mediator Accreditation Committee Meetings

- 12 January 2012
- 13 March 2012
- 8 May 2012
- 10 July 2012
- 18 September 2012
- 13 November 2012

Appointment Advisory Board Meeting

- 26 March 2012

6. HKIAC Panel Selection Committee (Arbitrators)

The HKIAC Panel Selection Committee convened 5 meetings in 2012, approving a total of 30 applications for inclusion on its Panel of Arbitrators and 21 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
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
Wendy CHEUNG	Judiciary	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
Thomas HO	Hong Kong Construction Association	13 March 2012	13 March 2015
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
Jimmy POON	The Hong Kong Federation of Insurers	19 March 2012	19 March 2015
Lisa WONG	Hong Kong Bar Association	1 January 2011	31 December 2013
Wai Tong WONG	The Hong Kong Institution of Engineers	1 January 2011	31 December 2013

From 1 January 2012 to 31 December 2012 members of the Board had a total 198 cases referred to them for deliberation.

9. HKIAC Mediator Accreditation Committee

The HKIAC Mediator Accreditation Committee convened 6 meetings in 2012 and approved a total of 159 HKIAC General Accredited Mediators, 26 HKIAC Family Accredited Mediators and 2 HKIAC Accredited Family Supervisors.

Number of HKIAC Accredited Mediators

[from 1 January 2012 to 31 December 2012]

	1 January 2012	31 December 2012
HKIAC General Accredited Mediators	549	708
HKIAC Family Accredited Mediators	168	194
HKIAC Accredited – Family Supervisors	44	46

The HKIAC Mediator Accreditation Committee approved a total of 43 General Mediation Training Courses. These 40-hour accredited courses were organised by the Accord Group, ADR International Limited, The Chinese 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, the Hong Kong Family Welfare Society, The Hong Kong Polytechnic University, the Hong Kong Shue Yan University, HKU SPACE, ISE Consultants Ltd, and School of Law - City University of Hong Kong.

Members of the Committee include:

John BUDGE	Chairperson
Jack CHAN	Committee Member
Thomas KWONG	Committee Member
Hon Mr Justice LAM Man Hon Johnson	Committee Member
LEUNG Hing Fung	Committee Member
SO Kam Shing	Committee Member
Christopher TO	Committee Member
Amarantha YIP	Committee Member
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 International Ltd
YEUNG Man Shing	Chartered Institute of Arbitrators (East Asia Branch)
Lilian YUE	Conflict Resolution Centre
Helena YUEN	Conflict Resolution Centre
Christopher TO	Construction Industry Council
Kumar RAMANATHAN	Hong Kong Bar Association
Ruth WONG	Hong Kong Family Welfare Society
Sylvia SIU	Hong Kong Institute of Arbitrators
Sylvia SIU	Hong Kong Mediation Centre
LEUNG Hing Fung	Hong Kong Mediation Council
Cheng-Yee KHONG	International Chamber of Commerce
Chris SHORT	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 2012 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)
William LEUNG	Chartered Institute of Arbitrators (East Asia Branch)
Samuel WONG	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
Christopher TO	Board Member
Paul VARTY	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. HK45 held 4 seminars in 2012.

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
- Clerk to the leveraged Foreign Exchange Trading Arbitration Panel

15. Co-operation Agreements Signed with Other Institutions

In 2012, the HKIAC signed a MOU to be a partner institution to the Seoul IDRC which will offer state-of-the-art hearing facilities in Seoul from 2013. HKIAC will be opening its first official office outside of Hong Kong.

Conclusion

Arbitration in Hong Kong continues to go from strength to strength. In 2012, we enhanced the international profile of our Council and our Secretariat, revitalized our premises, and showcased the depth of our community during our inaugural Hong Kong Arbitration Week. In the ever-evolving world of international arbitration, we make it our number one priority to meet the changing needs of the users and ensure the efficiency and effectiveness of the service we provide. And, our statistics support the confidence that users have in our service. However, our work continues. New users need to be supported with knowledge to make appropriate decisions for their business. Tools to engage in arbitration need to be continuously reevaluated. It is with this mandate that we turn the page to a new chapter. With a new set of Rules, 2013 promises to be another exciting year for Hong Kong.



Report by
Chiann BAO
Secretary-General
Hong Kong International Arbitration
Centre
31 December 2012

Hong Kong Mediation Council Chairman's Report



LEUNG Hing Fung

A Fruitful Year for Mediation

The Hong Kong Mediation Council (the "HKMC"), together with the Hong Kong International Arbitration Centre (the "HKIAC"), have gained helpful momentum since the implementation of the Practice Direction 31 on Mediation in 2010.

Mediation has now taken root in Hong Kong as a form of dispute resolution method and has become more widely used by the public.

A single mediator accreditation body

The major mediation bodies have eventually reached consensus that an industry-led single accreditation body be formed by the name of the Hong Kong Mediation Accreditation Association Limited ("HKMAAL"). It is established with a view to facilitate the establishment of a single accreditation body and the development of accreditation and training standards.

The four major service providers, namely the Hong Kong International Arbitration Centre, the Law Society of Hong Kong, the Bar Association of Hong Kong and the Hong Kong Mediation Centre will be the founding members of HKMAAL and will have to terminate its own existing accreditation system upon joining this body.

Mediation Ordinance

Another significant milestone is the passing of the Mediation Bill. The Mediation Ordinance Group of the Task Force worked among various stakeholders and addressed the uncertain core issues of mediation, such as confidentiality and admissibility of mediation communications. 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.

Joint Mediation Helpline Office ("JMHO")

Since the establishment of JMHO in 2010, the JMHO has successfully promoted the effective use of mediation and provide mediator referral services. The JMHO project 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 Scheme

Since the launch of the Lehman-Brothers-related Investment Products Dispute Mediation and Arbitration Scheme ("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.

Following the success of this Scheme, the Financial Dispute Resolution Centre was set up by the Government in June 2012 with the support of financial institutions to help financial institutions and their clients resolve monetary disputes.

Mediation Interest Groups and Their Activities

The four Mediation Interest Group Chairpersons, namely Ms Catherine Chow (Family), Mr Yeung Man Sing (Construction), Mr Vod Chan (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 2012. Assessments were conducted in both the English and Cantonese language.

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 2013 will definitely be more challenging for the Mediation Industry in Hong Kong. I would like to thank the members of the HKMC 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.



LEUNG Hing Fung
Chairman
Hong Kong Mediation Council
31 December 2012

Finance Committee Report

Council's Report

The Council has pleasure in submitting their report and audited financial statements for the year ended 31 December 2011.

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 2011 are set out in the income and expenditure statement on pages 22 to 23.

Reserves

Movements in the reserves of the Centre during the year are set out in the statement of changes in equity on page 25.

Council members

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

Anthony F NEOH ¹	Michael John HARTMANN ¹
Bing Woon CHAN	Michael Joseph MOSER
Chiann BAO	Neil Trevor KAPLAN
Ching, Robert TANG ¹	Oi-Sie Elsie LEUNG ¹
Chun, Daniel LAM	Peter GOLDSMITH ²
Henri ALVAREZ ²	Peter Scott CALDWELL
Hung Yuk Anna WU	Robin Somers PEARD
John R BUDGE	Ronald Joseph ARCULLI ¹
Justin John Gaetano D'AGOSTINO ²	Russell Adam COLEMAN
Ka Chong, Frederick KAN	Stephen Arthur MALOY
Kathryn Sara Hippolyte SANGER	Tao Li, Geoffrey MA
Kwai Huen, Albert WONG	Timothy HILL ²
Kwok Leung SOO	Wing, Christopher TO
Liang Yee, Philip YANG	Yeuk Wah, Teresa CHENG
Matthew GEARING	

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.

Note: 1 Resigned on 5 August 2011

2 Appointed on 7 October 2011

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.

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



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)

We have audited the financial statements of Hong Kong International Arbitration Centre set out on pages 22 to 40, which comprise the statement of financial position as at 31 December 2011, 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 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 Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the council members, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of the affairs of the Centre as at 31 December 2011 and of its deficit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.



Certified Public Accountants
Hong Kong
17 December 2012

Chan Chi Ming Andy

Practising Certificate number: P05132

Income and Expenditure Statement

Year ended 31 December 2011

	Note	2011 HK\$	2010 HK\$
Operating income			
Room hire		4,667,114	5,457,780
Administration income		1,231,808	1,432,330
Administered arbitration income		2,309,852	1,060,984
Appointment fee income		352,179	605,276
Domain name income		412,429	235,095
Mediation and arbitration scheme income		1,364,681	984,072
Panel fee income		611,231	591,540
Sundry income		130,600	32,118
Conference and seminar income		1,133,269	2,418,175
Simulations income		2,185,520	1,695,289
Grants from Commerce and Economic Development in association with Professional Services Development Assistance Scheme		648,611	594,107
Grants from the Office of the Telecommunications Authority in association with information communication technologies projects		-	281,964
	2	15,047,294	15,388,730
Other income			
Interest income	2	177	837
Expenditure			
Accountancy fee		62,000	57,700
Audit fee		50,900	48,500
Building management fee		441,492	459,000
Conference and seminar expenses		1,114,354	3,382,247
Depreciation		823,620	722,116
Donation		-	25,000
Electricity		85,369	87,189
Entertainment		99,568	62,220
Insurance		209,891	219,746
Mediation and arbitration scheme expenses		742,013	645,141
MPF contribution expenses		119,235	122,709
Office supplies		14,839	37,660
Overseas travelling		614,331	420,248
Postage, printing and stationery		698,298	263,170
Rates		404,850	407,400
Repairs and maintenance		135,962	110,334
Simulations expenses		1,846,001	1,308,234
Staff costs		5,353,081	5,130,140
Subscription and magazines		229,019	218,769
Sundries		354,515	190,173
Telephone and fax		213,758	201,061
Written off of amount due from a jointly controlled entity		410,261	-
Expenses in association with Professional Services Development Assistance Scheme		648,611	594,107
Expenses in association with information communication technologies projects		-	330,737
		14,671,968	15,043,601

Income and Expenditure Statement (Continued)

Year ended 31 December 2011

	Note	2011 HK\$	2010 HK\$
Surplus from operation		375,503	345,966
Investment (loss) gain			
Net loss from investment		(131,885)	(93,497)
Unrealised (loss) gain on revaluation of investment		(953,930)	1,155,101
		(1,085,815)	1,061,604
Share of result of jointly controlled entities		69,346	17,405
(Deficit) Surplus for the year	3	(640,966)	1,424,975

Statement of Comprehensive Income

Year ended 31 December 2011

	2011 HK\$	2010 HK\$
(Deficit) Surplus for the year	(640,966)	1,424,975
Other comprehensive income for the year, net of tax	-	-
Total comprehensive (loss) income for the year	(640,966)	1,424,975

Statement of Financial Position

At 31 December 2011

	Note	2011 HK\$	2010 HK\$
Non-current assets			
Property, plant and equipment	6	1,863,183	2,473,705
Financial assets at fair value through profit or loss	7	14,313,935	13,634,121
Interest in jointly controlled entities	8	86,751	17,405
		16,263,869	16,125,231
Current assets			
Cash deposits held by investment managers	7	4,966,357	6,770,099
Accounts receivable	9	271,462	901,280
Prepayment, temporary payments and other debtors		433,158	668,981
Investment income receivables		38,615	502
Amount due from jointly controlled entities		-	439,343
Bank balances and cash		62,213,106	53,978,886
		67,922,698	62,759,091
Current liabilities			
Deposits received from claimants and respondents	10	57,661,541	52,422,939
Accruals and temporary receipts		2,046,447	1,141,430
Grants received in advance		311,587	511,995
		60,019,575	54,076,364
Net current assets		7,903,123	8,682,727
NET ASSETS		24,166,992	24,807,958
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	2,288,348	2,929,314
		24,166,992	24,807,958

Approved and authorised for issue by the Council Members on 17 December 2012



Council Member



Council Member

Statement of Changes in Equity

Year ended 31 December 2011

	Capital contribution HK\$	Accumulated (deficit) surplus HK\$	Total HK\$
At 1 January 2010	21,878,644	1,504,339	23,382,983
Surplus for the year and total comprehensive income for the year	-	1,424,975	1,424,975
At 31 December 2010 and at 1 January 2011	21,878,644	2,929,314	24,807,958
Deficit for the year and total comprehensive loss for the year	-	(640,966)	(640,966)
At 31 December 2011	21,878,644	2,288,348	24,166,992

Statement of Cash Flows

Year ended 31 December 2011

	Note	2011 HK\$	2010 HK\$
OPERATING ACTIVITIES			
Cash generated from operations and net cash from operating activities	14	6,643,399	10,876,993
INVESTING ACTIVITIES			
Interest received		177	837
Purchase of property, plant and equipment		(213,098)	(707,709)
Net cash used in investing activities		(212,921)	(706,872)
Net increase in cash and cash equivalents		6,430,478	10,170,121
Cash and cash equivalents at beginning of year		60,748,985	50,578,864
Cash and cash equivalents at end of year		67,179,463	60,748,985
Analysis of the balances of cash and cash equivalents			
Cash deposits held by investment managers		4,966,357	6,770,099
Bank balances and cash <i>(Note (i))</i>		62,213,106	53,978,886
		67,179,463	60,748,985

Note (i)

Included in bank balances and cash was bank deposit with carrying amount of HK\$354,821 (2010: HK\$682,016) which was received from the government for Professional Services Development Assistance Scheme.

Notes to the Financial Statement

Year ended 31 December 2011

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 2010 financial statements. The adoption of the new / revised HKFRSs that are relevant to the Centre and effective from the current year has had no significant effects on the Centre's results and financial position for the current and prior years. A summary of the principal accounting policies adopted by the Centre is set out below.

Adoption of new / revised HKFRSs

HKAS 24 (Revised) - Related Party Disclosures

HKAS 24 was revised to include a new definition of related party and to provide a partial exemption from the disclosure requirements in relation to related party transactions and outstanding balances, including commitments, with:

- (a) a government that has control, joint control or significant influence over the reporting entity; and
- (b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

The Centre adopted the new definition in its accounting policies but such adoption does not have an effect on the disclosures made in the financial statements.

Amendments to HKAS 1 (Revised) - *Presentation of Financial Statements: Clarification of Statement of Changes in Equity*

The Amendments clarify that the reconciliation of each components of other comprehensive income may be presented either in the statement of changes in equity or in the notes to the financial statements. The Centre has decided to continue presenting the reconciliation on the face of the statement of changes in equity and such adoption does not have any effect on the disclosures made in the financial statements.

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 and only when (i) the Company's contractual rights to future cash flows from the financial asset expire or (ii) the Company transfers the financial asset and the Company has transferred substantially all the risks and rewards of ownership of the financial asset. A financial liability is derecognised when and 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.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

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.

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 related party is a person or entity that is related to the Centre.

- (a) A person or a close member of that person's family is related to the Centre if that person:
 - (i) has control or joint control over the Centre;
 - (ii) has significant influence over the Centre; or
 - (iii) is a member of the key management personnel of the Centre or of the parent of the Centre.

- (b) An entity is related to the Centre if any of the following conditions applies:
 - (i) The entity and the Centre are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Centre or an entity related to the Centre. If the Centre is itself such a plan, the sponsoring employers are also related to the Centre.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

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:

	2011 HK\$	2010 HK\$
Turnover and income	15,047,294	15,388,730
Operating income		
Other income		
Bank interest income	177	837
Total income	15,047,471	15,389,567

3. (DEFICIT) SURPLUS FOR THE YEAR

This is stated after charging:

	2011 HK\$	2010 HK\$
Employee benefits expenses, including council members	5,353,081	5,130,140
Employee benefits expenses directly attributable to Lehman- Brothers-Related Investment Products Dispute Mediation and Arbitration Scheme	182,914	138,762
Employee benefits expenses subsidised by the government authority in association with information communication technologies projects	-	216,750
Employee benefits expenses subsidised by the government authority in association with Professional Services Development Assistance Scheme Project	243,166	257,500
MPF contribution expenses, including council members	119,235	122,709
MPF contribution expenses directly attributable to Lehman- Brothers-Related Investment Products Dispute Mediation and Arbitration Scheme	8,402	7,478
MPF contribution expenses subsidised by the government authority in association with information communication technologies projects	-	10,838
MPF contribution expenses subsidised by the government authority in association with Professional Services Development Assistance Scheme Project	4,367	8,750
Total staff costs	5,911,165	5,892,927
Auditor's remuneration		
- Current year	46,000	42,000
- Under provision in previous years	4,900	6,500
Depreciation of property, plant and equipment	823,620	722,116

4. COUNCIL MEMBERS' EMOLUMENTS

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

	2011 HK\$	2010 HK\$
Council members' emoluments		
Fees	-	-
Other emoluments	1,298,733	1,672,822

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 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
Reconciliation of carrying amount – year ended 31 December 2011				
At beginning of year	400,125	647,166	1,426,414	2,473,705
Additions	213,098	-	-	213,098
Depreciation	(141,646)	(136,890)	(545,084)	(823,620)
At end of the reporting period	471,577	510,276	881,330	1,863,183
At 1 January 2011				
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
At 31 December 2011				
Cost	2,590,514	1,431,954	5,856,278	9,878,746
Accumulated depreciation	(2,118,937)	(921,678)	(4,974,948)	(8,015,563)
	471,577	510,276	881,330	1,863,183

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2011 HK\$	2010 HK\$
Held for trading:		
Listed equity securities and bonds in Hong Kong	2,409,834	1,386,303
Listed equity securities in overseas	2,551,377	3,251,943
Listed equity investment funds in overseas	207,869	426,471
Unlisted investment funds in overseas	9,144,855	8,569,404
	14,313,935	13,634,121

Cash deposits of HK\$4,966,357 (2010: HK\$6,770,099) 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, bond 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

	2011 HK\$	2010 HK\$
Share of net assets	86,751	17,405

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
		2011	2010	
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%	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:

	2011 HK\$	2010 HK\$
Share of jointly controlled entities' assets and liabilities		
Current assets	355,528	327,375
Current liabilities	(511,828)	(528,516)
Share of jointly controlled entities' revenue and expenses		
Revenue	259,522	724,651
Expenses	(183,625)	(674,476)

9. ACCOUNTS RECEIVABLE

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

	2011 HK\$	2010 HK\$
Neither past due nor impaired	65,414	502,919
Less than 1 month past due	97,420	288,157
1 to 3 months past due	6,445	93,753
Over 3 months past due	102,183	16,451
	206,048	398,361
	271,462	901,280

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no history of default.

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. DEPOSITS RECEIVED FROM CLAIMANTS AND RESPONDENTS

At 31 December 2011 and 2010, all the deposits were paid by clients for arbitration services and held in name of the Centre's bank accounts

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 appeal 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

	2011 HK\$	2010 HK\$
At beginning of year	2,929,314	1,504,339
(Deficit) Surplus for the year	(640,966)	1,424,975
At end of the reporting period	2,288,348	2,929,314

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:

	2011 HK\$	2010 HK\$
Within one year	21,600	21,600
In the second to fifth years inclusive	7,200	28,800
	28,800	50,400

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

	2011 HK\$	2010 HK\$
(Deficit) Surplus for the year	(640,966)	1,424,975
Interest income	(177)	(837)
Depreciation	823,620	722,116
Share of result of jointly controlled entities	(69,346)	(17,405)
Written off of amount due from a jointly controlled entity	439,343	-
Change in working capital:		
Account receivables	629,818	45,673
Financial assets at fair value through profit or loss	(679,814)	(1,415,416)
Investment income receivables	(38,113)	(473)
Prepayments, temporary payments and other debtors	235,823	(373,400)
Due from a jointly controlled entity	-	(279,132)
Accruals and temporary receipts	905,017	(150,161)
Grants received in advance	(200,408)	(192,417)
Deposits received	5,238,602	11,113,470
Cash generated from operations	6,643,399	10,876,993

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:

		2011 HK\$	2010 HK\$
Related party relationship	Nature of transactions		
Jointly controlled entities	Email and website hosting income (included in administration income)	48,000	188,000
	Share of common operating cost of ADNDRC (net of domain name income)	(22,588)	-
	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, 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% (2010: 10%) higher/lower than the securities quoted market while all other variables were held constant, the Centre's deficit for the year would have been HK\$516,908 lower/higher (2010: the Centre's surplus would have been HK\$506,472 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 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 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 risk variables, and that all other variables remain constant. The stated changes represent management's assessment of reasonably possible changes in 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 2010.

Further, the Centre holds some unlisted investments which are measured at fair value at 31 December 2011 and 2010. 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 2011 and 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 2011 HK\$	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$
Financial assets at fair value through profit or loss (note 7) and bonds				
Listed equity securities and bonds in Hong Kong	2,409,834	2,409,834	-	-
Listed equity securities in overseas	2,551,377	2,551,377	-	-
Listed equity investment funds in overseas	207,869	207,869	-	-
Unlisted investment funds in overseas	9,144,855	-	8,714,084	430,771
	14,313,935	5,169,080	8,714,084	430,771

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Fair value disclosures (Continued)

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

During the year ended 31 December 2011 and 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:

	2011 HK\$	2010 HK\$
Unlisted investment funds in overseas:		
Opening balance	345,060	424,061
Payment for purchases	79,818	105,225
Net unrealised gains or losses recognised in income and expenditure statement during the year	16,791	25,610
Proceeds from sales	(10,898)	(209,836)
Closing balance	430,771	345,060

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. POST BALANCE SHEET EVENT

On 22 May 2012, the Centre entered into a supplementary to the tenancy agreement dated 6 June 1995 with the Financial Secretary, The Government of the Hong Kong Special Administrative Region (HKSAR), under which the Centre shall rent an additional office space on 38/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong with effect from 16 March 2012. The annual rent remains at HK\$1 per annum.

As a result of the expansion of the office, the Centre entered into a renovation agreement with a contract sum of approximately HK\$15 million. The renovation costs are partially subsidised by the HKSAR through the granting of an one-off waiver for the Centre, subject to certain conditions as specified in a letter dated 14 May 2012, to draw down no more than HK\$9 million from the Government contribution of HK\$19.1 million (see 10(b) above), and the remaining portion would be financed by secured bank borrowings.



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