



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

2013

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 JP
* Philip YANG BBS
* Neil KAPLAN CBE QC SBS
Henri ALVAREZ QC
Chiann BAO
Arthur BOWRING
John BUDGE SBS MBE JP
Peter CALDWELL
Teresa CHENG GBS SC JP
Russell COLEMAN SC
Justin D'AGOSTINO
Matthew GEARING
Peter GOLDSMITH QC PC
Timothy HILL
Frederick KAN
Daniel LAM BBS JP
Hing Fung LEUNG
Stephen MALOY
Robin PEARD JP
Lucy REED
Kathryn SANGER
Gary SOO
Christopher TO
Shirley YUEN

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 GMB
Arthur MARRIOTT QC
Anthony NEOH SC JP
Jan PAULSSON
Michael PRYLES
Hon Mr Justice Robert TANG SC SBS JP
VV VEEDER QC
Anna WU
YU Jianlong

Secretary-General

Chiann BAO

Deputy Secretary-General

Primrose LAW
LIU Jing

Managing Counsel

Ruth STACKPOOL-MOORE

Assistant Secretary-General

Dennis CAI

Counsel

James CHUN
Aditya KURIAN

Assistant Counsel

Zhong GUAN
Sunhwa JEONG

Secretariat Members

Karen TAN, Business Development Officer
Kiran SANGHERA, Consultant
Debbie CHONG, Administrative Officer
Isabelly LAI, Administrative Officer
Oscar TAN, Mediation Executive Officer
Paddy TAM, IT Executive
Mandy WONG, Case Officer
Ann YIM, Accountant
Kat SHUM, Office Assistant
Reo WOO, Steward

* *Honorary Chairman*



ber 2013
asons Hotel, Hong Kong

in Asia Conference 2013

International Arbitration in Asia: A Behind the Scenes Review





Hong Kong Arbitration Week 2013



Chairman's Message



Huen WONG JP

It is with a heavy heart that I write to you for the last time in my capacity as the Chairman of the Hong Kong International Arbitration Centre (HKIAC) but with the satisfaction that I have had an incredibly fulfilling experience in my tenure as Chairman of this esteemed institution.

2013 was an eventful year that brought about many changes in the Hong Kong arbitration landscape and at the HKIAC. The HKIAC unveiled its much awaited state of the art Administered Arbitration Rules which has been hailed by both the Hong Kong and the global arbitration community. These Rules contain unique provisions on joinder, consolidation and single arbitration under multiple contracts along with a host of other innovative provisions that cater to the growing complexity of commercial disputes while at the same time maintaining the high quality administer service without bureaucracy.

It also gives me great pleasure to note that the second Hong Kong Arbitration

Week held in the week of 21st October was a grand success. It comprised thought-provoking conferences, including interactive debates, a series of mock arbitration sessions, special sessions on the role of the Permanent Court of Arbitration and arbitration in Mainland China, the 3rd annual GAR Live event, a policy address by the HKSAR secretary for Justice Mr Rinsky Yuen SC and a key note speech by the Hon. Chief Justice Mr Geoffrey Ma. Some of the events were hosted at the newly refurbished HKIAC premises which were greatly appreciated by the attending delegates.

One of the highlights of the Hong Kong Arbitration Week was a special session organised at the ADR in Asia Conference which comprised a series of mock arbitration proceedings that showcased the new 2013 HKIAC Administered Arbitration Rules and how they played out in practice. It is expected that these new rules will appeal to the global arbitration community and bolster the HKIAC's already growing caseload.

There were significant legislative changes in the form of amendments to the 2011 HK Arbitration Ordinance. These amendments saw new provisions allowing Hong Kong courts to enforce relief granted by an emergency arbitrator. The introduction of these provisions was in response to HKIAC's updated Administered Arbitration Rules, which came into force on 1 November 2013 and include a new emergency arbitrator procedure. This is testament to the Hong Kong Legislative Council's continued support to the HKIAC's initiatives and to the promotion of Hong Kong as a leading international arbitration hub in Asia. Another development was the implementation of the Arrangement Concerning Reciprocal Recognition and Enforcement of Arbitral Awards between the Hong Kong SAR and the Macau SAR which was signed in January 2013 with positive implications for both Hong Kong and Macau in the realm of enforceability of awards. Further, five new countries were added to the Schedule to the Arbitration

namely Liechtenstein, Myanmar, Sao Tome and Principe, Fiji and Tajikistan.

As I bid you farewell, I do so with pride in handing over the baton to an outstanding successor in Ms Teresa Cheng who I am more than confident will take this institution to even greater heights in the years to come. I take this opportunity to convey my deepest gratitude to our council members, the HKIAC Secretariat and the Hong Kong arbitration community for making my tenure a successful one. Thank you for all your support and hard work.



Huen WONG JP
Chairman
31 December 2013

Secretary-General's Report



Chiann BAO

1. HKIAC 2013 Caseload: An Overview

2013 was another strong year for HKIAC. The total number of dispute resolution matters rose to 463. The trend of strong growth in cases administered by the HKIAC also continued.

1.1 Arbitration Cases

Of the 260 new arbitration cases handled in 2013, 81 cases were fully administered by the HKIAC Secretariat. This represents a 20% increase from 2012 and a 97% increase from 2011. The total amount in dispute in 2013 was US\$2 billion. This represents a 11% increase from 2012. HKIAC received cases from parties from 32 jurisdictions in 2013. Of the total arbitration cases, 75% were international and 25% were domestic, of the administered arbitration cases 91% were international. Chinese parties remain the most frequent users of HKIAC arbitration, along with Taiwan, the United States, Singapore, the British Virgin Islands, Korea, the Cayman Islands, Germany, Japan and the Philippines. Commercial (47%), corporate (27%) and maritime (11%).

1.2 Mediation Cases

2013 saw 33 mediation cases referred to the HKIAC for administration and mediation appointment.

1.3 Domain Name Cases

In 2013, HKIAC received 170 new domain name dispute cases, which represents a 46% increase compared to 2012.

Of these, 94 were administered by HKIAC in its capacity as the Hong Kong Office of Asian Domain Name Dispute Resolution Centre (ADNDRC) under the ICANN Uniform Domain Name Dispute Resolution Policy (UDRP), and 76 were administered under dispute resolution policies for different country code Top Level Domains (including .cn and .hk) and Internet keywords.

Of the total domain name cases, 145 cases were concluded and 25 cases were withdrawn or terminated. Of the 145 concluded cases, 93% resulted in transfer or cancellation of domain name(s), and 7% resulted in complaint being dismissed.

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
- HK45
- Hong Kong Institute of Arbitrators
- Hong Kong Mediation Accreditation Association Limited
- 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	4 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	4 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	4 August 2014
Hon Mr Justice Geoffrey MA	5 August 2011	4 August 2014
Arthur MARRIOTT	3 February 2012	2 February 2015
Anthony NEOH	5 August 2011	4 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	4 August 2014
V V VEEDER	3 February 2012	2 February 2015
YU Jianlong	3 February 2012	2 February 2015
Anne WU	3 April 2013	2 April 2016

5. HKIAC Meetings

During the period from 1 January to 31 December 2013, meetings of the HKIAC Council and various subcommittees were convened as follows:

HKIAC Meetings

(1 January 2013 to 31 December 2013)

HKIAC Council Meetings

- 3 May 2013
- 15 May 2013
- 21 May 2013
- 26 August 2013
- 22 October 2013
- 17 December 2013
- 16 May 2013
- 21 June 2013
- 25 July 2013
- 13 September 2013
- 9 October 2013
- 13 November 2013
- 16 December 2013

HKIAC Management Meetings

- 24 January 2013
- 22 March 2013
- 16 April 2013
- 15 May 2013
- 3 July 2013
- 27 September 2013
- 10 October 2013
- 17 October 2013
- 12 December 2013

HKIAC Panel Selection Committee Meetings (Arbitrators)

- 22 January 2013
- 19 June 2013
- 10 October 2013

Hong Kong Mediation Council Meetings

- 17 January 2013
- 21 February 2013
- 21 March 2013
- 18 April 2013

Joint Consultative Committee Meetings

- 10 June 2013

Asian Dispute Review Journal Editorial Board Meetings

- 14 March 2013
- 10 April 2013
- 14 June 2013
- 2 September 2013

HKIAC Mediator Accreditation Committee Meetings

- 25 February 2013
- 25 March 2013
- 29 April 2013
- 12 August 2013
- 5 September 2013
- 9 December 2013

Appointment Advisory Board Meeting

- 17 January 2013

6. HKIAC Panel Selection Committee (Arbitrators)

The HKIAC Panel Selection Committee convened 5 meetings in 2013, approving a total of 22 applications for inclusion on its Panel of arbitrators and 20 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 Section 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 2013 to 31 December 2013 members of the Board had a total of 77 cases referred to them for deliberation.

9. HKIAC Mediator Accreditation Committee

The HKIAC Mediator Accreditation Committee convened 6 meetings in 2013 and approved a total of 131 HKIAC General Accredited Mediators, 24 HKIAC Family Accredited Mediators and 3 HKIAC Accredited Family Supervisors.

Number of HKIAC Accredited Mediators

[from 1 January 2013 to 31 December 2013]

	1 January 2013	31 December 2013
HKIAC General Accredited Mediators	708	839
HKIAC Family Accredited Mediators	194	218
HKIAC Accredited – Family Supervisors	46	49

The HKIAC Mediator Accreditation Committee approved a total of 29 General Mediation Training Courses. These 40-hour accredited courses were organised by the Accord Group, ADR International Limited, The Chinese University of Hong Kong, City University of Hong Kong – School of Law, 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, Hong Kong Professional Mediation Association, the Hong Kong Family Welfare Society, The Hong Kong Polytechnic University, HKU SPACE, the International Institute For Conflict Engagement & Resolution (IICER), ISE Consultants Ltd and the Jockey Club School of Public Health and Primary Care, The Chinese 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 Sing	Chartered Institute of Arbitrators (East Asia Branch)
WANG Wenying	China International Economic and Trade Arbitration Commission
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 Council
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
Thomas TSE	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 [xx] meetings in 2013 and published 4 issues of the Journal.

Members of the Editorial Board include:

Peter CALDWELL	Editorial Board Chairperson
Romesh WEERAMANTRY	General Editor
John CHOONG	General Editor
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 2013.

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
- Hong Kong Mediation Accreditation Association Limited
- Society of Construction Law Hong Kong
- HKIAC also administers the following mediation and/or arbitration schemes:
 - Surveying Dispute Mediation and Arbitration Scheme
 - Clerk to the leveraged Foreign Exchange Trading Arbitration Panel

15. Co-operation Agreements Signed with Other Institutions

In 2013, 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 Hong Kong.

Conclusion

HKIAC has been at the forefront of dispute resolution in Asia for the last 28 years. With more than two decades of experience, the institution has evolved into a one stop shop providing the entire gamut of dispute resolution services in the fields of arbitration, mediation and domain name disputes. With key amendments in Hong Kong's Arbitration Ordinance and the introduction of the state of the art HKIAC Administered Arbitration Rules on 1 November 2013, HKIAC is armed with the best capabilities to meet future challenges while continuing to provide seamless service to the arbitration community in Hong Kong and abroad. As we approach another year, HKIAC expects to set the trend and be a leader in the growth and development of institutional arbitration in Asia.



Report by
Chiann BAO
Secretary-General
Hong Kong International Arbitration
Centre
31 December 2013

Hong Kong Mediation Council Chairman's Report



LEUNG Hing Fung

Present Development of Mediation

The Hong Kong Mediation Council (the "HKMC"), together with the Hong Kong International Arbitration Centre (the "HKIAC"), have continued to contribute to the development of Mediation in Hong Kong. There were notable events occurred in the year including, amongst others, the coming into operation of the premier mediation accreditation body: Hong Kong Mediation Accreditation Association Limited ("HKMAAL"), and the start of operation of the Mediation Ordinance.

Accreditation of Mediators

With the formation of HKMAAL, which started operation in April 2013, the task of its members in accrediting mediators has largely been taken over. The work of HKMAAL is supported by the provision of administrative services by HKIAC. Meanwhile, the Secretary for Justice has set up a Steering Committee on Mediation ("the Committee"). One of its sub-committees is charged with the duty to look after training and accreditation and will monitor closely the implementation work of accreditation of mediators in Hong Kong. In this connection HKIAC and HKMC have continued to play important roles by participating in the works of the Committee.

Mediation Ordinance

The Mediation Ordinance came into operation on 1st January 2013. It has paved the way for better protection of users and practitioners of mediation particularly in the aspect of confidentiality. The Committee has a sub-committee on Regulatory framework to monitor the local legislative development of mediation. In line with their roles to assist in the development of mediation in Hong Kong, HKIAC and HKMC have contributed significant effort to help shaping the law relating to mediation in Hong Kong with their works in the Committee.

Joint Mediation Helpline Office ("JMHO")

Since the establishment of JMHO in 2010, JMHO has been successfully promoting for the effective use of mediation and has provided mediator referral services. The JMHO project is jointly supported by HKIAC-HKMC together with seven other organizations. One of the schemes handled by JMHO is the Pilot Mediation Scheme under the Land (Compulsory Sale for Redevelopment) Ordinance (Cap. 545), which has assisted many majority owners and minority owners in the settlement of their disputes in those cases.

Mediation Rules

The HKIAC Mediation Rules was published in 1999 and has been used as one of the most popular set of standard rules of mediation in Hong Kong. With the new developments of mediation in Hong Kong in many different aspects, HKMC has set up a working group to review the present Rules and to work on a new set of mediation rules.

Mediation Interest Groups and Their Activities

The four Mediation Interest Group Chairpersons: Mr. Winston Siu (Family), Mr. Yeung Man Sing (Construction), Mr. Vod Chan (General) and Mr. Julian Stargardt (Commercial), have spent good effort to help promoting mediation in Hong Kong and the region. The interest groups have conducted training courses, seminars and conferences to various private organizations and public bodies in the year of 2013.

The Way Forward

I would like to take this opportunity to thank members of the HKMC Committee and the chairpersons of the four interest groups who have made a tremendous effort during the term.

Apart from the works mentioned above, HKMC has been studying on the feasibility of providing a group insurance policy on professional indemnity insurance in order to bring mediators and users under proper protections with feasible terms. HKMC will surely continue to work in the different areas to assist in the promotion of mediation and provision of better benefits for its members. Finally, I would like to thank the HKIAC Secretariat for their unflinching support given to us, without which the work of HKMC would not have been put into reality.



LEUNG Hing Fung
Chairman, 2013--2014
Hong Kong Mediation Council
31 December 2013

Finance Committee Report

Council's Report

The Council has pleasure in submitting their report and audited financial statements for the year ended 31 December 2012.

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 2012 are set out in the income and expenditure statement on pages 5 to 6.

Reserves

Movements in the reserves of the Centre during the year are set out in the statement of changes in equity on page 9.

Council members

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

Bing Woon CHAN	(Resigned on 25 July 2012)
Chun, Daniel LAM	
Henri ALVAREZ	
Hing Fung LEUNG	(Appointed on 25 July 2012)
Hung Yuk Anna WU	(Resigned on 6 May 2013)
John R BUDGE	
Justin John Gaetano D'AGOSTINO	
Ka Chong, Frederick KAN	
Kathryn Sara Hippolyte SANGER	
Kwai Huen, Albert WONG	
Kwok Leung SOO	
Liang Yee, Philip YANG	
Lucy REED	(Appointed on 18 June 2012)
Matthew GEARING	
Michael Joseph MOSER	
Neil Trevor KAPLAN	
Peter GOLDSMITH	
Peter Scott CALDWELL	
Robin Somers PEARD	
Russell Adam COLEMAN	
Sally Ann HARPOLE	(Resigned on 14 June 2012)
Stephen Arthur MALOY	
Timothy HILL	
Wing, Christopher TO	
Yeuk Wah, Teresa CHENG	

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.

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 faint 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)

We have audited the financial statements of Hong Kong International Arbitration Centre set out on pages 5 to 26, which comprise the statement of financial position as at 31 December 2012, 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 2012 and of its surplus 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

Chan Chi Ming Andy

Practising Certificate number: P05132

Income and Expenditure Statement

Year ended 31 December 2012

	Note	2012 HK\$	20110 HK\$
Operating income			
Room hire		5,974,327	4,667,114
Administration income		1,574,258	1,231,808
Administered arbitration income		4,272,361	2,309,852
Appointment fee income		539,355	352,179
Domain name income		455,265	412,429
Mediation and arbitration scheme income		190,000	1,364,681
Panel fee income		744,148	611,231
Sundry income		249,691	130,600
Conference and seminar income		3,708,039	1,133,269
Simulations income		2,766,500	2,185,520
Grants from Commerce and Economic Development in association with Professional Services Development Assistance Scheme		73,172	648,611
	2	20,547,116	15,047,294
Other income			
Interest income	2	163	177
Expenditure			
Accountancy fee		65,600	62,000
Audit fee		52,900	50,900
Building management fee		750,375	441,492
Conference and seminar expenses		2,490,607	1,114,354
Depreciation		1,560,316	823,620
Electricity		90,039	85,369
Entertainment		58,937	99,568
Insurance		207,859	209,891
Mediation and arbitration scheme expenses		164,579	742,013
MPF contribution expenses		142,315	119,235
Office supplies		19,590	14,839
Overseas travelling		754,428	614,331
Postage, printing and stationery		755,807	698,298
Provision for long service payment		144,818	-
Rates		562,500	404,850
Repairs and maintenance		79,476	135,962
Simulations expenses		1,929,550	1,846,001
Staff costs		7,291,266	5,353,081
Subscription and magazines		205,549	229,019
Sundries		549,680	354,515
Telephone and fax		293,956	213,758
Written off of amount due from a jointly controlled entity		-	410,261
Written off of property, plant and equipment		745,060	-
Expenses in association with Professional Services Development Assistance Scheme		73,172	648,611
		18,988,379	14,671,968

Income and Expenditure Statement (Continued)

Year ended 31 December 2012

	Note	2012 HK\$	2011 HK\$
Surplus from operation		1,558,900	375,503
Investment gain (loss)			
Net loss from investment		(251,506)	(131,885)
Unrealised gain (loss) on revaluation of investment		951,259	(953,930)
		699,753	(1,085,815)
Finance cost			
Bank loan interest	3	(24,491)	-
Share of result of jointly controlled entities		136,774	69,346
Surplus (Deficit) for the year	3	2,370,936	(640,966)

Statement of Comprehensive Income

Year ended 31 December 2012

	2012 HK\$	2011 HK\$
Surplus (Deficit) for the year	2,370,936	(640,966)
Other comprehensive income for the year, net of tax	-	-
Total comprehensive (loss) income for the year	2,370,936	(640,966)

Statement of Financial Position

At 31 December 2012

	Note	2012 HK\$	2011 HK\$
Non-current assets			
Property, plant and equipment	6	16,111,228	1,863,183
Financial assets at fair value through profit or loss	7	15,689,051	14,313,935
Interest in jointly controlled entities	8	223,525	86,751
		32,023,804	16,263,869
Current assets			
Cash deposits held by investment managers	7	1,874,005	4,966,357
Accounts receivable	9	632,125	271,462
Prepayment, temporary payments and other debtors		219,233	433,158
Investment income receivables		38,615	38,615
Amount due from a jointly controlled entity	8	129,798	-
Bank balances and cash		92,097,342	62,213,106
		94,990,737	67,922,6981
Current liabilities			
Deposits received from claimants and respondents	10	90,958,333	57,661,541
Accruals and temporary receipts		2,779,860	2,046,447
Grants received in advance		238,420	311,587
Bank loan	11	6,500,000	-
		100,476,613	60,019,575
Net current assets		(5,485,876)	7,903,123
NET ASSETS		26,537,928	24,166,992
CAPITAL AND RESERVES			
Capital contributions			
	12		
Private sectors		1,593,389	1,593,389
Government		20,285,255	20,285,255
		21,878,644	21,878,644
Accumulated surplus	13	4,659,284	2,288,348
		26,537,928	24,166,992

Approved and authorised for issue by the Council Members on



Council Member



Council Member

Statement of Changes in Equity

Year ended 31 December 2012

	Capital contribution HK\$	Accumulated surplus HK\$	Total HK\$
At 1 January 2011	21,878,644	2,929,314	24,807,958
Deficit and total comprehensive loss for the year	-	(640,966)	(640,966)
At 31 December 2011 and at 1 January 2012	21,878,644	2,288,348	24,166,992
Surplus and total comprehensive income for the year	-	2,370,936	2,370,936
At 31 December 2012	21,878,644	4,659,284	26,537,928

Statement of Cash Flows

Year ended 31 December 2012

	Note	2012 HK\$	2011 HK\$
OPERATING ACTIVITIES			
Cash generated from operations and net cash from operating activities	15	35,651,008	6,643,399
INVESTING ACTIVITIES			
Interest received		163	177
Purchase of property, plant and equipment		(15,359,287)	(213,098)
Net cash used in investing activities		(15,359,124)	(212,921)
FINANCING ACTIVITIES			
New bank loan raised		6,500,000	-
Net cash from financing activities		6,500,000	-
Net increase in cash and cash equivalents		26,791,884	6,430,478
Cash and cash equivalents at beginning of year		67,179,463	60,748,985
Cash and cash equivalents at end of year		93,971,347	67,179,463
Analysis of the balances of cash and cash equivalents			
Cash deposits held by investment managers		1,874,005	4,966,357
Bank balances and cash (Note (i))		92,097,342	62,213,106
		93,971,347	67,179,463

Note (i)

Included in bank balances and cash were bank deposit with carrying amount of HK\$52,826 (2011: HK\$354,821) which was received from the government for Professional Services Development Assistance Scheme; and clients' monies for arbitration services with carrying amount of HK\$90,958,333 (2011: HK\$49,166,371) which were deposited in the Centre's designated bank accounts.

Notes to the Financial Statement

Year ended 31 December 2012

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.

During the year, the Centre, together with other three parties, set up a non-profit organisation namely Hong Kong Mediation Accreditation Association Limited (the "HKMAAL") with date of incorporation on 28 August 2012. The Centre is one of the founder members of HKMAAL.

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 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 2011 financial statements. 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%.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in income and expenditure statement in the year in which the item is derecognised.

Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when and only 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 Centre'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.

Classification and measurement

Financial assets or financial liabilities are initially recognised at their fair value plus, in the case of financial assets or financial liabilities not carried at fair value through profit or loss, transaction costs that are direct attributable to the acquisition or issue of the financial assets or financial liabilities.

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.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial assets are designated at initial recognition as at fair value through profit or loss only 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 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 assess whether there is any indication that its property, plant and equipment may be impaired 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 gain (loss) from investment

Net gain (loss) 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"). The financial statements are presented in the currency of Hong Kong dollars, which is the Centre's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 profit or loss, 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.

- (b) An entity is related to the Centre if any of the following conditions applies:
 - (i) One entity is an associate or joint venture of the other entity.
 - (ii) Both entities are joint ventures of the same third party.
 - (iii) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (iv) 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.
 - (v) The entity is controlled or jointly controlled by a person identified in (a).
 - (vi) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel 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 expense 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 in those employees. The assets of the scheme are held separately from those of the Centre in an independently administered fund.

Long service payment

The Centre's net obligation in respect of long service payment under the Employment Ordinance is the amounts of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and discounted to its present value and after deducting the fair value of any related assets, including those retirement scheme benefit.

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:

	2012 HK\$	2011 HK\$
Turnover and income	20,547,116	15,047,294
Operating income		
Other income		
Bank interest income	163	177
Total income	20,547,279	15,047,471

3. SURPLUS (DEFICIT) FOR THE YEAR

This is stated after charging:

	2012 HK\$	2011 HK\$
Finance cost		
Interest on bank borrowings wholly repayable with five years	24,491	-
Other		
Employee benefits expenses, including council members	7,291,266	5,353,081
Employee benefits expenses directly attributable to Lehman- Brothers-Related Investment Products Dispute Mediation and Arbitration Scheme	-	182,914
Employee benefits expenses subsidised by the government authority in association with Professional Services Development Assistance Scheme Project	62,500	243,166
MPF contribution expenses, including council members	142,315	119,235
MPF contribution expenses directly attributable to Lehman- Brothers-Related Investment Products Dispute Mediation and Arbitration Scheme	-	8,402
MPF contribution expenses subsidised by the government authority in association with Professional Services Development Assistance Scheme Project	-	4,367
Provision for long service payment (Note)	144,818	-
Total staff costs	7,640,899	5,911,165
Auditor's remuneration		
- Current year	50,000	46,000
- Under provision in previous years	2,900	4,900
Depreciation of property, plant and equipment	1,560,316	823,620
Written off of property, plant and equipment	745,060	-

Note: Included in accruals and temporary receipts was provision for long service payment with carrying amount of HK\$218,700 (2011: HK\$73,882) at 31 December 2012. During the year ended 31 December 2012, an addition provision of HK\$144,818 (2011: HK\$Nil) was charged to profit or loss.

4. COUNCIL MEMBERS' EMOLUMENTS

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

	2012 HK\$	2011 HK\$
Council members' emoluments		
Fees	-	-
Other emoluments	-	1,298,822

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 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
Reconciliation of carrying amount – year ended 31 December 2012				
At beginning of year	471,577	510,276	881,330	1,863,183
Additions	3,574,323	1,253,810	11,725,288	16,553,421
Written-off	-	-	(745,060)	(745,060)
Depreciation	(412,040)	(220,478)	(927,798)	(1,560,316)
At end of the reporting period	3,633,860	1,543,608	10,933,760	16,111,228
At 1 January 2012				
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
At 31 December 2012				
Cost	6,164,838	2,685,764	11,725,288	20,575,890
Accumulated depreciation	(2,530,978)	(1,142,156)	(791,528)	(4,464,662)
	3,633,860	1,543,608	10,933,760	16,111,228

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2012 HK\$	2011 HK\$
Held for trading:		
Listed equity securities and bonds in Hong Kong	2,558,712	2,409,834
Listed equity securities in overseas	2,476,617	2,551,377
Listed equity investment funds in overseas	-	207,869
Unlisted investment funds in overseas	10,653,722	9,144,855
	15,689,051	14,313,935

Cash deposits of HK\$1,874,005 (2011: HK\$4,966,357) 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

	Note	2012 HK\$	2011 HK\$
Share of net assets	(a)	223,525	86,751
Amount due from a jointly controlled entity	(b)	129,798	-

(a) 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
		2012	2011	
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:

	2012 HK\$	2011 HK\$
Share of jointly controlled entities' assets and liabilities		
Current assets	278,499	355,528
Current liabilities	(77,399)	(511,828)
Share of jointly controlled entities' revenue and expenses		
Revenue	426,102	259,522
Expenses	(289,328)	(183,625)

(b) The amount due is unsecured, interest-free and repayable on demand.

9. ACCOUNTS RECEIVABLE

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

	2012 HK\$	2011 HK\$
Neither past due nor impaired	542,432	65,414
Less than 1 month past due	79,693	97,420
1 to 3 months past due	10,000	6,445
Over 3 months past due	-	102,183
	89,693	206,048
	632,125	271,462

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 2012 and 2011, all the deposits were paid by clients for arbitration services and held in name of the Centre's bank accounts.

11. BANK LOAN

	2012 HK\$	2011 HK\$
Current and secured		
Short-term bank loan	6,500,000	-

The bank loan, which is denominated in United States dollars, bears interest at the bank's cost of fund plus 0.75% per annum and is repayable in one month after drawdown date. The loan is a revolving facility and is secured by the held for trading financial assets of the Centre as disclosed in note 18.

12. 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.
- 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.

13. ACCUMULATED SURPLUS

	2012 HK\$	2011 HK\$
At beginning of year	2,288,348	2,929,314
Surplus (Deficit) for the year	2,370,936	(640,966)
At end of the reporting period	4,659,284	2,288,348

14. CASH GENERATED FROM OPERATIONS

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:

	2012 HK\$	2011 HK\$
Within one year	49,776	21,600
In the second to fifth years inclusive	147,562	7,200
	197,338	28,800

The office of the Centre located at a portion of 38/F., Two Exchange Square, 8 Connaught Place, Central, Hong Kong, is paying HK\$1 rental per annum to The Financial Secretary Incorporated commenced from 1 October 1994. On 22 May 2012, the Centre entered into a supplementary agreement with The Financial Secretary Incorporated under which the whole of 38/F was let to the Centre at an annual rent of HK\$1 for the period from 16 March 2012 to 15 March 2018.

15. CASH GENERATED FROM OPERATIONS

	2012 HK\$	2011 HK\$
Surplus (Deficit) for the year	2,370,936	(640,966)
Interest income	(163)	(177)
Depreciation	1,560,316	823,620
Share of result of jointly controlled entities	(136,774)	(69,346)
Written off of amount due from a jointly controlled entity	-	439,343
Written off of property, plant and equipment	745,060	-
Provision for long service payment	144,818	-
Change in working capital:		
Account receivables	(360,663)	629,818
Financial assets at fair value through profit or loss	(1,375,116)	(679,814)
Investment income receivables	381	(38,113)
Prepayments, temporary payments and other debtors	213,925	235,823
Due from a jointly controlled entity	(129,798)	-
Accruals and temporary receipts	(605,539)	905,017
Grants received in advance	(73,167)	(200,408)
Deposits received	33,296,792	5,238,602
Cash generated from operations	34,651,008	6,643,339
Major non-cash transactions		
During the year, the Centre has following major non-cash transactions.		
Purchase of property, plant and equipment recorded as accruals and temporary receipts	1,194,134	-

16. 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	48,000
	Share of common operating cost of ADNDRC (net of domain name income)	(17,861)	(22,588)

17. 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 and bank loan. 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% (2011: 10%) higher/lower while all other variables were held constant, the Centre's surplus for the year would have been HK\$326,222 higher/lower (2011: the Centre's deficit would have been HK\$357,489 lower/higher), 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 2011.

Further, the Centre holds some unlisted investments which are measured at fair value at 31 December 2012 and 2011. Although there was no similar transaction since then, the management considers there should not have significant change in the fair value of the investments.

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk

The cash deposits held by investment managers, cash and bank balances and bank loan 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 and through the use of bank borrowings. All the 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 2012 and 2011 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.

	31 December 2012 HK\$	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$
Financial assets at fair value through profit or loss (note 7)				
Listed equity securities and bonds in Hong Kong	2,558,712	2,558,712	-	-
Listed equity securities in overseas	2,476,617	2,476,617	-	-
Unlisted investment funds in overseas	10,653,722	-	10,244,667	409,055
	15,689,051	5,035,329	10,244,667	409,055

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

	31 December 2012 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	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

During the year ended 31 December 2012 and 2011, 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:

	2012 HK\$	2011 HK\$
Unlisted investment funds in overseas:		
Opening balance	430,771	345,060
Payment for purchases	-	79,818
Total gains or losses recognised in income and expenditure statement during the year	(15,251)	16,791
Proceeds from sales	(6,465)	(10,898)
Closing balance	409,055	430,771

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.

18. BANKING FACILITIES

As at 31 December 2012, revolving loan facilities of HK\$7,750,000 (2011: HK\$Nil) from a bank were granted to the Centre under which financial assets at fair value through profit or loss of HK\$11,949,452 (2011: HK\$Nil) were treated as collateral for the facilities granted. Unutilised facilities available to the Centre as at 31 December 2012 amounted to HK\$1,250,000 (2011: HK\$Nil).

Notes to the Financial Statements

Detailed Income and Expenditure Account

Year ended 31 December 2012

	Hong Kong International Arbitration Centre HK\$	The Hong Kong Mediation Council HK\$	Elimination HK\$	Total HK\$
Operating income				
Administered arbitration income	4,272,361	-	-	4,272,361
Administration income	1,574,258	-	-	1,574,258
Appointment fee income	539,355	-	-	539,355
Conference and seminar income	3,696,029	12,010	-	3,708,039
Domain name income	455,265	-	-	455,265
Grants from Commerce and Economic Development in association with Professional Services Development Assistance Scheme	8,672	64,500	-	73,172
Interest income	159	4	-	163
Mediation and arbitration scheme income	190,000	-	-	190,000
Panel fee income	744,148	-	-	744,148
Room hire	5,974,327	-	-	5,974,327
Simulations income	2,766,500	-	-	2,766,500
Sundry income	299,691	-	(50,000)	249,691
	20,520,765	76,514	(50,000)	20,547,279
Expenditure				
Accountancy fee	63,600	2,000	-	65,600
Audit fee	45,900	7,000	-	52,900
Building management fee	750,375	-	-	750,375
Conference and seminar expenses	2,489,907	700	-	2,490,607
Depreciation	1,560,316	-	-	1,560,316
Electricity	90,039	-	-	90,039
Entertainment	58,937	-	-	58,937
Expenses in association with Professional Services Development Assistance Scheme	8,672	64,500	-	73,172
Insurance	207,859	-	-	207,859
Mediation and arbitration scheme expenses	164,579	-	-	164,579
MPF Contribution expenses	142,315	-	-	142,315
Office supplies	19,590	-	-	19,590
Overseas travelling	754,428	-	-	754,428
Postage, printing and stationery	754,241	1,566	-	755,807
Provision for long service payment	144,818	-	-	144,818
Rates	562,500	-	-	562,500
Repairs and maintenance	79,476	-	-	79,476
Simulations expenses	1,929,550	-	-	1,929,550
Staff costs	7,291,266	-	-	7,291,266
Subscription and magazines	205,549	50,000	(50,000)	205,549
Sundries	,722	2,958	-	549,680
Telephone and fax	293,956	-	-	293,956
Written off of property, plant and equipment	745,060	-	-	745,060
	18,909,655	128,724	(50,000)	18,988,379
Surplus from operation	1,611,110	(52,210)	-	1,558,900
Investment income				
Net loss on investment	(251,506)	-	-	(251,506)
Unrealised gain (loss) on revaluation of investment	951,259	-	-	951,259
	699,753	-	-	699,753
Finance cost				
Bank loan interest	(24,491)	-	-	(24,491)
Share of result of jointly controlled entities	-	136,774	-	137,774
Surplus (Deficit) for the year	2,286,372	84,564	-	2,370,936



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