The Hong Kong International Arbitration Centre (HKIAC) is one of the top three arbitral institutions in the world and the most preferred arbitral institution outside of Europe. Established in 1985, HKIAC is an independent and non-profit organisation. As a one-stop-shop, HKIAC provides arbitration, mediation, adjudication and domain name dispute resolution services. It also maintains 18 state-of-the-art hearing or meeting rooms.
2015 was a milestone year for HKIAC. Marking our 30th anniversary, we have reached above and beyond to further HKIAC’s reputation as one of the world’s pre-eminent dispute resolution service providers.

HKIAC’s success in its achievements has been recognised by the global arbitration community. According to the prestigious White & Case and Queen Mary University 2015 International Arbitration Survey, HKIAC was selected by respondents as the third most preferred arbitral institution in the world, and Hong Kong was chosen as the most preferred arbitral seat outside of Europe. HKIAC was also viewed as the world’s most improved arbitral institution over the past five years, based on the quality of its administration, and level of its internationalism. This is a wonderful acknowledgement of the hard work undertaken by the Secretariat and its supporters amongst the legal and business communities in Hong Kong and around the world, for which I am extremely grateful. Our goal is to ensure HKIAC remains an acclaimed powerhouse that serves its users worldwide and pioneers best practices that impact the way the world resolves disputes.

We have reinforced Hong Kong’s role as a leading dispute resolution services hub by opening our second representative office in the region. HKIAC’s Shanghai office is an example of our instrumental position in fostering closer ties with local arbitration commissions, Chinese businesses and lawyers to promote the development of international arbitration and its best practices in Mainland China.

Throughout the year, HKIAC has organised a series of events with a truly global reach, which have been tremendously successful. The 4th Hong Kong Arbitration Week and the ICCA HKIAC 2015 Summit attracted users and practitioners from all corners of the world, providing a platform in which the global arbitration community can exchange insights on topical issues, innovative trends and best practices.

HKIAC strives to initiate improvements within the arbitration community and ensure we meet the demands of our users. In 2015, we successfully launched our tribunal secretary accreditation programme as well as an arbitration evaluation system, as part of our continual efforts to enhance user-experience, efficiency and transparency in arbitral proceedings.

HKIAC aims to maintain its position as a world-leading provider of high quality and user-focused dispute resolution services. We will continue to broaden our appeal around the world, and foster the dialogue amongst users in the international arbitration community which is so important to arbitration’s future success. We look forward to the next 30 years of achieving our vision for HKIAC and Hong Kong to be the world’s leading choice for alternative dispute resolution services.

Teresa Cheng GBS SC JP
Chairperson
Hong Kong International Arbitration Centre
31 December 2015
FROM THE SECRETARY-GENERAL

New Year, New Record
Reflecting its position as one of the most preferred and used arbitral institutions in the world, 2015 marked another successful year for HKIAC. I am pleased to announce that we handled a record number of 520 new dispute resolution matters in 2015, including 271 arbitration cases, 22 mediation cases and 227 domain name disputes. Of the arbitration cases commenced in 2015, 116 were fully administered by HKIAC under its Administered Arbitration Rules or Procedures for the Administration of Arbitration under the UNCITRAL Arbitration Rules to reflect the increasing role institutions may play in an arbitration under the UNCITRAL Arbitration Rules. Notably, HKIAC saw a significant increase in the total amount of dispute of its arbitration cases, with approximately US$6.2 billion at stake. 79% of its arbitration cases were of an international nature, with 43.3% of its cases having no connection with Hong Kong. This, coupled with the forty-one jurisdictions from which parties originated, reflects the increasing demand from all over the world for HKIAC’s services.

Recognition and Innovation
2015 was a shining year for HKIAC. At thirty, HKIAC received GAR’s award for innovation by an individual or organisation. Building upon this recognition, HKIAC powered forward to grow and innovate. Starting with its services, HKIAC launched its arbitrator evaluation system to address users’ desire to comment on arbitrators, and to improve HKIAC’s appointment analysis. HKIAC also updated its Procedures for the Administration of Arbitration under the UNCITRAL Arbitration Rules to reflect the increasing role institutions may play in an arbitration under the UNCITRAL Arbitration Rules. In November 2015, HKIAC broke ground in Mainland China as its first arbitral institution in the world to open a representative office in China. HKIAC set up an office in Shanghai’s Free Trade Zone to serve as a local platform to engage directly with Mainland Chinese users. Other institutions followed soon after.

The Future
Owing thanks to the support of its world-class Secretariat and the Hong Kong arbitration community, HKIAC has now firmly engendered trust in the users of dispute resolutions services. The next thirty years will no doubt bring further innovation as HKIAC leads the way in ensuring that arbitration remains a dispute resolution forum of choice.

Chiann Bao
Secretary-General
Hong Kong International Arbitration Centre

FROM THE HK MEDIATION COUNCIL

The Hong Kong Mediation Council (“HKMC”) Committee session 2015 – 2016 started off with, on top of the existing 4 sector-specific mediation interest groups, the formation of 14 working groups with different promotion aims and areas. A full working plan was carried out. More than 12 mediation events in the form of training courses, networking / promotion activities, conferences and seminars with CPD registrations from relevant professional bodies were organised in the second half of the year of 2015. All these events, e.g. “Mediation of Construction Disputes: A step closer to evaluative model”, “Developing Your Practice: Promoting Mediation to Resolve Commercial Disputes”, “Healthcare Mediation: Perspectives from Lawyers and a Mediator”, etc., were well received by the participants. In particular, at the local level, the HKMC has again participated in the Hong Kong Trade Development Council’s World SME Expo in December 2015, reaching out to a great nos. of visitors from Hong Kong and overseas. Besides, it goes on to send paired-up senior and junior mediators to co-mediate in appropriate referred cases under the Home Affairs Department (“HAD”)’s Minor Dispute Mediation Pilot Scheme administered by the Joint Mediation Helpline Office (“JMHO”), the HKMC supports the paid Mediation Scheme for Building Management Disputes administered by the HKMC’s Mediation Helpline Office (“JMHO”). Mediation cases are evenly referred to registered mediators from time to time.

Being one of the 8 subscribers of the Joint Mediation Helpline Office (“JMHO”), the HKMC supports the paid Minor Dispute Mediation Pilot Scheme administered by the JMHO. Mediation cases are evenly referred to registered members from time to time.

At regional level, the HKMC continues to be a member of the Guangdong-Hong Kong-Macau Commercial Mediation Alliance and has spoken for its annual conference in Shenzhen. The HKMC also maintains working relationship with the Shanghai Commercial Mediation Centre. It has sponsored and made preparation for sending a HKMC representative to speak about Hong Kong and HKIAC’s arbitration/mediation services at the Global Intellectual Property Convention to be held in New Delhi early next year.

I would like to thank our Committee, interest and working group members with the HKIAC secretariat and for their unfailing supports and I am sure the HKMC Committee will continue to strive for improvement in the promotion of mediation.

Man Sing Yeung
Chairperson
Hong Kong Mediation Council
Marking its 30th Anniversary, 2015 was a busy year for the HKIAC. As with the previous years, the Secretary-General Ms Chiann Bao continued to lead HKIAC counsels and actively promote both the Centre and Hong Kong internationally. In 2015, the team reached out to several key markets, including China, India, Korea, the Philippines, Russia, Switzerland, the United Kingdom, and the United States, where they paid visits to the different stakeholders in the dispute resolution community. HKIAC representatives were also invited to speak at conferences, and to deliver presentations at the various institutes on HKIAC’s practices and developments.

On top of the Secretary-General and the counsels’ efforts overseas, the HKIAC had also successfully drawn the international arbitration and dispute resolution community twice home to Hong Kong during Hong Kong Summit (12 - 14 May) and Hong Kong Arbitration Week (26 - 29 October), of which attracted over 700 delegates from 56 jurisdictions.

And to keep Hong Kong’s reputation as a global dispute resolution centre, as well as to have it remained at the vanguard of best arbitration practices, the HKIAC had placed a heavy emphasis on engaging with local community in the past year. Over the course of 2015, the HKIAC worked very closely with law firms and professional legal institutes to deliver over 40 seminars, lectures and trainings on various topics.

More information on these events can be found on the HKIAC website.

30 Years of HKIAC

Highlights of a few events we organised:

- Banking and Finance - Perspectives on Dispute Resolution (16 April)
- Hong Kong Summit (12 - 14 May)
- Party Representation: The Emergence of Codes of Conduct and Ethics in International Arbitration (16 June)
- HKIAC Mid-Year Celebration Dinner (7 July)
- Practical Tips on Commercial Mediation Series (3): What Makes a Good Commercial Mediator? (9 September)
- ‘一带一路’座谈会 (23 October)
- HKArbWeek 2015 - ADR in Asia Conference (27 October)
- UNCITRAL Asia-Pacific Judicial Summit (28 October)
- Cyber-security - Managing the Risks in the Fast-changing Internet (28 October)
- HKIAC Opening Ceremony in Shanghai (19 November)
- Inaugural Tribunal Secretary Accreditation Programme - Hong Kong (4 - 5 December)
- Kaplan Lecture 2015 (10 December)
- 一切从实战出发 - 国际仲裁实务研修会 (11 December)
“With its 30 years of commitment to international arbitration developments, HKIAC is now firmly established as a global leader in dispute resolution services. The results of the survey are clear evidence of this achievement.”
- Teresa Cheng GBS SC JP

“HKIAC’s Shanghai office is part of HKIAC’s mission to expand its global outreach and to bring Hong Kong’s first-class dispute resolution services more accessible to users in the region. Pursuant to its steadfast policy of developing Hong Kong as a centre for international legal and dispute resolution services in the Asia Pacific region, the Department of Justice of the HKSAR firmly supports this ground-breaking initiative.”
- Rimsky Yuen SC
Arbitration

271 New Arbitration Matters
US$6.2 billion total amount in dispute

Case Sectors
50% Commercial
22.2% Maritime
18% Construction
8.9% Corporation
6.1% banking & Finance

Top users (apart from HK)
79% international
43.3% no connection with HS
6.1% no connection with Asia

165 Total Number of Arbitrator Appointments
Arbitrator appointments and confirmations
Top 10 nationalities represented were from:
- United Kingdom
- Hong Kong
- Australia
- United States
- Singapore
- Canada
- Mainland China
- Malaysia
- Sweden
- New Zealand

16 Female arbitrator appointments

The Hong Kong Maritime Arbitration Group (division of HKIAC) reported that its members had been appointed on 81 occasions

Industry Breakdown

25.2% Hong Kong
18.7% USA
15.3% China
15.2% United Kingdom
9.4% Singapore
8.8% Australia
7.4% Germany
7.1% France
6.3% Japan
5.9% Russia

Industry Breakdown of Domain Name Cases

22 Mediation Disputes
Commercial - 1
Family - 3
Personal Injury - 1
Probate - 2

Language of the Arbitration
Chinese - 94.8%
Bilingual (English & Chinese) - 5.2%

Governing Law
1. HK Law
2. English Law
3. Chinese Law

Administered Arbitration Cases
116 new administered arbitration cases
27 awards were issued by HKIAC tribunals
9 Expedited procedure applications were granted
2 Requests for consolidation were granted
2 Requests for joinder were granted
2 Emergency arbitration cases

94.8% International
5% increase from 2014

Domain Name Disputes
227 Domain Name Disputes
11% increase from 2014

Domiciles of Parties in Domain Name Cases

2013
HDBP: 17
UDRP: 14
CNDRP: 9
URS: 1

2014
HDBP: 12
UDRP: 47
CNDRP: 59
URS: 11

2015
HDBP: 14
UDRP: 58
CNDRP: 59
URS: 19
Over 2,200 room bookings in 2015
An average of 9 rooms were used by day

Acclaimed world-leading hearing centre, the HKIAC offers an “excellent location at the heart of Central”, with close proximity to a large number of business hotels, law firms, and a vast network of transportation, including the Airport Express.

Ranking top at Global Arbitration Review (GAR)’s Hearing Centres Survey, published on 3 November 2015, the HKIAC’s facility excelled in the categories of Location; Perceived Value for Money; IT Service; and the Helpfulness of Staff.

For more details of the Survey result, please refer to the Guide To Regional Arbitration (volume 4 - 2016).
COUNCIL MEMBERS AND COMMITTEES

Council Members
The HKIAC Council is comprised of a broad representative body of both domestic and international users, private practitioners, arbitrators and in-house counsel. Those who are lawyers are from both civil and common law backgrounds. Coming from a variety of jurisdictions and sectors, HKIAC Council members reflect HKIAC’s increased focus on addressing users’ needs and gaining direct input from in-house counsel. With a wealth of knowledge and experience of dispute resolution, the HKIAC Council advises the Secretariat on policy direction and other general management.

Teresa CHENG SC (Chairperson)
John BUDGE SBS MBE JP (Vice Chairperson)
Peter GOLDSMITH PC QC (Vice Chairperson)
Chiann BAO (Secretary General)
Henri ALVAREZ QC
Peter CALDWELL
Justin D’AGOSTINO
Nils ELIASSON
FEI Ning
Matthew GEARING QC
Timothy HILL
Jim JAMISON
Fred KAN
Jun Hee KIM
Daniel LAM
Stephen MALOY
Robert PÉ
Robin PEARD
Kathryn SANGER
Gary SOO
Christopher TO
Joseph WAN
Shirley YUEN

Executive Committee
The Executive Committee serves as the principal body that directs the activities of HKIAC in accordance with the policies approved by the HKIAC Council. It is mandated by the HKIAC Council to perform, or designates a separate body to perform, two main functions: (1) recommend policies for consideration and approval by the HKIAC Council; and (2) supervise the implementation of policies approved by the HKIAC Council.

Teresa CHENG SC (Chairperson)
John BUDGE SBS MBE JP
Peter GOLDSMITH PC QC
Justin D’AGOSTINO
Matthew GEARING QC
Kathryn SANGER

Finance & Administration Committee
The Finance & Administration Committee is mandated to oversee matters regarding finance, accounts, tax, human resources, general administration and corporate governance.

John BUDGE SBS MBE JP (Chairperson)
Teresa CHENG SC
Adrian LAI
Joseph WAN

Proceedings Committee
The Proceedings Committee is mandated primarily to: (1) decide challenges to the appointment of an arbitrator or an emergency arbitrator; (2) exercise all other powers vested in HKIAC by the arbitration rules issued by HKIAC to the extent that such powers are not exercised by the Appointments Committee or the Secretariat; and (3) consider revisions of HKIAC’s existing arbitration rules and adopt new rules.

Matthew GEARING QC (Chairperson)
Henri ALVAREZ QC
Teresa CHENG SC
Nils ELIASSON
Jim JAMISON
Robin PEARD
Kathryn SANGER
Briana YOUNG

Appointments Committee
The Appointments Committee is mandated primarily to: (1) appoint arbitrators, emergency arbitrators, mediators and experts; (2) determine the number of arbitrators; and (3) fix the costs of the arbitration.

Kathryn SANGER (Chairperson)
Teresa CHENG SC
FEI Ning
Anthony HUGHTON SC
Neil KAPLAN CBE QC SBS
Jun Hee KIM
Philip YANG

International Advisory Board
The International Advisory Board is composed of leading figures from the global business community and the field of international arbitration and is consulted on matters relating to HKIAC’s policies and development.

Ronald ARCULLI
Karl Heinz BÖCKSTIEGEL
Gary BORN
Emmanuel GAILLARD
Bernard HANOTIAU
Hon Mr Justice Michael HARTMANN
Lord HOFFMANN PC
Niels KRAININSE
Elsie LEUNG
Julian D M LEW QC
Hon Mr Justice Geoffrey MA

Anthony NEOH SC
Jan PAULSSON
Sir Vivian RAMSEY
Hon James SPIGELMAN AC QC
Hon Mr Justice Robert TANG
Jingzhou TAO
Albert Jan VAN DEN BERG
VV VEEDER QC
Anna WU
Jianlong YU
Council's Report
Audited Financial Statements

*Hong Kong International Arbitration Centre*

31 December 2014
Hong Kong International Arbitration Centre

Council's Report

The Council has pleasure in submitting their report and audited financial statements for the year ended 31 December 2014.

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 2014 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:

Arthur BOWRING
Chun Daniel LAM
Henri ALVAREZ
Hing Fung LEUNG
James Edward JAMISON
John R BUDGE
Jun Hee KIM
Justin John Gaetano D’AGOSTINO
Ka Chong Frederick KAN
Kathryn Sara Hippolyte SANGER
Kwai Huen Albert WONG
Kwok Leung SOO
Liang Yee Philip YANG
Matthew GEARING
Michael Joseph MOSER
Neil Trevor KAPLAN
Nils Rolandsson ELIASSON
Ning FEI
Peter GOLDSMITH
Peter Scott CALDWELL
Robert San PE
Robin Somers PEARD
Russell Adam COLEMAN
Sai Cheong Joseph WAN
Shirley YUEN
Stephen Arthur MALOY
Timothy HILL
Wing Christopher TO
Yeuk Wah Teresa CHENG

(resigned on 11 September 2014)

(appointed on 1 January 2014)

(appointed on 1 January 2014)

(resigned on 11 September 2014)

(appointed on 1 January 2014)

(appointed on 1 January 2014)

(appointed on 1 January 2014)

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.
Hong Kong International Arbitration Centre

Council's Report

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.

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.

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.

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

[Signature]

Chairman

22 SEP 2015
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 2014, 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 preparation 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 80 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), which requires compliance with section 141 of the predecessor Hong Kong Companies Ordinance (Cap. 32), 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.
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)

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 2014 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  22 SEP 2015

Chan Chi Ming Andy
Practising Certificate number: P05132
## Income and Expenditure Statement

Year ended 31 December 2014

<table>
<thead>
<tr>
<th>Note</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>HK$</td>
<td>HK$</td>
</tr>
</tbody>
</table>

### Operating income
- Room hire: 8,100,723
- Administration income: 2,293,905
- Administered arbitration income: 5,297,920
- Appointment fee income: 728,250
- Domain name income: 744,973
- Mediation fee income: 43,000
- Panel fee income: 642,291
- Sundry income: 226,236
- Conference and seminar income: 2,343,207
- Simulations income: -
- Grants from Commerce and Economic Development in association with Professional Services Development Assistance Scheme: 350,539

350,539 | 378,997 |

### Other income
- Interest income: 2
  - 2 | 20,771,044 | 22,028,886 |

### Expenditure
- Accountancy fee: -
- Audit fee: 55,415
- Building management fee: 891,000
- Conference and seminar expenses: 1,783,432
- Depreciation: 3,609,095
- Electricity: 90,466
- Entertainment: 85,365
- Expenses in association with Professional Services Development Assistance Scheme: 350,539
- Insurance: 301,224
- Marketing and promotion: 9,826
- Mediation fee expenses: -
- MPF contribution expenses: 295,874
- Office supplies: 17,454
- Overseas travelling: 2,005,353
- Overseas travelling – Seoul office: 122,168
- Postage, printing and stationery: 791,159
- Rates: 1,396,280
- Repairs and maintenance: 658,679
- Simulations expenses: -
- Staff costs: 12,417,231
- Subscription and magazines: 187,215
- Sundry: 1,124,041
- Telephone and fax: 395,978

26,587,794 | 21,964,120 |
<table>
<thead>
<tr>
<th>Note</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>HK$</td>
<td>HK$</td>
</tr>
<tr>
<td><strong>(Deficit) Surplus from operation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(5,816,745)</td>
<td>64,852</td>
</tr>
<tr>
<td><strong>Investment gain (loss)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net gain (loss) from investment</td>
<td>90,666</td>
<td>(478,258)</td>
</tr>
<tr>
<td>Unrealised gain on revaluation of investment</td>
<td>672,141</td>
<td>1,419,273</td>
</tr>
<tr>
<td></td>
<td>762,807</td>
<td>941,015</td>
</tr>
<tr>
<td><strong>Finance cost</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank loan interest</td>
<td>3 (93,182)</td>
<td>(64,399)</td>
</tr>
<tr>
<td>Share of result of joint ventures</td>
<td>8 (11,717)</td>
<td>(17,549)</td>
</tr>
<tr>
<td><strong>(Deficit) Surplus for the year</strong></td>
<td>3 (5,158,837)</td>
<td>923,919</td>
</tr>
<tr>
<td>Description</td>
<td>2014</td>
<td>2013</td>
</tr>
<tr>
<td>----------------------------------------------------------------------------</td>
<td>----------</td>
<td>----------</td>
</tr>
<tr>
<td>(Deficit) Surplus for the year</td>
<td>(5,158,837)</td>
<td>923,919</td>
</tr>
<tr>
<td>Other comprehensive income for the year, net of tax</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total comprehensive (loss) income for the year</td>
<td>(5,158,837)</td>
<td>923,919</td>
</tr>
</tbody>
</table>
Hong Kong International Arbitration Centre

Statement of Financial Position
At 31 December 2014

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>HK$</td>
<td>HK$</td>
</tr>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>9,371,191</td>
<td>12,843,381</td>
</tr>
<tr>
<td>Financial assets at fair value through profit or loss</td>
<td>16,647,047</td>
<td>15,210,097</td>
</tr>
<tr>
<td>Interest in joint ventures</td>
<td>194,259</td>
<td>205,976</td>
</tr>
<tr>
<td></td>
<td>26,212,497</td>
<td>28,259,454</td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash deposits held by investment managers</td>
<td>345,261</td>
<td>3,212,626</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>1,052,618</td>
<td>903,405</td>
</tr>
<tr>
<td>Prepayment, temporary payments and other debtors</td>
<td>2,160,077</td>
<td>881,210</td>
</tr>
<tr>
<td>Investment income receivables</td>
<td>53,993</td>
<td>53,952</td>
</tr>
<tr>
<td>Amount due from a joint venture</td>
<td>75,426</td>
<td>123,908</td>
</tr>
<tr>
<td>Amount due from a related company</td>
<td>153,634</td>
<td>149,645</td>
</tr>
<tr>
<td>Bank balances and cash</td>
<td>2,400,645</td>
<td>2,928,641</td>
</tr>
<tr>
<td>Bank balances – clients’ deposits</td>
<td>85,398,558</td>
<td>109,632,512</td>
</tr>
<tr>
<td>Pledged deposits</td>
<td>50,009</td>
<td>50,004</td>
</tr>
<tr>
<td></td>
<td>91,690,221</td>
<td>117,935,903</td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits received from clients</td>
<td>85,398,558</td>
<td>109,632,512</td>
</tr>
<tr>
<td>Accruals and temporary receipts</td>
<td>3,354,478</td>
<td>2,357,304</td>
</tr>
<tr>
<td>Grants received in advance</td>
<td>346,672</td>
<td>243,694</td>
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<tr>
<td>Bank loan</td>
<td>6,500,000</td>
<td>6,500,000</td>
</tr>
<tr>
<td></td>
<td>95,599,708</td>
<td>118,733,510</td>
</tr>
<tr>
<td>Net current liabilities</td>
<td>(3,909,487)</td>
<td>(797,607)</td>
</tr>
<tr>
<td>NET ASSETS</td>
<td>22,303,010</td>
<td>27,461,847</td>
</tr>
<tr>
<td>CAPITAL AND RESERVES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital contributions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private sectors</td>
<td>1,593,389</td>
<td>1,593,389</td>
</tr>
<tr>
<td></td>
<td>21,878,644</td>
<td>21,878,644</td>
</tr>
<tr>
<td>Accumulated surplus</td>
<td>424,366</td>
<td>5,583,203</td>
</tr>
<tr>
<td></td>
<td>22,303,010</td>
<td>27,461,847</td>
</tr>
</tbody>
</table>

Approved and authorised for issue by the Council Members on 22 SEP 2015

Council Member

Council Member
**Hong Kong International Arbitration Centre**

**Statement of Changes in Equity**
Year ended 31 December 2014

<table>
<thead>
<tr>
<th></th>
<th>Capital contribution HK$</th>
<th>Accumulated surplus HK$</th>
<th>Total HK$</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 January 2013</td>
<td>21,878,644</td>
<td>4,659,284</td>
<td>26,537,928</td>
</tr>
<tr>
<td>Surplus and total comprehensive income for the year</td>
<td></td>
<td>923,919</td>
<td>923,919</td>
</tr>
<tr>
<td>At 31 December 2013 and at 1 January 2014</td>
<td>21,878,644</td>
<td>5,583,203</td>
<td>27,461,847</td>
</tr>
<tr>
<td>Deficit and total comprehensive loss for the year</td>
<td></td>
<td>(5,158,837)</td>
<td>(5,158,837)</td>
</tr>
<tr>
<td>At 31 December 2014</td>
<td>21,878,644</td>
<td>424,366</td>
<td>22,303,010</td>
</tr>
</tbody>
</table>
# Statement of Cash Flows

Year ended 31 December 2014

<table>
<thead>
<tr>
<th>OPERATING ACTIVITIES</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Note</td>
<td>HK$</td>
</tr>
<tr>
<td>Cash (used in)</td>
<td>16</td>
<td>(27,492,410)</td>
</tr>
<tr>
<td>generated from</td>
<td></td>
<td></td>
</tr>
<tr>
<td>operations and</td>
<td></td>
<td></td>
</tr>
<tr>
<td>net cash (used in)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>from operating</td>
<td></td>
<td></td>
</tr>
<tr>
<td>activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>INVESTING ACTIVITIES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest received</td>
<td>5</td>
<td>86</td>
</tr>
<tr>
<td>Purchase of property</td>
<td>(136,905)</td>
<td>(1,557,242)</td>
</tr>
<tr>
<td>plant and equipment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash used in</td>
<td></td>
<td>(136,900)</td>
</tr>
<tr>
<td>investing activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net (decrease) increase in cash and cash equivalents</td>
<td>(27,629,310)</td>
<td>21,852,436</td>
</tr>
<tr>
<td>Cash and cash</td>
<td></td>
<td>115,823,783</td>
</tr>
<tr>
<td>equivalents at</td>
<td></td>
<td></td>
</tr>
<tr>
<td>beginning of year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash</td>
<td></td>
<td>88,194,473</td>
</tr>
<tr>
<td>equivalents at end of</td>
<td></td>
<td></td>
</tr>
<tr>
<td>year</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Analysis of the balances of cash and cash equivalents

Cash deposits held by investment managers (Note 7)  | 345,261 | 3,212,626 |
Bank balances and cash (Note (i)) | 2,400,645 | 2,928,641 |
Bank balances – client’s deposits (Note (ii)) | 85,398,558 | 109,632,512 |
Pledged deposit (Note 19) | 50,009 | 50,004 |
| | 88,194,473 | 115,823,783 |

Note:

(i) Included in bank balances and cash were bank deposit with carrying amount of HK$346,672 (2013: HK$258,325) which was received from the government for Professional Services Development Assistance Scheme.

(ii) The balance represented client’s monies for arbitration services which were deposited in the Centre’s designated bank accounts.
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 (“HKFRSs”), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance which concern the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), “Accounts and Audit”, which are set out in sections 76 to 87 of Schedule 11 to that Ordinance.

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2013 financial statements. The adoption of the new / revised HKFRSs which are relevant to the Centre and effective from the current year had no significant effects on the results and financial position of the Centre for the current and prior years. A summary of the principal accounting policies adopted by the Centre is set out below.

Adoption of new / revised HKFRSs
Amendments to HKAS 32: Presentation – Offsetting Financial Assets and Financial Liabilities
The amendments to HKAS 32 clarify the requirements for offsetting financial instruments. These amendments do not have an impact on the financial statements as they are consistent with the policies already adopted by the Centre.

Amendments to HKAS 36: Recoverable Amount Disclosures for Non-Financial Assets
The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, additional information is required to be disclosed when the recoverable amount of impaired assets is based on fair value less costs of disposal. These amendments do not have an impact on 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.
1. **PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**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 the 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 Centre transfers the financial asset and either (a) the Centre transfers substantially all the risks and rewards of ownership of the financial asset, or (b) the Centre neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control 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.
1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

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 directly 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 the income and expenditure statement, which includes any dividend or interest earned on the financial assets.

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 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 group 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 including accounts receivable, prepayment, temporary payments, other debtors, investment income receivables, amount due from a joint venture, amount due from a related company and cash and cash equivalent 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 period to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in the income and expenditure statement.

Financial liabilities

The Centre's financial liabilities include deposits received from claimants and respondents, accruals and temporary receipts and bank loan. All financial liabilities except for derivatives are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.
1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Impairment of financial assets
At the end of each reporting period, the Centre assesses whether there is objective evidence that financial assets, other than those at fair value through profit or loss, are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets’ carrying amount and the present value of estimated future cash flows discounted at the financial asset’s original effective interest rate. Such impairment loss is reversed in subsequent periods through the 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.

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 costs of disposal 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 expense 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 in the income and expenditure statement immediately.

Joint ventures
A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is a contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Centre reassesses whether it has joint control of an arrangement and whether the type of joint arrangement in which it is involved has changed, if facts and circumstances change.

The Centre’s investment in joint ventures is accounted for under the equity method of accounting, except when the investment or a portion thereof is classified as held for sale. Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post-acquisition changes in the Centre’s share of the investee’s net assets and any impairment loss relating to the investment. Except to the extent that the Centre has incurred legal or constructive obligations or made payments on behalf of the investee, the Centre discontinues recognising its share of further losses when the Centre’s share of losses of the investee equals or exceeds the carrying amount of its interest in the investee, which includes any long term interests that, in substance, form part of the Centre’s net investment in the investee.
PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1. 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 the income and expenditure statement over the expected useful life of the relevant asset by equal annual installments.

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.
1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Related parties (Continued)
(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
Short term employee benefits
Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

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 benefits.
1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Future changes in HKFRSs
At the date of authorisation of these financial statements, the HKICPA has issued a number of new / revised HKFRSs that are not yet effective for the current year, which the Centre has not early adopted. The council members are in the process of assessing the possible impact on the future adoption of these new / revised HKFRSs, 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:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>HK$</td>
<td>HK$</td>
</tr>
<tr>
<td>Turnover and income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating income</td>
<td>20,771,044</td>
<td>22,028,886</td>
</tr>
<tr>
<td>Other income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank interest income</td>
<td>5</td>
<td>86</td>
</tr>
<tr>
<td>Total income</td>
<td>20,771,049</td>
<td>22,028,972</td>
</tr>
</tbody>
</table>

3. (DEFICIT) SURPLUS FOR THE YEAR

This is stated after charging:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>HK$</td>
<td>HK$</td>
</tr>
<tr>
<td>Finance cost</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest on bank borrowings wholly repayable within five years</td>
<td>93,182</td>
<td>64,399</td>
</tr>
<tr>
<td>Other items</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee benefits expenses, including council members</td>
<td>12,417,231</td>
<td>10,028,123</td>
</tr>
<tr>
<td>MPF contribution expenses, including council members</td>
<td>295,874</td>
<td>220,913</td>
</tr>
<tr>
<td>Total staff costs</td>
<td>12,713,105</td>
<td>10,249,036</td>
</tr>
<tr>
<td>Auditor’s remuneration</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Current year</td>
<td>55,000</td>
<td>55,000</td>
</tr>
<tr>
<td>- Under provision in previous year</td>
<td>415</td>
<td>3,517</td>
</tr>
<tr>
<td>Depreciation of property, plant and equipment</td>
<td>3,609,095</td>
<td>3,630,955</td>
</tr>
</tbody>
</table>
4. COUNCIL MEMBERS’ EMOLUMENTS

Council members’ emoluments disclosed pursuant to section 78 of Schedule 1 to the Hong Kong Companies Ordinance (Cap. 622), which requires compliance with section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>HK$</td>
<td>HK$</td>
</tr>
<tr>
<td>Council members’ emoluments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fees</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other emoluments</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>Office equipment</th>
<th>Furniture and fixtures</th>
<th>Leasehold improvements</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>HK$</td>
<td>HK$</td>
<td>HK$</td>
<td>HK$</td>
</tr>
<tr>
<td>Reconciliation of carrying amount</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– year ended 31 December 2013</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At beginning of year</td>
<td>3,633,860</td>
<td>1,543,608</td>
<td>10,933,760</td>
<td>16,111,228</td>
</tr>
<tr>
<td>Additions</td>
<td>353,028</td>
<td>10,080</td>
<td>-</td>
<td>363,108</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(898,548)</td>
<td>(387,349)</td>
<td>(2,345,058)</td>
<td>(3,630,955)</td>
</tr>
<tr>
<td>At end of the reporting period</td>
<td>3,088,340</td>
<td>1,166,339</td>
<td>8,588,702</td>
<td>12,843,381</td>
</tr>
<tr>
<td>Reconciliation of carrying amount</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– year ended 31 December 2014</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At beginning of year</td>
<td>3,088,340</td>
<td>1,166,339</td>
<td>8,588,702</td>
<td>12,843,381</td>
</tr>
<tr>
<td>Additions</td>
<td>134,205</td>
<td>2,700</td>
<td>-</td>
<td>136,905</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(880,559)</td>
<td>(383,478)</td>
<td>(2,345,058)</td>
<td>(3,609,095)</td>
</tr>
<tr>
<td>At end of the reporting period</td>
<td>2,341,986</td>
<td>785,561</td>
<td>6,243,644</td>
<td>9,371,191</td>
</tr>
</tbody>
</table>

At 1 January 2014

<table>
<thead>
<tr>
<th></th>
<th>HK$</th>
<th>HK$</th>
<th>HK$</th>
<th>HK$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>6,517,866</td>
<td>2,695,844</td>
<td>11,725,288</td>
<td>20,938,998</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(3,429,526)</td>
<td>(1,529,505)</td>
<td>(3,136,586)</td>
<td>(8,095,617)</td>
</tr>
<tr>
<td></td>
<td>3,088,340</td>
<td>1,166,339</td>
<td>8,588,702</td>
<td>12,843,381</td>
</tr>
</tbody>
</table>

At 31 December 2014

<table>
<thead>
<tr>
<th></th>
<th>HK$</th>
<th>HK$</th>
<th>HK$</th>
<th>HK$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>6,652,071</td>
<td>2,698,544</td>
<td>11,725,288</td>
<td>21,075,903</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(4,310,085)</td>
<td>(1,912,983)</td>
<td>(5,481,643)</td>
<td>(11,704,712)</td>
</tr>
<tr>
<td></td>
<td>2,341,986</td>
<td>785,561</td>
<td>6,243,644</td>
<td>9,371,191</td>
</tr>
</tbody>
</table>
7. **FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Held for trading:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Listed equity securities and bonds in Hong Kong</td>
<td>4,610,636</td>
<td>4,423,816</td>
</tr>
<tr>
<td>Listed equity securities and bonds in overseas</td>
<td>4,538,835</td>
<td>3,503,032</td>
</tr>
<tr>
<td>Unlisted investment funds in overseas</td>
<td>7,497,576</td>
<td>7,283,249</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>16,647,047</strong></td>
<td><strong>15,210,097</strong></td>
</tr>
</tbody>
</table>

Cash deposits of HK$345,261 (2013: HK$3,212,626) held by investment managers is classified in cash deposits held by investment managers accounts under current assets.

The fair value of all listed equity securities and bond 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 JOINT VENTURES**

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Share of net assets</strong></td>
<td>(b)</td>
<td>194,259</td>
</tr>
<tr>
<td><strong>Amount due from a joint venture</strong></td>
<td>(a)</td>
<td>75,426</td>
</tr>
</tbody>
</table>

**Note:**

(a) The amount due from a joint venture is unsecured, interest-free and repayable on demand.

(b) Details of the joint ventures at the end of the reporting period are as follows:

<table>
<thead>
<tr>
<th>Name of joint ventures</th>
<th>Principal place of business and place of incorporation</th>
<th>Proportion of interest entitled by the Centre</th>
<th>Principal activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asian Domain Name Dispute Resolution Centre (&quot;ADNDRC&quot;)</td>
<td>Hong Kong</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Joint Mediation Helpline Office (formerly known as Joint Mediation Helpline Office Limited) (&quot;JMHO&quot;)</td>
<td>Hong Kong</td>
<td>12.5%</td>
<td>12.5%</td>
</tr>
</tbody>
</table>
8. INTEREST IN JOINT VENTURES (CONTINUED)

Interests in ADNDRC and JMHO are accounted for using the equity method in the financial statements.

ADNDRC is a limited guarantee company founded by the Centre and China International Economic and Trade Arbitration Centre with an aim of providing a platform specifically for dealing with and resolving disputes on domain names across Asia region. Decisions on both operating and financial aspects of ADNDRC are only made with consensus among all parties, therefore ADNDRC is considered to be a joint venture of the Centre.

JMHO is a limited by guarantee company founded by Hong Kong Mediation Council (a division of the Centre) and 7 other parties with an objective to promote the use of mediation as a means of dispute resolution in Hong Kong. Since all the decision making processes have to be participated and voted by all parties with equal voting right, JMHO is considered to be a joint venture of the Centre.

The table below shows, in aggregate, the carrying amount and the Centre’s share of results of joint ventures that are not individually material and accounted for using the equity method.

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying amount of interests</td>
<td>194,259</td>
<td>205,976</td>
</tr>
<tr>
<td>Centre’s share of:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deficit and total comprehensive loss for the year</td>
<td>(11,717)</td>
<td>(17,549)</td>
</tr>
</tbody>
</table>

Unrecognised share of losses of joint ventures
The unrecognised share of losses of joint ventures for the current year and cumulatively up to the end of the reporting period amounted to HK$Nil (2013: HK$Nil) and HK$Nil (2013: HK$22,425) respectively.

9. AMOUNT DUE FROM A RELATED COMPANY

The amount due from a related company is unsecured, interest-free and has no fixed repayment terms.
10. ACCOUNTS RECEIVABLE

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

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Neither past due nor impaired</td>
<td>277,195</td>
<td>588,613</td>
</tr>
<tr>
<td>Less than 1 month past due</td>
<td>509,833</td>
<td>206,114</td>
</tr>
<tr>
<td>1 to 3 months past due</td>
<td>128,342</td>
<td>10,814</td>
</tr>
<tr>
<td>Over 3 months past due</td>
<td>137,248</td>
<td>97,864</td>
</tr>
<tr>
<td></td>
<td>775,423</td>
<td>314,792</td>
</tr>
<tr>
<td></td>
<td>1,052,618</td>
<td>903,405</td>
</tr>
</tbody>
</table>

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.

11. DEPOSITS RECEIVED FROM CLAIMANTS AND RESPONDENTS

At 31 December 2014 and 2013, all the deposits were paid by clients for arbitration services and held in name of the Centre’s bank accounts.

12. BANK LOAN

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current and secured</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term bank loan</td>
<td>6,500,000</td>
<td>6,500,000</td>
</tr>
</tbody>
</table>

The bank loan, which is denominated in Hong Kong dollars, bears interest at 1.43% (2013: 1.5%) per annum and is repayable in six 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 19.
13. 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.

14. ACCUMULATED SURPLUS

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>HK$</td>
<td>HK$</td>
</tr>
<tr>
<td>At beginning of year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Deficit) Surplus for the year</td>
<td>5,583,203</td>
<td>4,659,284</td>
</tr>
<tr>
<td></td>
<td>(5,158,837)</td>
<td>923,919</td>
</tr>
<tr>
<td>At end of the reporting period</td>
<td>424,366</td>
<td>5,583,203</td>
</tr>
</tbody>
</table>
15. **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:

<table>
<thead>
<tr>
<th>Period</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within one year</td>
<td>42,576</td>
<td>42,576</td>
</tr>
<tr>
<td>In the second to fifth years inclusive</td>
<td>62,410</td>
<td>104,986</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>104,986</td>
<td>147,562</td>
</tr>
</tbody>
</table>

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 2013, 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 2013 to 15 March 2018.

16. **CASH (USED IN) GENERATED FROM OPERATIONS**

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Deficit) Surplus for the year</td>
<td>(5,158,837)</td>
<td>923,919</td>
</tr>
<tr>
<td>Interest income</td>
<td>(5)</td>
<td>(86)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>3,609,095</td>
<td>3,630,955</td>
</tr>
<tr>
<td>Share of result of joint ventures</td>
<td>11,717</td>
<td>17,549</td>
</tr>
<tr>
<td>Change in working capital:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Account receivables</td>
<td>(149,213)</td>
<td>(271,280)</td>
</tr>
<tr>
<td>Financial assets at fair value through profit or loss</td>
<td>(1,436,950)</td>
<td>478,954</td>
</tr>
<tr>
<td>Investment income receivables</td>
<td>(41)</td>
<td>(15,718)</td>
</tr>
<tr>
<td>Prepayments, temporary payments and other debtors</td>
<td>(1,278,867)</td>
<td>(661,977)</td>
</tr>
<tr>
<td>Due from a joint venture</td>
<td>48,482</td>
<td>5,890</td>
</tr>
<tr>
<td>Due from a related company</td>
<td>(3,989)</td>
<td>(149,645)</td>
</tr>
<tr>
<td>Accruals and temporary receipts</td>
<td>997,174</td>
<td>771,578</td>
</tr>
<tr>
<td>Grants received in advance</td>
<td>102,978</td>
<td>5,274</td>
</tr>
<tr>
<td>Deposits received</td>
<td>(24,233,954)</td>
<td>18,674,179</td>
</tr>
<tr>
<td><strong>Cash (used in) generated from operations</strong></td>
<td>(27,492,410)</td>
<td>23,409,592</td>
</tr>
</tbody>
</table>
17. 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:

<table>
<thead>
<tr>
<th>Related party relationship</th>
<th>Nature of transactions</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joint ventures</td>
<td>Email and website hosting income</td>
<td>HK$48,000</td>
<td>HK$48,000</td>
</tr>
<tr>
<td></td>
<td>(included in administration income)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Share of common operating cost of ADNDRC (net of domain name income)</td>
<td>HK$(19,255)</td>
<td>HK$(19,636)</td>
</tr>
<tr>
<td>Related company under common council membership</td>
<td>Administration fee income</td>
<td>HK$1,170,000</td>
<td>HK$986,362</td>
</tr>
<tr>
<td></td>
<td>Room hire income</td>
<td>HK$626,900</td>
<td>HK$420,050</td>
</tr>
</tbody>
</table>

18. 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% (2013: 10%) higher/lower while all other variables were held constant, the Centre’s deficit for the year would have been HK$577,199 lower/higher (2013: surplus for the year would have been HK$470,134 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 2013.
18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Price risk (Continued)
Further, the Centre holds some unlisted investments which are measured at fair value at 31 December 2014 and 2013. Although there was no similar transaction since then, the management considers there should not have significant change in the fair value of the investments.

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 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 assets and liabilities measured at fair value or required to disclose their fair value in these financial statements on a recurring basis at 31 December 2014 across the three levels of the fair value hierarchy defined in HKFRS 13, Fair Value Measurement, with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Centre can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 (lowest level): unobservable inputs for the asset or liability.

<table>
<thead>
<tr>
<th>Assets measured at fair value</th>
<th>31 December 2014 HK$</th>
<th>Level 1 HK$</th>
<th>Level 2 HK$</th>
<th>Level 3 HK$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial assets at fair value through profit or loss (note 7)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Listed equity securities and bonds in Hong Kong</td>
<td>4,610,636</td>
<td>4,610,636</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Listed equity securities and bonds in overseas</td>
<td>4,538,835</td>
<td>4,583,835</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Unlisted investment funds in overseas</td>
<td>7,497,576</td>
<td>-</td>
<td>7,497,576</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>16,647,047</td>
<td>9,149,471</td>
<td>7,497,576</td>
<td>-</td>
</tr>
</tbody>
</table>
18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Fair value disclosures (Continued)

<table>
<thead>
<tr>
<th>Assets measured at fair value (continued)</th>
<th>31 December</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013 HK$</td>
<td>HK$</td>
<td>HK$</td>
<td>HK$</td>
</tr>
<tr>
<td>Financial assets at fair value through profit or loss (note 7)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Listed equity securities and bonds in Hong Kong</td>
<td>4,423,816</td>
<td>4,423,816</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Listed equity securities and bonds in overseas</td>
<td>3,503,032</td>
<td>3,503,032</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Unlisted investment funds in overseas</td>
<td>7,283,249</td>
<td>7,283,249</td>
<td>7,283,249</td>
<td>-</td>
</tr>
<tr>
<td>Basis of determining fair value of Level 2 unlisted investment funds in overseas has been detailed in note 7.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

During the year ended 31 December 2014 and 2013, there were no transfers between Level 1 and Level 2 fair value measurements.

19. BANKING FACILITIES

As at 31 December 2014, revolving loan facilities of HK$7,750,000 (2013: HK$7,750,000) from a bank were granted to the Centre under which financial assets at fair value through profit or loss of HK$16,389,776 (2013: HK$17,824,751) were treated as collateral for the facilities granted. Unutilised facilities available to the Centre as at 31 December 2014 amounted to HK$1,250,000 (2013: HK$1,250,000).

During the year, the Centre has applied 5 business credit cards with a total credit limit of HK$50,000 (2013: HK$50,000). The Centre has pledged a fixed deposit of HK$50,000 as a security in favour of the bank for the grant of the credit cards facility. As at 31 December 2014, unutilised credit cards facility available to the centre amounted to HK$50,000 (2013: HK$50,000).