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The Hong Kong International Arbitration Centre (HKIAC) is one of the top four arbitral institutions in the world and one of 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.
It continues to be my honour to serve in my third and final year as Chairperson of HKIAC and to report on developments in 2019.

2019 was an eventful and challenging year for Hong Kong. However, there were signs showing the resilience of the city and there continued to be positive developments underpinning Hong Kong and HKIAC’s position as a leading dispute resolution venue.

In 2019, HKIAC received 308 arbitration filings which was a record number and represented a 16.2% increase from 2018. We also had a record number of nationalities arbitrating at HKIAC, namely parties from 56 jurisdictions. With the mediation, adjudication and domain name filings, the total number of disputes submitted to HKIAC in 2019 was 503. I wish to express our appreciation to all our users around the world for their continued support for and confidence in HKIAC’s dispute resolution services.

The 2018 edition of the HKIAC Administered Arbitration Rules (the “2018 Rules”) has been used and applied smoothly and successfully since it came into force on 1 November 2018. This year, 162 arbitrations had commenced under the 2018 Rules. With the innovative, effective and flexible provisions, the 2018 Rules have proven to be another market-leading set of rules issued by HKIAC and the fact that over 160 arbitrations have been filed under those rules over the past 14 months is a testament to their success.

Diversity is another area in which HKIAC takes pride. HKIAC is committed to promoting all forms of diversity across its work and governance. We saw a notable progress made in respect of HKIAC’s arbitrator appointments and the composition of Council this year. In 2019, 20.5% of HKIAC’s appointments were of female arbitrators (17.6% in 2018) and 40.2% were of arbitrators not previously appointed by HKIAC in the last three years (14.4% in 2018). This year, HKIAC had also appointed numerous new members to its Council, which was already highly diverse in terms of the jurisdictions, gender and professional sectors the members represented.

Another positive development in 2019 concerned HKIAC’s role as the statutory appointing authority under the Hong Kong Arbitration Ordinance (Cap 609) (the “Ordinance”). As part of its efforts to provide cost-effective services through that role, HKIAC amended the relevant subsidiary legislation with the approval of the Chief Justice and the Legislative Council of Hong Kong to, among other things, waive its fees for exercising any of its functions under the Ordinance.

There was also an important development to expand HKIAC’s services in Russia. On 25 April 2019, HKIAC received the permission from the Russian Ministry of Justice to operate as a permanent arbitral institution in Russia. HKIAC was the first international arbitral institution to receive such permission and, as a result, is now permitted to administer certain types of Russian-related disputes under Russian law. We hope this will bear fruit for HKIAC in terms of a new line of work in the years to come.

Last but not least, in April this year, the Hong Kong government and China’s Supreme People’s Court entered into a landmark reciprocal arrangement under which any party to an arbitration seated in Hong Kong and administered by a qualified institution (such as HKIAC) would be eligible to apply to a Mainland Chinese court for the preservation of assets, evidence or conduct. This arrangement came into force on 1 October 2019 and HKIAC had already processed 13 applications this year. The arrangement gives Hong Kong a unique advantage for arbitrations involving Chinese elements as compared to anywhere else in the world.

With all these developments, I believe there are reasons to be very positive about the future of HKIAC and arbitration in Hong Kong. I look forward to your continuing support of HKIAC under its new leadership next year!

Matthew Gearing QC
Chairperson
Hong Kong International Arbitration Centre
It is my pleasure to report on the work of the Secretariat over the course of 2019.

2019 was a record year for HKIAC’s arbitration caseload. We registered a total of 308 arbitrations involving more than 450 contracts. 80.9% of those arbitrations were international in nature. Parties from 56 jurisdictions participated in HKIAC arbitrations during the year, with the top ten users originating from Hong Kong, Mainland China, the British Virgin Islands, the United States, the Cayman Islands, Singapore, South Korea, the United Kingdom, Switzerland and Macao. The most frequent types of disputes were international trade/sale of goods, corporate, construction, maritime, and banking and financial services. The total amount in dispute in all arbitrations was HKD 36.4 billion (approximately USD 4.7 billion). Apart from arbitration matters, HKIAC registered 12 mediations, 182 domain name disputes and one adjudication. The full case statistics for 2019 can be viewed here.

By the end of 2019, HKIAC’s legal staff had been appointed as tribunal secretaries on 34 occasions. 12 appointments were made in 2019, representing the highest number of appointments of any calendar year since the service started in 2014.

Of the two investment treaty arbitrations administered by HKIAC, one was concluded by final award in September 2019. The other case is ongoing.

With respect to the Hong Kong-Mainland China interim measures arrangement, HKIAC had received 13 applications made to ten different Mainland Chinese courts since the arrangement came into force on 1 October 2019. These applications were made to preserve evidence or assets worth a total of RMB 5.5 billion (approximately USD 798 million) in Mainland China. HKIAC was aware of four orders issued by the Mainland Chinese courts this year in respect of RMB 1.7 billion (approximately USD 244 million) worth of assets. HKIAC had also published detailed information on its practice of processing applications under the arrangement. This information can be viewed here.

Another important project for the Secretariat was the amendments to the subsidiary legislation governing HKIAC’s role as the default appointing authority under the Hong Kong Arbitration Ordinance (Cap 609) (the “Ordinance”). The Secretariat worked closely with the Department of Justice of Hong Kong and proposed amendments to allow HKIAC to waive fees in certain arbitrations seated in Hong Kong and to streamline the process for exercising its role as the default appointing authority. HKIAC published a policy that it would charge a one-off fee of HKD 8,000 for performing all its functions under the Ordinance in an arbitration in which the total amount in dispute is less than HKD 2.5 million, unless HKIAC decides otherwise. This policy can be viewed here. The proposed amendments were approved by the Chief Justice and the Legislative Council of Hong Kong and came into effect on 1 August 2019.

I am also pleased to report that, on 25 April 2019, the Ministry of Justice of the Russian Federation granted the permission to HKIAC to function as a permanent arbitral institution in Russia. HKIAC was the first non-Russian arbitral institution to acquire such a status and this was a significant development to allow HKIAC to administer a range of Russian-related disputes including but not limited to international disputes seated in Russia, and certain types of procurement and corporate disputes.

In terms of staff developments, there were several internal promotions including the promotion of Mr. Joe Liu from Managing Counsel to Deputy Secretary-General. We also welcomed Mr. Eric Ng, as the new Managing Counsel of HKIAC.

Over the course of 2019, HKIAC was involved in the organisation of 23 events in Hong Kong and 17 events overseas including the 8th Hong Kong Arbitration Week.

HKIAC’s state-of-the-art hearing facilities continued to be highly rated by GAR’s annual hearing centres survey. In 2019, 103 hearings took place at HKIAC’s premises in Hong Kong.

With the conclusion of a fruitful and productive 2019, the Secretariat looks forward to 2020.

Sarah Grimmer
Secretary-General
Hong Kong International Arbitration Centre
Navigating through social unrest in the second half of the year, in 2019 HKMC organised a total of 11 mediation events, including physical seminars, and sharing sessions by veteran practitioners from local and overseas. In particular, HKMC organised for the first time a 40-hour general mediation training course in April 2019. The course received accreditation by the HKMAAL and was attended by 15 trainees. HKMC hopes to organise further such training courses in conjunction with different trainers and coaches. LHKMC has been planning to co-organise with the International Academy of Mediators an international symposium on commercial mediation. The Symposium was originally scheduled for 3 December 2019 at the Harbour Grand Hong Kong Hotel. In view of the social unrest in the second half of 2019, the organisers agreed to postpone the Symposium to March 2020. Because of this, a mediation advocacy training workshop co-organised by the Hong Kong Bar Association and HKMC was also re-scheduled to March 2020. Despite the setbacks, a great deal of work went into the planning, promotion, raising of sponsorship, programming and website design. In particular, a wonderful promotional video was produced with the help of a team of voluntary students and teachers from the VTC Youth College.

In this session we continued to pursue the rebranding project initiated during the last session, and for this professional services and legal opinions were obtained. The HKMC Committee maintained a close dialogue with the HKIAC Council with respect to the possible new names for HKMC, as well as a possible incorporation of HKMC. We remained grateful for the advice and suggestions provided by the HKIAC Council.

At regional level, HKMC continued to be a member of the Guangdong-Hong Kong-Macau Arbitration and Mediation Alliance ("粵港澳仲裁調解聯盟"), and it took part in a full day conference in Nanjing organised by the Joint Mediation Helpline Office in conjunction with the Nanjing Arbitration Commission. During the Nanjing conference, HKMC representatives (including myself) presented a demo mediation and made useful connections with local officials and mediation counterparts from Nanjing and nearby cities.

I am invited to attend the Forum of World Mediation Centres hosted by the UIA in Milan, Italy in January 2020 and I will give a talk on the topic of "Mediation in China". I look forward to raising the profile of HKMC and making new connections.

May I take this opportunity to thank the HKIAC Secretariat for its unfailing support towards the HKMC throughout the year. I would also like to thank all HKMC Committee Members for their valuable advice, passion and teamwork, and also Users’ Council members for their loyal support for HKMC.

Ling Chun Wai
Chairperson
Hong Kong Mediation Council
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 (2019).
**Arbitration**

- **308 New Arbitration Cases**
- **HK$36.4 billion** total amount in dispute (approximately US$4.7 billion)
- **173** were administered by HKIAC under the HKIAC Administered Arbitration Rules or the UNCITRAL Rules.

**Arbitration Caseload by Party Nationality 2019**

- **80.9%** at least one non-Hong Kong party
- **92.5%** international
- **35%** no connection with HK
- **3.6%** no connection with Asia

**Administered Arbitration Cases**

- **48** awards were issued by HKIAC tribunals
- **21** Expedited procedure applications
  - 16 were granted
- **4** Requests for consolidation
  - 3 were granted
- **4** Requests for joinder
  - 4 was granted
- **13** Emergency arbitration cases to date

**Domain Name Disputes**

- **195** total number of appointments
- **182** Domain Name Disputes
- **105** Uniform Domain Name Dispute Resolution Policy
- **69** China Domain Name Dispute Resolution Policy
- **8** Hong Kong Domain Dispute Resolution Policy

**HKIAC 2019 Statistics**

- **503** Total Number of Dispute Resolution Matters

**Language of the dispute**

- **63%** were conducted in Chinese
- **37%** in English

**Applications under the Hong Kong-Mainland China arrangement on interim measures**

- **48** applications (assets and evidence) made in 2019 to ten different Mainland Chinese courts
  - **RMB 5.5 billion** (USD798 million) worth of assets
  - **RMB 1.7 billion** (USD244 million) worth of assets

- **13** of assets owned by parties from Hong Kong, the Netherlands, the British Virgin Islands and the Cayman Islands
- **40%** of the applications concerned assets or evidence possessed by parties from Mainland China

**Mediation Disputes**

- **12** Mediation Disputes
  - **6** Construction
  - **2** Commercial
  - **2** Land and conveyancing
  - **1** Family
  - **1** Intellectual Property

**Constitution of panels**

- In 2019, 185 administrative panels were constituted. Out of the 185:
  - **97%** panels comprised sole panelists, and
  - **3%** panels comprised three members.

**Language of the dispute**

- **80.3%** English
- **14.5%** Bilingual (Chinese and English)
- **5.2%** Chinese

**Top 10 users:**

1. Hong Kong
2. Mainland China
3. British Virgin Islands
4. United States
5. Cayman Islands
6. Singapore
7. South Korea
8. United Kingdom
9. Switzerland
10. Macau

**Types of disputes**

- **Construction:** 14.8%
- **Corporate:** 17%
- **Intelligence Property:** 2.5%
- **Energy:** 0.4%

**Top 10 users (by jurisdictions):**

1. Hong Kong
2. United States
3. Germany
4. Hong Kong
5. Cayman Islands
6. Switzerland
7. Singapore
8. France
9. British Virgin Islands
10. United Kingdom

**Total Number of Dispute Resolution Matters**

- **34** jurisdictions:
  - **105** Hong Kong
  - **63** Mainland China
  - **27** United States
  - **16** United Kingdom
  - **14** Singapore
  - **13** Switzerland
  - **11** Canada
  - **10** France

**Challenges to arbitrators**

- **3**
THE SECRETARIAT

Sarah GRIMMER  Secretary-General
Joe LIU  Deputy Secretary-General
Ling YANG  Deputy Secretary-General & Chief Representative
(Shanghai Office)

Arbitration
Eric Ng  Managing Counsel
Kellie YI  Counsel & Chief Representative (Seoul Office)
Othmane BENLAFKIH  Counsel
Filip NORDLUND  Counsel
Byron PEREZ  Counsel
Qiqi WEI  Counsel
Chrystal CHOY  Deputy Counsel
Victoria KHANDRIMAYLO  Deputy Counsel
Christy CHENG  Administrative Officer
Isabelly LAI  Administrative Officer
Fung SHIU  Administrative Officer

Alternative Dispute Resolution
Cordelia CHENG  ADR Case Manager
Sam WEI  ADR Case Manager

Operations and Administration
Karen TAN  Business Development Director
Kirran SANGHERA  Business Development Deputy Director
Debbie CHONG  Operations Officer / Personal Assistant to the Secretary-General
Fiona CHEUNG  Marketing & Events Coordinator
Chloe Huang  Marketing & Events Coordinator
Ann YIM  Accountant
Steven WU  IT Executive
Jason IP  IT Support / Technician Officer
Susan MUI  Receptionist
Reo WOO  Steward
Kat SHUM  Office Assistant

The HKIAC would like to thank the following former staff for their commitment, energy and support between the period of January – December 2019:

Wesley PANG  Managing Counsel
Hana DOUMAL  Counsel
Carlotta BRUESSEL  Deputy Counsel
Jun DU  Deputy Counsel
Michelle SHI  Deputy Counsel
Yan ZENG  Case Manager
Kirti LADHARAM  Marketing & Events Executive
Hermione LAM  Marketing & Events Coordinator
Amelia SZETO  Administrative Officer
COUNCIL MEMBERS AND COMMITTEES (as of December 2019)

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.

Matthew GEARING QC (Chairperson)
Joseph WAN (Vice Chairperson)
Anton ASOSKOV
John COCK
Nils ELIASSON
FEI Ning
Jianan GUO
Karl HENNESSEE
Timothy HILL
Anthony HOUGHTON SC
Jun Hee KIM
Wilson KWONG

Danny MOK
José-Antonio MAURELLET SC
Andrea MENAKER
Catherine MUN
Promod NAIR
Robert PÉ
Ronald SUM
Robert Tang GBM, SBS, QC, SC, JP
Meg UTTERBACK
Ing Loong YANG
Briana YOUNG
Rimsky YUEN GBM, SC, JP

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.

Matthew GEARING QC (Chairperson)
Joseph WAN
Nils ELIASSON
Jun Hee KIM

FINANCE & ADMINISTRATION COMMITTEE

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

Joseph WAN (Chairperson)
Matthew GEARING QC
Anthony HOUGHTON SC
Danny MOK
Kathryn SANGER
Robert TANG GBM, SBS, QC, SC, JP
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.

Nils ELIASSON (Chairperson)
Matthew GEARING QC
Sheila AHUJA
Cameron HASSALL
Andrea MENAKER
Catherine MUN
Promod NAIR
Helen SHI
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.

Jun Hee KIM (Chairperson)
Matthew GEARING QC
Timothy HILL
Jing LIU
Jose-Antonio MAURELLETT SC
Ronald SUM
Meg UTTERBACK
Nicolas WIEGAND

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
Lord Peter GOLDSMITH QC
Bernard HANOTIAU
Hon Mr Justice Michael HARTMANN
Lord HOFFMANN PC
Michael HWANG SC
Gabrielle KAUFMANN-KOHLER
Niels KRAUNSOE

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
Jianlong YU
Hong Kong International Arbitration Centre

Council’s report
and
audited financial statements
for the year ended 31 December 2018
Hong Kong International Arbitration Centre
香港國際仲裁中心

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

Business review

Introduction to the Hong Kong International Arbitration Centre

Founded in 1985, the Hong Kong International Arbitration Centre (HKIAC) is an independent and not-for-profit organisation that provides dispute resolution services in respect of domestic and international arbitration, mediation, adjudication and domain name dispute resolution proceedings. In 1996, HKIAC was entrusted with the statutory function of serving as the default appointing authority under Hong Kong's arbitration legislation. HKIAC also hires out its hearing facilities at its premises on the 38th floor of Two Exchange Square, Central, Hong Kong, in connection with dispute resolution activities (hearings, meetings, conferences, seminars and trainings). HKIAC also maintains representative offices in Seoul and Shanghai.

HKIAC is recognised as one of the world’s leading international dispute resolution centres. In 2018, HKIAC was ranked the fourth most preferred arbitral institution worldwide by the Queen Mary University of London and White & Case International Arbitration Survey. It was also listed on the Global Arbitration Review’s “White List” for Asia, meaning that it is “dependable in all scenarios”. In 2018, HKIAC was nominated for best innovation with respect to the establishment of the Panel of Arbitrators for Financial Services Disputes. From 2016-2018, HKIAC’s hearing facilities in Hong Kong were ranked first worldwide for location, value for money, IT services and helpfulness of staff.

One of HKIAC’s strengths in the dispute resolution market is its experience in administering disputes involving Chinese and non-Chinese parties. At the Secretariat level, cases can be dealt with in Chinese, English or on a bilingual basis. HKIAC may draw from a large pool of experienced, bilingual arbitrators with neutral nationalities when appointing arbitrators, mediators, and other adjudicators. HKIAC has the largest international caseload involving Chinese parties among arbitral institutions outside of Mainland China and it maintains a strong record of award enforcement in China and elsewhere in the world.

Structure

HKIAC’s organisational structure is attached overleaf (Figure 1).

HKIAC’s governing body is a 25-member Council, headed by HKIAC’s chairperson, and comprised of local and international dispute resolution specialists. There are currently 25 Council members.

On 8 June 2018, the Council resolved that (i) Council members would now serve term limits of six years; (ii) those Council members who had served for more than six years would resign and not stand for re-election at the next Annual General Meeting; and (iii) Council members who were currently serving on a Standing Committee (on which see more overleaf) would serve out their current terms on the relevant Standing Committee plus up to one year beyond that term, to ensure operational continuity. Council also decided to establish a Nominations Committee of five members tasked with identifying, vetting and recommending candidates for election to Council. The Chairperson of HKIAC would be a voting member of the Nominations Committee.

The Council is supported by an International Advisory Board, an entity comprised of leading figures in the international arbitration and business community with whom HKIAC consults from time to time.
Hong Kong International Arbitration Centre
香港國際仲裁中心

Business review (continued)

Structure (continued)

Figure 1: HKIAC's Organisational Structure

HKIAC’s Executive Committee has served as the principal body directing the activities of the Centre in accordance with policies approved by the Council. In 2018, it comprised the Chairperson of HKIAC and the Chairpersons of the three standing committees.

HKIAC's daily operations are facilitated principally by the work of three standing committees: the Financial and Administration Committee, the Proceedings Committee, and the Appointments Committee. Each committee is comprised of local and international legal and business experts and chaired by an individual of high-standing. The work of the committees is reported to the Council each quarter.
Business review (continued)

Structure (continued)

HKIAC’s Secretariat is currently comprised of 30 legal and administrative staff members of diverse nationalities who work in multiple languages (in alphabetical order: Arabic, Cantonese, English, Finnish, French, German, Japanese, Korean, Mandarin, Russian, Spanish, Swedish and Tagalog). HKIAC has a Deputy Secretary-General/Chief Representative Officer based in Shanghai and a Counsel/Chief Representative Officer based in Seoul. HKIAC’s legal staff are highly qualified individuals from top universities and law firms or institutions, admitted in both civil and common law jurisdictions with experience in international commercial, investment, and inter-State arbitration. Unlike any other international commercial arbitral institution, HKIAC’s legal staff are available for appointment as tribunal secretaries. To date, tribunal secretaries from within HKIAC’s secretariat have been appointed on 27 occasions, ten of which were made in 2018 (the highest number of appointments of any calendar year since the service started in 2014). The Secretariat’s work is divided between arbitration, mediation, adjudication, domain name dispute resolution, business development and marketing, events management, and internal operations.

The Hong Kong Mediation Council was set up as a division of HKIAC in 1994 to promote the development and use of mediation as a method of resolving disputes.

HKIAC Users’ Council is a subdivision of HKIAC established in 2009 as a platform to exchange information and promote international dispute resolution in Hong Kong and the Asian region.

HK45 is a group for under-45 professionals in dispute resolution established in 2014 and interested in promoting issues relating to arbitration. HK45 has established an ambassador programme through which members all over the world represent the group.

Review of the HKIAC’s business in 2018

Dispute resolution services

In 2018, HKIAC experienced steady demand for its arbitration administration, mediation and domain name dispute resolution services as well as its hearing facilities.

On 1 November 2018, HKIAC promulgated its revised 2018 Administered Arbitration Rules which were the result of a year-long process of public consultation and drafting. They were selected as the procedural rules for the 26th Vis Moot competition in Vienna which attracts thousands of participants and observers.

A total of 521 new cases were filed at HKIAC in 2018. Of these new cases, 265 were arbitrations, 21 were mediations, and 235 were domain name disputes. Within the 265 arbitrations, 146 were administered by HKIAC under the 2013 or 2018 HKIAC Administered Arbitration Rules, or the UNCITRAL Arbitration Rules. The total sum of all arbitration disputes was HK$52.2 billion (approximately US$5.7 billion) which represented a 34% increase from 2017.

In 2018, HKIAC was requested to administer two disputes arising under investment treaties brought by investors against Respondent States.
Hong Kong International Arbitration Centre
香港國際仲裁中心

Business review (continued)

Review of the HKIAC’s business in 2018 (continued)

Dispute resolution services (continued)

Also, on 14 December 2018, the Government of Hong Kong designated HKIAC-HKMC as one of the two mediation institutions to administer disputes between a Mainland Chinese investor and the relevant authorities or institutions of Hong Kong under the Investment Agreement under the Mainland and Hong Kong Closer Economic Partnership Agreement.

HKIAC’s 2018 arbitration caseload continued to be predominately international in nature: 72% of new arbitration cases involved at least one non-Hong Kong party. Of those, 39% involved no Hong Kong parties and 8% involved no Asian parties. Parties from 40 jurisdictions participated in HKIAC arbitrations in 2018. The top ten nationalities of these parties were (by number of cases): (i) Hong Kong SAR; (ii) Mainland China; (iii) British Virgin Islands; (iv) United States; (v) the Cayman Islands; (vi) Singapore; (vii) South Korea; (viii) Macau SAR; (ix) Vietnam; and (x) Malaysia. The top ten types of disputes were (i) international trade; (ii) corporate; (iii) maritime; (iv) construction; (v) banking and financial services; (vi) professional services; (vii) intellectual property; (viii) insurance; (ix) investor-State; and (x) others.

In 2018, HKIAC was requested to appoint mediators on 21 occasions which surpassed the number of requests in 2017 by six. Approximately 50% of mediations came to HKIAC by court referral and 25% each by party agreement or referral from the Joint Mediation Hotline Organisation.

In 2018, HKIAC provided administrative support in 235 domain name disputes. Approximately 60% of cases were filed under the Uniform Dispute Resolution Policy at HKIAC, the Hong Kong office of the Asian Domain Name Dispute Resolution Centre. The next most frequently filed type of complaints was made under the China Internet Network Information Center Domain Name Dispute Resolution Policy. They constituted approximately 34% of cases.

Fees for HKIAC administered arbitration services accounted for 50% of 2018 income. The next largest earner was hearing facility hire (22%). Income from domain name dispute resolution proceedings constituted 7% of income. By contrast, income from mediation proceedings was less significant, but the fees earned by the Secretariat in supporting the Hong Kong Mediators’ Accreditation Association Limited represented 4% of annual income. Income generated by conferences also accounted for approximately 6% of annual earnings.

Business development and events management

In addition to its dispute resolution services and facilities, HKIAC conducts an active business development and event management programme. Over the course of 2018, HKIAC was involved in the organisation of 20 events in Hong Kong and 32 events overseas. Details of those events are provided in the table below.
Hong Kong International Arbitration Centre
香港國際仲裁中心

Business review (continued)

Review of the HKIAC's business in 2018 (continued)

Business development and events management (continued)

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<td>7.</td>
<td>02/03/2018</td>
<td>Tokyo</td>
<td>HKIAC Pre-arbitration Strategy Workshop</td>
</tr>
<tr>
<td>8.</td>
<td>08/03/2018</td>
<td>Shanghai</td>
<td>HKIAC Inaugural Women’s Arbitration Club</td>
</tr>
<tr>
<td>9.</td>
<td>16/03/2018</td>
<td>Hong Kong</td>
<td>CMS/HKIAC Investment Lecture: The Interaction between International Sales and Investment Protection</td>
</tr>
<tr>
<td>10.</td>
<td>21/03/2018</td>
<td>Seoul</td>
<td>HKIAC Pre-arbitration Strategy Workshop</td>
</tr>
<tr>
<td>11.</td>
<td>22/03/2018</td>
<td>Frankfurt</td>
<td>HKIAC Arbitration Clause Negotiation Workshop – Honing the Art of Negotiation</td>
</tr>
<tr>
<td>12.</td>
<td>30/03/2018</td>
<td>Shanghai</td>
<td>Lunch Talk for Young Practitioners (1)</td>
</tr>
<tr>
<td>13.</td>
<td>25/04/2018</td>
<td>Shanghai</td>
<td>HKIAC Arbitration Workshops – How to be Successful as Counsel in International Arbitration</td>
</tr>
<tr>
<td>14.</td>
<td>26/04/2018</td>
<td>Shanghai</td>
<td>Lunch Talk for Young Practitioners (2)</td>
</tr>
<tr>
<td>15.</td>
<td>27/04/2018</td>
<td>Shanghai</td>
<td>New Judicial Explanation on Arbitration</td>
</tr>
<tr>
<td>16.</td>
<td>04/05/2018</td>
<td>Hangzhou</td>
<td>HKIAC Arbitration Clause Negotiation Workshop – Honing the Art of Negotiation</td>
</tr>
<tr>
<td>17.</td>
<td>08/05/2018</td>
<td>Hong Kong</td>
<td>20 Essex St/HKIAC: Belt and Road Investment Disputes – The International Legal Landscape for Chinese Investors and Counterparties</td>
</tr>
<tr>
<td>18.</td>
<td>25/05/2018</td>
<td>Shanghai</td>
<td>Lunch Talk for Young Practitioners (3)</td>
</tr>
<tr>
<td>19.</td>
<td>31/05/2018</td>
<td>San Francisco</td>
<td>Doing Business with China: Why Arbitration Matters</td>
</tr>
<tr>
<td>20.</td>
<td>01/06/2018</td>
<td>Shanghai</td>
<td>程序令: 从国际仲裁到国内仲裁 (Procedure: From International Arbitration to China Arbitration)</td>
</tr>
<tr>
<td>21.</td>
<td>05/06/2018</td>
<td>New York</td>
<td>Doing Business with China: Why Arbitration Matters</td>
</tr>
</tbody>
</table>
### Business review (continued)

**Review of the HKIAC’s business in 2018 (continued)**

**Business development and events management (continued)**

<table>
<thead>
<tr>
<th>No.</th>
<th>Date</th>
<th>Venue</th>
<th>Event description</th>
</tr>
</thead>
<tbody>
<tr>
<td>22.</td>
<td>07/06/2018</td>
<td>Ho Chi Minh City</td>
<td>HKIAC Pre-arbitration Strategy Workshop: Maximising Recovery in International Infrastructure Disputes</td>
</tr>
<tr>
<td>23.</td>
<td>08/06/2018</td>
<td>Beijing</td>
<td>HKIAC WIA 中国女性与仲裁：如何做得更好? (Women and Arbitration in China: How it could be done better?)</td>
</tr>
<tr>
<td>24.</td>
<td>08/06/2018</td>
<td>Hong Kong</td>
<td>Arbitrators’ training workshop for Mongolian International Arbitration Center</td>
</tr>
<tr>
<td>25.</td>
<td>15/06/2018</td>
<td>Kunming</td>
<td>HKIAC Arbitration Clause Negotiation Workshop. Topic “Hong Kong Arbitration under BRI: Chances and Challenges”</td>
</tr>
<tr>
<td>26.</td>
<td>14/06/2018</td>
<td>Hong Kong</td>
<td>2018 International Arbitration Survey Launch</td>
</tr>
<tr>
<td>27.</td>
<td>14-16/06/2018</td>
<td>Hong Kong</td>
<td>HKIAC Tribunal Secretary Training Programme</td>
</tr>
<tr>
<td>28.</td>
<td>19-21/06/2018</td>
<td>Shanghai</td>
<td>Shanghai Open Day</td>
</tr>
<tr>
<td>29.</td>
<td>26/06/2018</td>
<td>Hong Kong</td>
<td>HKIAC and LSHK Roundtable Discussion</td>
</tr>
<tr>
<td>30.</td>
<td>27/06/2018</td>
<td>Jakarta</td>
<td>Commercial and Investment Arbitration Training Workshop</td>
</tr>
<tr>
<td>31.</td>
<td>29/06/2018</td>
<td>Shanghai</td>
<td>Lunch Talk Xiuming Tao</td>
</tr>
<tr>
<td>32.</td>
<td>05/07/2018</td>
<td>Shanghai</td>
<td>2nd HKIAC Arbitration Workshop 2018 Shanghai Series</td>
</tr>
<tr>
<td>33.</td>
<td>24/07/2018</td>
<td>Hong Kong</td>
<td>Public Working Group Session on HKIAC Rules Revision</td>
</tr>
<tr>
<td>34.</td>
<td>24/07/2018</td>
<td>Yangon</td>
<td>The effective use of commercial dispute resolution</td>
</tr>
<tr>
<td>35.</td>
<td>25/07/2018</td>
<td>Yangon</td>
<td>HKIAC Arbitration Clause Negotiation Workshop – Honing the Art of Negotiation</td>
</tr>
<tr>
<td>36.</td>
<td>27/07/2018</td>
<td>Shanghai</td>
<td>Lunch Talk Ms Lu Ye</td>
</tr>
<tr>
<td>37.</td>
<td>30/8/2018</td>
<td>Seoul</td>
<td>In-house Congress – Arbitration Success, from Start to Finish: Third-party Funding &amp; Enforcement</td>
</tr>
</tbody>
</table>
Hong Kong International Arbitration Centre
香港國際仲裁中心

Business review (continued)

Review of the HKIAC’s business in 2018 (continued)

Business development and events management (continued)

<table>
<thead>
<tr>
<th>No.</th>
<th>Date</th>
<th>Venue</th>
<th>Event description</th>
</tr>
</thead>
<tbody>
<tr>
<td>39.</td>
<td>28/09/2018</td>
<td>Shanghai</td>
<td>Damages and costs in international arbitration (3rd Shanghai Arbitration Workshop)</td>
</tr>
<tr>
<td>40.</td>
<td>04/10/2018</td>
<td>Seoul</td>
<td>Arbitrators Challenged Workshop</td>
</tr>
<tr>
<td>41.</td>
<td>04/10/2018</td>
<td>Hong Kong</td>
<td>Arbitration Clause Negotiation Workshop – Honing the Art of Negotiation</td>
</tr>
<tr>
<td>42.</td>
<td>16/10/2018</td>
<td>Beijing</td>
<td>Arbitration Clause Negotiation Workshop – Honing the Art of Negotiation</td>
</tr>
<tr>
<td>43.</td>
<td>25/10/2018</td>
<td>Shanghai</td>
<td>Lunch Talk for Young Practitioners – Mr Guo Xiaowen</td>
</tr>
<tr>
<td>44.</td>
<td>26/10/2018</td>
<td>Hong Kong</td>
<td>Pre-arbitration strategy workshop (in Mandarin)</td>
</tr>
<tr>
<td>45.</td>
<td>29/10/2018</td>
<td>Hong Kong</td>
<td>HK Arb Week: WIA Event</td>
</tr>
<tr>
<td>46.</td>
<td>29/10/2018</td>
<td>Hong Kong</td>
<td>HK Arb Week: Opening Cocktail Reception</td>
</tr>
<tr>
<td>47.</td>
<td>31/10/2018</td>
<td>Hong Kong</td>
<td>HK Arb Week: ADR in Asia Conference</td>
</tr>
<tr>
<td>48.</td>
<td>31/10/2018</td>
<td>Shanghai</td>
<td>International Arbitration organised by In-house Community</td>
</tr>
<tr>
<td>49.</td>
<td>12/11/2018</td>
<td>Hong Kong</td>
<td>Evolution and the Discoverability of In-house Counsel Communications by Jennifer Kirby</td>
</tr>
<tr>
<td>50.</td>
<td>19/11/2018</td>
<td>Hong Kong</td>
<td>Effective Dispute Resolution for the Maritime Industry (part of HK Maritime Week) organised by the HK Maritime &amp; Port Board &amp; HKIAC</td>
</tr>
<tr>
<td>51.</td>
<td>21/11/2018</td>
<td>Hong Kong</td>
<td>Sir Christopher Greenwood Kaplan Lecture – Is the Age of Arbitration in International Law Drawing to a Close?</td>
</tr>
<tr>
<td>52.</td>
<td>22/11/2018</td>
<td>Hong Kong</td>
<td>Sir Christopher Greenwood in conversation with Neil Kaplan</td>
</tr>
</tbody>
</table>

HKIAC was also involved in co-organising and supporting many other dispute resolution events over the year. HKIAC Council members, staff, and other representatives were engaged to lecture students and visiting groups, provide professional trainings, and speak at multiple public events during the year.

7
Hong Kong International Arbitration Centre
香港國際仲裁中心

Business review (continued)

Description of the principal risks and uncertainties facing HKIAC

The principal risk for HKIAC is a decrease in demand for its dispute resolution services. However, these risks are not currently of real concern as HKIAC sees a general growth trend in demand for its services. One challenge for HKIAC lies in the growing number of competing dispute resolution centres in the region which promote their services to the same markets as HKIAC. In response, HKIAC invests a significant amount of human and financial capital in promoting its services and developing innovative products to offer users. Alongside HKIAC’s efficient case administration, business development and promotional outreach are critical aspects of HKIAC’s work and future growth.

Particulars of important events affecting HKIAC that have occurred since the year ended 31 December 2018

The following important events affecting HKIAC occurred since 31 December 2018:

1. On 2 April 2019, the Government of the Hong Kong Special Administrative Region and the Supreme People’s Court of the People’s Republic of China signed an Arrangement Concerning Mutual Assistance in Court-ordered Interim Measures in Aid of Arbitral Proceedings by the Courts of the Mainland and of the Hong Kong Special Administrative Region (“Arrangement”). Pursuant to the Arrangement, any party to “arbitral proceedings in Hong Kong” may, before the arbitral award is issued, apply to the relevant Mainland Chinese courts for interim measures in relation to the arbitral proceedings in accordance with the relevant laws and regulations of Mainland China. For the purposes of the Arrangement, “arbitral proceedings in Hong Kong” means arbitral proceedings which are seated in Hong Kong and administered by qualified institutions. HKIAC applied to qualify as an arbitral institution under the Arrangement on 1 May 2019 and is awaiting a response. It appears that HKIAC fulfills the relevant criteria. This development sets Hong Kong apart as the only jurisdiction outside of Mainland China where parties to arbitrations seated therein and administered by qualified institutions can obtain assistance from Mainland Courts. It will attract more arbitrations to Hong Kong and HKIAC.

2. On 25 April 2019, HKIAC was granted permission to function as a permanent arbitral institution (“PAI”) under Article 44(3) of the Federal Law No. 382-FZ dated 29 December 2015 on Arbitration in the Russian Federation, as amended by, among others, the Federal Law No. 531-FZ dated 27 December 2018. This is a significant development which means that HKIAC is the first international arbitral institution authorised to administer (i) international “institutional” disputes seated in Russia; (ii) disputes between parties from any special administrative region as defined under Russian law or disputes arising from agreements to carry out activities in any such region; and (iii) certain types of corporate disputes in respect of a legal entity in Russia (Article 45(7) and (7.1) of the Federal Law and Article 225.1 of the Russian Arbitral Procedure Code). This development will attract more Russian-related disputes to Hong Kong and HKIAC.

3. The 2018 HKIAC Administered Arbitration Rules were used for the 26th Vis Moot competition. This brought HKIAC wide exposure at the Vis-East competition in Hong Kong in March 2019 and at the main competition in Vienna in April 2019.
An indication of likely future development in HKIAC’s business

HKIAC’s objectives consist of (i) continuing to provide excellent case administration by a multilingual, highly qualified Secretariat; (ii) identifying innovations for the benefit of the legal and business communities; (iii) promoting HKIAC’s services in key industries and jurisdictions; and (iv) providing regular forums for the exchange of ideas and information and thought leadership in international dispute resolution, particularly within Asia.

In pursuit of these objectives, HKIAC’s future developments include:

1. For the eighth year in a row, HKIAC will organise Hong Kong Arbitration Week from 20 to 25 October 2019. This is a major occasion on the international arbitration calendar which attracts hundreds of attendees to a series of events over one week.

2. HKIAC continues the implementation of a three-year effort to promote its dispute resolution services in the context of China’s Belt and Road Initiative (“BRI”). HKIAC has employed a Business Development Deputy Director who spearheads promotional work under this programme. HKIAC has received a grant from the Hong Kong Commerce and Economic Development Bureau under the Professional Services Advancement Support Scheme for its BRI promotional work, which has included, inter alia, the establishment of an BRI Advisory Committee, a dedicated section on HKIAC’s website, and the organisation of 13 events in multiple BRI jurisdictions over a three-year period.

3. HKIAC will promote the use of its 2018 Administered Arbitration Rules through a roadshow that spans 21 cities.

4. HKIAC has proposed amendments to the rules that govern its role as appointing authority under the Hong Kong Arbitration Ordinance (“Rules Cap 609C”). On 8 March 2019, HKIAC’s Council approved a proposal that would allow HKIAC to be able to waive fees in low-value cases where it is requested to make decisions under the Arbitration Ordinance. This required amendments to the Rules Cap 609C. HKIAC’s proposed amendments were approved by the Chief Justice and published on the Government Gazette on 17 May 2019. HKIAC presented the amendments to a subcommittee formed by the Legislative Council. As the amendments are subject to a negative vetting process, failing any amendments to the amendments, they will come into force from 1 August 2019. The ability of HKIAC to waive fees in low-value cases will make Hong Kong more attractive as a seat for low-value cases. This is of particular interest to the maritime and construction sectors.

5. HKIAC is also in the process of revising its 1999 Mediation Rules. The revision process will include a public consultation process, and once published, will generate publicity and interest.
Hong Kong International Arbitration Centre
香港國際仲裁中心

Council’s report

The Council has pleasure in submitting their annual report together with the audited financial statements of Hong Kong International Arbitration Centre (the "centre") for the year ended 31 December 2018.

Principal activity and business review

The principal activity of the centre is to provide facilities and services for alternative dispute resolution. Further discussion and analysis of this activity as required by Schedule 5 to the Companies Ordinance, including a discussion of the principal risks and uncertainties facing the centre and an indication of likely future developments in the centre’s business, can be found in the Business Review set out on pages 1 to 9 of this Council’s report.

Results

The results of the centre for the year ended 31 December 2018 and the state of the centre’s affairs as at that date are set out in the financial statements on pages 15 to 47.

Council members

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

Anthony Kenneth HOUGHTON
Briana Boyd EDWARDS
James Edward JAMISON
Joon Hee KIM
Kathryn Sara Hippolyte SANGER
Matthew Peter GEARING
Nils Rolandsson ELIASSON
Ning FEI
Rennie Arthur BOWRING
Robert San PE
Sai Cheong Joseph WAN
Sai Kit MOK
Timothy HILL
Andrea MENAKER
Ing Loong YANG
Jian An GUO
John Eric COCK
Jose-Antonio MAURELLET
Kwan Ngai Ronald SUM
Kwok Keung YUEN
Wing Tsuen Wilson KWONG
Lee Ming MUN
Mary Margaret UTTERBACK
Promod NAIR
Robert Ching TANG

(Appointed on 12 October 2018)
(Appointed on 8 March 2019)
(Appointed on 12 October 2018)
(Appointed on 7 December 2018)
(Appointed on 12 October 2018)
(Appointed on 12 October 2018)
(Appointed on 12 October 2018)
(Appointed on 14 June 2019)
(Appointed on 12 October 2018)
(Appointed on 12 October 2018)
(Appointed on 8 March 2019)
(Appointed on 8 March 2019)
(Appointed on 25 October 2018)
Council’s report (continued)

Council members (continued)

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

Chiann BAO (Resigned on 8 June 2018)
Henri Charles ALVAREZ (Resigned on 28 September 2018)
Justin John Gaetano D’AGOSTINO (Resigned on 28 September 2018)
Kwok Leung SOO (Resigned on 28 September 2018)
Peter Henry LORD GOLDSMITH (Resigned on 7 January 2019)
Peter Scott CALDWELL (Resigned on 4 December 2018)
Shirley YUEN (Resigned on 22 May 2019)
Stephen Arthur MALOY (Resigned on 12 October 2018)
Wing Christopher TO (Resigned on 28 September 2018)

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

Material interests in transactions, arrangements or contracts

No transactions, arrangements and contracts of significance in relation to the centre’s business to which the centre was a party and in which the Council members 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.

Permitted indemnity provision

At no time during the year and up to the date of this report, was or is any permitted indemnity provision in force for the benefit of any of the Council members of the centre.

Auditor

Baker Tilly Hong Kong Limited who were appointed during the year and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Baker Tilly Hong Kong Limited as auditor of the centre is to be proposed at the forthcoming Annual General Meeting.

On behalf of the Council

Sai Cheong Joseph WAN
Council member
Hong Kong, 12 AUG 2019
Independent auditor’s report to the members of
Hong Kong International Arbitration Centre
香港國際仲裁中心
(Incorporated in Hong Kong and limited by guarantee)

Opinion

We have audited the financial statements of Hong Kong International Arbitration Centre (the “centre”) set out on pages 15 to 47, which comprise the statement of financial position as at 31 December 2018, the statement of income and expenditure and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the centre as at 31 December 2018 and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the “Auditor’s responsibilities for the audit of the financial statements” section of our report. We are independent of the centre in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Council members are responsible for the other information. The other information comprises the information included in the business review and Council’s report, but does not include the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.
Independent auditor’s report to the members of
Hong Kong International Arbitration Centre (continued)
香港國際仲裁中心
(Incorporated in Hong Kong and limited by guarantee)

Responsibilities of Council members and those charged with governance for the financial statements
The Council members are responsible for the preparation of financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the financial statements, the Council members are responsible for assessing the centre’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council members either intend to liquidate the centre or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the centre’s financial reporting process.

Auditor’s responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSASs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSASs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 centre’s internal control.
Independent auditor’s report to the members of
Hong Kong International Arbitration Centre (continued)
香港國際仲裁中心
(Incorporated in Hong Kong and limited by guarantee)

Auditor’s responsibilities for the audit of the financial statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council members.

- Conclude on the appropriateness of the Council members’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the centre’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the centre to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Baker Tilly Hong Kong Limited
Certified Public Accountants

Hong Kong, 12 AUG 2019

Lo Wing See
Practising certificate number P04607
Hong Kong International Arbitration Centre
香港國際仲裁中心

Statement of income and expenditure and other comprehensive income
for the year ended 31 December 2018
(Expressed in Hong Kong dollars)

<table>
<thead>
<tr>
<th>Note</th>
<th>Description</th>
<th>2018 HKD</th>
<th>2017 HKD</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>Revenue</td>
<td>31,680,552</td>
<td>30,567,618</td>
</tr>
<tr>
<td>4</td>
<td>Other income</td>
<td>1,981,648</td>
<td>4,177,026</td>
</tr>
<tr>
<td></td>
<td>Share of surplus of an associate</td>
<td></td>
<td>3,900</td>
</tr>
<tr>
<td></td>
<td>Share of surplus of a joint venture</td>
<td>3,923</td>
<td>114,161</td>
</tr>
<tr>
<td></td>
<td>Administrative expenses</td>
<td>(11,031,495)</td>
<td>(11,748,962)</td>
</tr>
<tr>
<td></td>
<td>Other operating expenses</td>
<td>(16,361,375)</td>
<td>(14,368,203)</td>
</tr>
<tr>
<td>5</td>
<td>Surplus and total comprehensive income for the year</td>
<td>6,387,414</td>
<td>8,665,104</td>
</tr>
</tbody>
</table>

The notes on pages 19 to 47 form part of these financial statements.
### Hong Kong International Arbitration Centre

**Statement of financial position as at 31 December 2018**  
(Expressed in Hong Kong dollars)

<table>
<thead>
<tr>
<th>Note</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>HKD</td>
<td>HKD</td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plant and equipment</td>
<td>8</td>
<td>4,125,710</td>
</tr>
<tr>
<td>Intangible asset</td>
<td>9</td>
<td>250,000</td>
</tr>
<tr>
<td>Interest in an associate</td>
<td>10</td>
<td>54,632</td>
</tr>
<tr>
<td>Interest in a joint venture</td>
<td>11</td>
<td>219,250</td>
</tr>
<tr>
<td><strong>Total Non-current assets</strong></td>
<td></td>
<td><strong>4,649,592</strong></td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets</td>
<td>12</td>
<td>19,087,655</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>13</td>
<td>4,148,175</td>
</tr>
<tr>
<td>Amount due from an associate</td>
<td>10</td>
<td>-</td>
</tr>
<tr>
<td>Pledged deposits</td>
<td>14</td>
<td>1,779,265</td>
</tr>
<tr>
<td>Clients’ deposits in bank balances</td>
<td></td>
<td>195,322,446</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td></td>
<td>26,989,964</td>
</tr>
<tr>
<td><strong>Total Current assets</strong></td>
<td></td>
<td><strong>247,327,505</strong></td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits received from claimants and respondents</td>
<td>15</td>
<td>195,322,446</td>
</tr>
<tr>
<td>Other payables and accrued expenses</td>
<td>16</td>
<td>5,136,021</td>
</tr>
<tr>
<td>Contract liabilities</td>
<td>17</td>
<td>2,850,583</td>
</tr>
<tr>
<td>Grants received in advance</td>
<td></td>
<td>286,810</td>
</tr>
<tr>
<td>Amount due to an associate</td>
<td>10</td>
<td>40,606</td>
</tr>
<tr>
<td><strong>Total Current liabilities</strong></td>
<td></td>
<td><strong>203,636,466</strong></td>
</tr>
<tr>
<td><strong>Net current assets</strong></td>
<td></td>
<td><strong>43,691,039</strong></td>
</tr>
<tr>
<td><strong>NET ASSETS</strong></td>
<td></td>
<td><strong>48,340,631</strong></td>
</tr>
<tr>
<td><strong>RESERVES</strong></td>
<td>18</td>
<td></td>
</tr>
<tr>
<td>Capital contributions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private sectors</td>
<td></td>
<td>1,593,389</td>
</tr>
<tr>
<td>Accumulated surplus</td>
<td></td>
<td>26,461,987</td>
</tr>
<tr>
<td><strong>Total RESERVES</strong></td>
<td></td>
<td><strong>48,340,631</strong></td>
</tr>
</tbody>
</table>

Approved and authorised for issue by the Council members on **12 Aug 2019**

Sai Cheong Joseph WAN  
Council member

Nils Rolandsson ELIASSON  
Council member

The notes on pages 19 to 47 form part of these financial statements.
Hong Kong International Arbitration Centre  
香港國際仲裁中心  
Statement of changes in equity  
for the year ended 31 December 2018  
(Expressed in Hong Kong dollars)

<table>
<thead>
<tr>
<th></th>
<th>Capital contributions HKD</th>
<th>Accumulated surplus HKD</th>
<th>Total HKD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at 1 January 2017</strong></td>
<td>21,878,644</td>
<td>11,409,469</td>
<td>33,288,113</td>
</tr>
<tr>
<td><strong>Surplus and total comprehensive income for the year</strong></td>
<td></td>
<td>8,665,104</td>
<td>8,665,104</td>
</tr>
<tr>
<td><strong>Balance at 31 December 2017 and 1 January 2018</strong></td>
<td>21,878,644</td>
<td>20,074,573</td>
<td>41,953,217</td>
</tr>
<tr>
<td><strong>Surplus and total comprehensive income for the year</strong></td>
<td></td>
<td>6,387,414</td>
<td>6,387,414</td>
</tr>
<tr>
<td><strong>Balance at 31 December 2018</strong></td>
<td>21,878,644</td>
<td>26,461,987</td>
<td>48,340,631</td>
</tr>
</tbody>
</table>

The notes on pages 19 to 47 form part of these financial statements.
## Statement of cash flows
for the year ended 31 December 2018
(Expressed in Hong Kong dollars)

<table>
<thead>
<tr>
<th>Note</th>
<th>2018 HKD</th>
<th>2017 HKD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Surplus for the year</td>
<td>6,387,414</td>
<td>8,665,104</td>
</tr>
<tr>
<td>Adjustments for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>4 (171,171)</td>
<td>(46,792)</td>
</tr>
<tr>
<td>Dividend income from financial assets</td>
<td>4 (288,190)</td>
<td>(243,809)</td>
</tr>
<tr>
<td>Fair value gain on financial assets at FVTPL</td>
<td>4 -</td>
<td>(638,520)</td>
</tr>
<tr>
<td>Gain on disposals of financial assets</td>
<td>4 -</td>
<td>(13,002)</td>
</tr>
<tr>
<td>Amortisation of intangible asset</td>
<td>5(b) 120,000</td>
<td>120,000</td>
</tr>
<tr>
<td>Depreciation</td>
<td>5(b) 396,754</td>
<td>2,452,871</td>
</tr>
<tr>
<td>Fair value loss on financial assets at FVTPL</td>
<td>5(b) 715,645</td>
<td>-</td>
</tr>
<tr>
<td>Share of surplus of an associate</td>
<td>10 (3,923)</td>
<td>(3,900)</td>
</tr>
<tr>
<td>Share of surplus of a joint venture</td>
<td>11 (114,161)</td>
<td>(33,725)</td>
</tr>
<tr>
<td><strong>Operating surplus before changes in working capital</strong></td>
<td>7,042,368</td>
<td>10,258,227</td>
</tr>
<tr>
<td>(Increase)/decrease in trade and other receivables</td>
<td>(1,442,620)</td>
<td>208,284</td>
</tr>
<tr>
<td>Decrease/(increase) in amount due from an associate</td>
<td>23,941</td>
<td>(309)</td>
</tr>
<tr>
<td>Decrease in amounts due from related companies</td>
<td>-</td>
<td>1,536,335</td>
</tr>
<tr>
<td>Increase/(decrease) in deposits received from claimants and respondents</td>
<td>13,853,322</td>
<td>(22,792,891)</td>
</tr>
<tr>
<td>Increase in other payables and accrued expenses</td>
<td>1,436,134</td>
<td>1,254,253</td>
</tr>
<tr>
<td>Increase in contract liabilities</td>
<td>2,850,583</td>
<td>-</td>
</tr>
<tr>
<td>(Decrease)/increase in grants received in advance</td>
<td>(497,383)</td>
<td>596,819</td>
</tr>
<tr>
<td>Increase in amount due to an associate</td>
<td>40,606</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net cash generated from/(used in) operating activities</strong></td>
<td>23,306,951</td>
<td>(8,939,282)</td>
</tr>
<tr>
<td><strong>Investing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payment for purchase of plant and equipment</td>
<td>(3,814,585)</td>
<td>(374,609)</td>
</tr>
<tr>
<td>Payment for purchase of financial assets</td>
<td>(24,269,515)</td>
<td>(8,778,574)</td>
</tr>
<tr>
<td>Proceed from disposals of financial assets</td>
<td>22,144,040</td>
<td>770,675</td>
</tr>
<tr>
<td>Dividend received from financial assets</td>
<td>288,190</td>
<td>243,809</td>
</tr>
<tr>
<td>Interest received</td>
<td>171,171</td>
<td>46,792</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities</strong></td>
<td>(5,480,699)</td>
<td>(8,091,907)</td>
</tr>
<tr>
<td><strong>Net increase/(decrease) in cash and cash equivalents</strong></td>
<td>17,826,252</td>
<td>(17,031,189)</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at 1 January</strong></td>
<td>206,265,423</td>
<td>223,296,612</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at 31 December</strong></td>
<td>224,091,675</td>
<td>206,265,423</td>
</tr>
</tbody>
</table>

**Represented by:**

- Pledged deposits 14 1,779,765 1,536,853
- Clients’ deposits in bank balances (Note) 195,322,446 181,469,124
- Cash and cash equivalents 26,989,964 23,259,446
- 224,091,675 206,265,423

**Note:** The balances represented clients’ monies for arbitration services which were deposited in the centre’s designated bank accounts.

The notes on pages 19 to 47 form part of these financial statements.
Hong Kong International Arbitration Centre  
香港國際仲裁中心

Notes to the financial statements  
(Expressed in Hong Kong dollars)

1 Centre information

Hong Kong International Arbitration Centre (the “centre”) is a limited by guarantee company incorporated in Hong Kong. Its registered office is located at 38th Floor, Two Exchange Square, Central, Hong Kong.

2 Significant accounting policies

(a) Statement of compliance

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

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the centre. Note 2(c) provides information on the changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the centre for the current and prior accounting periods reflected in these financial statements.

A summary of significant accounting policies adopted by the centre is set out below.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis, except that financial assets classified as fair value through profit or loss are stated at fair value as explained in the accounting policies set out in note 2(g).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

Notes to the financial statements (continued)
(Expressed in Hong Kong dollars)

2 Significant accounting policies (continued)

(c) Changes in accounting policies

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the centre. Of these, the following developments are relevant to the centre’s financial statements.

HKFRS 9 Financial instruments
HKFRS 15 Revenue from contracts with customers

The centre has not applied any new standards or interpretations that is not yet effective for the current accounting period (see note 23).

(i) HKFRS 9, Financial instruments

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The centre has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. Any cumulative effect of initial application would be recognised as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

Further details of the nature and effect of the changes to previous accounting policies are set out below:

(a) Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVTOCI") and at fair value through profit or loss ("FVTPL"). These supersede HKAS 39’s categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVTPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

The classification and measurement of financial liabilities are largely unchanged, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability’s own credit risk to be recognised in other comprehensive income without reclassification to profit or loss.
2 Significant accounting policies (continued)

(c) Changes in accounting policies (continued)

(i) HKFRS 9, Financial instruments (continued)

(a) Classification of financial assets and financial liabilities (continued)

The following table shows the original measurement category for the centre’s financial assets under HKAS 39 and reconciles the carrying amounts of the financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

<table>
<thead>
<tr>
<th>HKAS 39 carrying amount at 31 December 2017</th>
<th>HKFRS 9 carrying amount at 1 January 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>HKD</td>
<td>HKD</td>
</tr>
<tr>
<td>Financial assets at amortised cost:</td>
<td></td>
</tr>
<tr>
<td>Certificate of deposit</td>
<td>HKD 8,000,000 HKD 8,000,000</td>
</tr>
</tbody>
</table>

Financial assets classified as held-to-maturity:

| Certificate of deposit | HKD 8,000,000 | (HKD 8,000,000) |HKD 0 |

The centre does not have any financial liabilities designated at FVTPL and therefore the financial liabilities have not been impacted by the initial application of HKFRS 9.

(b) Credit losses

HKFRS 9 replaces the “incurred loss” model in HKAS 39 with the expected credit loss ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the “incurred loss” accounting model in HKAS 39.

The centre applies the new ECL model to financial assets measured at amortised cost (including certificate of deposits, trade and other receivables, amount due from an associate, pledged deposits, clients’ deposits in bank balances and cash and cash equivalents).

For further details on the centre’s accounting policy for accounting for credit losses, see note 2(h).

The adoption of ECL model under HKFRS 9 has not resulted in the recognition of any additional credit losses at 1 January 2018.
Hong Kong International Arbitration Centre
香港國際仲裁中心

Notes to the financial statements (continued)
(Expressed in Hong Kong dollars)

2 Significant accounting policies (continued)

(c) Changes in accounting policies (continued)

(ii) HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for revenue from construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The centre has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 18. As allowed by HKFRS 15, the centre has applied the new requirements only to contracts that were not completed before 1 January 2018.

Further details of new significant accounting policies and effect of the changes are set out below:

Timing of revenue recognition

Previously, revenue arising from provision of services was recognised over time when services were rendered.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised service in the contract. This may be at a point in time or over time. HKFRS 15 identifies 3 situations in which control of the promised service is regarded as being transferred over time:

- When the customer simultaneously receives and consumes the benefits provided by the entity’s performance, as the entity performs;

- When the entity’s performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced; and

- When the entity’s performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.
Hong Kong International Arbitration Centre
香港國際仲裁中心

Notes to the financial statements (continued)
(Expressed in Hong Kong dollars)

2 Significant accounting policies (continued)

(c) Changes in accounting policies (continued)

(ii) HKFRS 15, Revenue from contracts with customers (continued)

Timing of revenue recognition (continued)

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the centre recognises revenue from provision of services and this change in accounting policy has no material impact on retained earnings as at 1 January 2018.

Presentation of contract assets and liabilities

Under HKFRS 15, a contract asset is recognised when the centre recognises the revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract. A contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the centre recognises the related revenue.
Hong Kong International Arbitration Centre
香港國際仲裁中心
Notes to the financial statements (continued)
(Expressed in Hong Kong dollars)

2 Significant accounting policies (continued)

(c) Changes in accounting policies (continued)

(ii) HKFRS 15, Revenue from contracts with customers (continued)

Disclosure of the estimated impact on the amounts reported in respect of the year ended 31 December 2018 as a result of the adoption of HKFRS 15 on 1 January 2018.

The following tables summarise the estimated impact of adoption of HKFRS 15 on the centre’s financial statements for the year ended 31 December 2018, by comparing the amounts reported under HKFRS 15 in these financial statements with estimates of the hypothetical amounts that would have been recognised under HKAS 18 if the superseded standard had continued to apply to 2018 instead of HKFRS 15. These tables show only those line items impacted by the adoption of HKFRS 15:

<table>
<thead>
<tr>
<th>Amounts reported in accordance with HKFRS 15 HKD</th>
<th>Hypothetical amounts under HKAS 18 HKD</th>
<th>Estimated impact of adoption of HKFRS 15 HKD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade and other receivables</td>
<td>4,148,175</td>
<td>2,071,501</td>
</tr>
<tr>
<td>Other payables and accrued expenses</td>
<td>(5,136,021)</td>
<td>(7,986,604)</td>
</tr>
<tr>
<td>Contract liabilities</td>
<td>(2,850,583)</td>
<td>-</td>
</tr>
</tbody>
</table>

Line items in the statement of financial position as at 31 December 2018 impacted by the adoption of HKFRS 15:

| (Increase)/decrease in trade and other receivables | (1,442,620) | 634,054 | (2,076,674) |
| Increase in other payables and accrued expenses   | 1,436,134   | 4,286,717 | (2,850,583) |
| Increase in contract liabilities                  | 2,850,583   | -       | 2,850,583   |

(d) Plant and equipment

Plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment losses.
2 Significant accounting policies (continued)

(d) Plant and equipment (continued)

Depreciation is calculated to write off the cost of items of plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives of 5 years.

The useful life of an asset, depreciation method and its residual value, if any, are reviewed annually.

The cost of construction in progress includes the cost of leasehold improvement and other costs directly attributable to bringing the assets to a working condition for its intended use. Construction in progress is not depreciated until it is completed and ready for its intended use.

The carrying amounts of plant and equipment are reviewed for indications of impairment at the end of each reporting period. An impairment loss is recognised to the extent that the carrying amount of an asset, or the cash-generating unit to which it belongs, is more than its recoverable amount. The recoverable amount of an asset, or of the cash-generating unit to which it belongs, is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the assets. An impairment loss is reversed if there has been a favourable change in estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset’s carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to income and expenditure account in the year in which the reversals are recognised.

Gains or losses arising from the retirement or disposal of an item of plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in income and expenditure account on the date of retirement or disposal.

(e) Intangible assets

Website development that are acquired by the centre is stated in the statement of financial position at cost less accumulated amortisation (where the estimated useful life is other than indefinite) and impairment losses. Amortisation of website development cost is provided on the straight-line basis over its estimated useful lives of 5 years.

The carrying amounts of intangible assets are reviewed for indications of impairment at the end of each reporting period. An impairment loss is recognised to the extent that the carrying amount of an asset, or the cash-generating unit to which it belongs, is more than its recoverable amount. The recoverable amount of an asset, or of the cash-generating unit to which it belongs, is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the assets. An impairment loss is reversed if there has been a favourable change in estimates used to determine the recoverable amount.
Hong Kong International Arbitration Centre
香港國際仲裁中心

Notes to the financial statements (continued)
(Expressed in Hong Kong dollars)

2 Significant accounting policies (continued)

(e) Intangible assets (continued)

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in income and expenditure account when the asset is derecognised.

(f) Associate and joint venture

An associate is an entity in which the centre has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an agreement whereby the centre and other parties contractually agree to share control of the agreement, and have rights to the net assets of the agreement.

An investment in an associate and a joint venture is accounted for in the financial statements under the equity method, unless it is classified as held for sale. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the centre’s share of the acquisition-date fair values of the investee’s identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the centre’s share of the investee’s net assets and any impairment loss relating to the investment. Any acquisition-date excess over cost, the centre’s share of the post-acquisition, post-tax results of the associate and joint venture and any impairment losses for the year are recognised in income and expenditure account, whereas the centre’s share of the post-acquisition post-tax items of the investee’s other comprehensive income is recognised in the centre’s statement of income and expenditure and other comprehensive income.

When the centre’s share of deficit exceeds its interest in the associate or the joint venture, the centre’s interest is reduced to nil and recognition of further losses is discontinued except to the extent that the centre has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the centre’s interest is the carrying amount of the investment under the equity method together with the centre’s long-term interests that in substance form part of the centre’s net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the centre and its associate and joint venture are eliminated to the extent of the centre’s interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in income and expenditure account.
Hong Kong International Arbitration Centre
香港國際仲裁中心
Notes to the financial statements (continued)
(Expressed in Hong Kong dollars)

2 Significant accounting policies (continued)

(f) Associate and joint venture (continued)

When the centre ceases to have significant influence over an associate or joint control over joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in income and expenditure account. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

(g) Financial assets

Investments are recognised/derecognised on the date the centre commits to purchase/sell the investments or they expire. Investments in equity securities are initially stated at cost, which is their transaction price unless fair value can be reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below.

Investments in securities are classified as financial assets at FVTPL when the investment is either held for trading or it is designated as at FVTPL. Any attributable transaction costs are recognised in income and expenditure account as incurred. Financial assets at FVTPL are stated at fair value, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in income and expenditure account does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in note 2(m).

Non-equity investments held by the centre are classified into amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Financial assets measured at amortised cost are assessed for ECL in accordance with the policy set out in note 2(h).

(h) Credit losses from financial assets

The centre recognises a loss allowance for certificate of deposit, ECLs on the financial assets measured at amortised cost (including trade and other receivables, amount due from an associate, pledged deposits, clients’ deposits in bank balances and cash and cash equivalents).

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the centre in accordance with the contract and the cash flows that the centre expects to receive), discounted at the original effective interest rate, where the effect of discounting is material.
Hong Kong International Arbitration Centre
香港國際仲裁中心

Notes to the financial statements (continued)
(Expressed in Hong Kong dollars)

2 Significant accounting policies (continued)

(h) Credit losses from financial assets (continued)

The maximum period considered when estimating ECLs is the maximum contractual period over which the centre is exposed to credit risk. In measuring ECLs, the centre takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs which result from all possible default events over the expected lives of these financial assets. ECLs on these financial assets are estimated using a provision matrix based on the centre’s historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the end of the reporting period.

For certificate of deposit, other receivables, amount due from an associate, pledged deposits, clients’ deposits in bank balances and cash and cash equivalents, the centre recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial asset since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs. The 12-month ECLs are losses that are expected to result from possible default events within the 12 months after the end of the reporting period.

In assessing whether the credit risk of a financial asset has increased significantly since initial recognition, the centre compares the risk of default occurring on the financial asset assessed at the end of the reporting period with that assessed at the date of initial recognition. In making this reassessment, the centre considers that a default event occurs when the borrower is unlikely to pay its credit obligations to the centre in full, without recourse by the centre to actions such as realising security (if any is held). The centre considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor’s ability to meet its obligation to the centre.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.
Notes to the financial statements (continued)
(Expressed in Hong Kong dollars)

2 Significant accounting policies (continued)

(i) Trade and other receivables

A receivable is recognised when the centre has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(h)).

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 2(h).

(k) Payables

Payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(l) Contract liabilities

A contract liability is recognised when the customer pays consideration before the company recognises the related revenue (see note 2(m)). A contract liability would also be recognised if the company has an unconditional right to receive consideration before the company recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

(m) Revenue recognition

Income is classified by the centre as revenue when it arises from provision of facilities and services for alternative dispute resolution.

Revenue is recognised when control over a service is transferred to the customer at the amount of promised consideration to which the centre is expected to be entitled, excluding those amounts collected on behalf of third parties.

Further details of the centre’s revenue and other income recognition policies are as follows:

(i) Revenue from administration services, appointment fee, conference, seminar and domain name income are recognised at a point in time when services are rendered.

(ii) Annual panel fees are recognised over a period of time on a straight-line basis over the subscription period.
2 Significant accounting policies (continued)

(m) Revenue recognition (continued)

(iii) Income from venue rental is recognised at a point in time in the period in which the venue are let out.

(iv) Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

Dividend income from unlisted investments is recognised when the shareholder’s right to receive payment is established.

(v) Interest income is recognised as it accrues using the effective interest method.

(vi) Grants that compensate the centre for expenses incurred are recognised as income in income and expenditure account on a systematic basis in the same periods in which the expenses are incurred.

(n) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the centre has a legal or constructive obligation arising as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(o) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in income and expenditure account.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.
Hong Kong International Arbitration Centre
香港國際仲裁中心

Notes to the financial statements (continued)
(Expressed in Hong Kong dollars)

2 Significant accounting policies (continued)

(p) Operating lease charges

Where the centre has the use of assets held under operating leases, payments made under the leases are charged to income and expenditure account in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in income and expenditure account as an integral part of the aggregate net lease payments made. Contingent rentals are charged to income and expenditure account in the accounting period in which they are incurred.

(q) 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. Contributions to the defined contribution retirement schemes are expensed as incurred.

(r) Related parties

(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 of 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) The entity and the centre are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the centre or an entity related to the centre.
Hong Kong International Arbitration Centre

Notes to the financial statements (continued)
(Expressed in Hong Kong dollars)

2 Significant accounting policies (continued)

(r) Related parties (continued)

(b) An entity is related to the centre if any of the following conditions applies: (continued)

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the centre.

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.

3 Revenue

The principal activities of the centre are to provide facilities and services for alternative dispute resolution.

Revenue represents alternative dispute resolution service, conference and seminar and venue rental income received and receivable during the year. The amounts of each significant category of revenue recognised in revenue during the year were as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alternative dispute resolution services income</td>
<td>21,835,606</td>
<td>19,145,605</td>
</tr>
<tr>
<td>Conference and seminar income</td>
<td>2,505,921</td>
<td>3,043,767</td>
</tr>
<tr>
<td>Venue rental income</td>
<td>7,339,025</td>
<td>8,378,246</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>31,680,552</strong></td>
<td><strong>30,567,618</strong></td>
</tr>
</tbody>
</table>
Hong Kong International Arbitration Centre
香港國際仲裁中心

Notes to the financial statements (continued)
(Expressed in Hong Kong dollars)

4 Other income

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>171,171</td>
<td>46,792</td>
</tr>
<tr>
<td>Dividend income from financial assets</td>
<td>288,190</td>
<td>243,809</td>
</tr>
<tr>
<td>Exchange gain</td>
<td>7,265</td>
<td>32,965</td>
</tr>
<tr>
<td>Fair value gain on financial assets at FVTPL</td>
<td>-</td>
<td>638,520</td>
</tr>
<tr>
<td>Gain on disposal of financial assets</td>
<td>-</td>
<td>13,002</td>
</tr>
<tr>
<td>Government grants*</td>
<td>1,415,180</td>
<td>2,916,257</td>
</tr>
<tr>
<td>Sundry income</td>
<td>99,842</td>
<td>285,681</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,981,648</td>
<td>4,177,026</td>
</tr>
</tbody>
</table>

* Apart from the amount of HKD751,076 (2017: HKD759,563) provided by the local authority to a representative office of the centre in Mainland China for office rental, the remaining of HKD664,104 (2017: HKD2,156,694) was provided by the Government of Hong Kong Special Administrative Region to the centre for various projects during the year.

5 Surplus of income over expenditure

Surplus of income over expenditure is arrived at after charging:

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>HKD</td>
<td>HKD</td>
</tr>
</tbody>
</table>

(a) Staff costs:

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries, bonuses and other benefits</td>
<td>16,051,564</td>
<td>12,771,820</td>
</tr>
<tr>
<td>Mandatory provident fund contributions</td>
<td>436,408</td>
<td>354,959</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>16,487,972</td>
<td>13,126,779</td>
</tr>
</tbody>
</table>

(b) Other items:

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auditor’s remuneration</td>
<td>67,231</td>
<td>74,800</td>
</tr>
<tr>
<td>Amortisation of intangible asset</td>
<td>120,000</td>
<td>120,000</td>
</tr>
<tr>
<td>Bad debts</td>
<td>11,640</td>
<td>43,964</td>
</tr>
<tr>
<td>Depreciation</td>
<td>396,754</td>
<td>2,452,871</td>
</tr>
<tr>
<td>Operating lease charges: minimum lease payments</td>
<td>789,813</td>
<td>796,796</td>
</tr>
<tr>
<td>Fair value loss on financial assets at FVTPL</td>
<td>715,645</td>
<td>-</td>
</tr>
</tbody>
</table>
Hong Kong International Arbitration Centre
香港國際仲裁中心

Notes to the financial statements (continued)
(Expressed in Hong Kong dollars)

6 Income tax

The centre is a charitable institution within the meaning of Section 88 of the Inland Revenue Ordinance and accordingly, it is exempt from Hong Kong Profits Tax.

7 Remuneration of Council members

No Council member received, or will receive, any fees or emoluments (2017: HKDnil) in respect of services to the centre during the year.

8 Plant and equipment

<table>
<thead>
<tr>
<th></th>
<th>Office equipment HKD</th>
<th>Furniture and fixtures HKD</th>
<th>Leasehold improvements HKD</th>
<th>Construction in progress HKD</th>
<th>Total HKD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2017</td>
<td>7,104,779</td>
<td>2,725,776</td>
<td>11,794,464</td>
<td></td>
<td>21,625,019</td>
</tr>
<tr>
<td>Additions</td>
<td>198,529</td>
<td></td>
<td>176,080</td>
<td></td>
<td>374,609</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 31 December 2017 and 1 January 2018</td>
<td>7,303,308</td>
<td>2,725,776</td>
<td>11,790,544</td>
<td></td>
<td>21,999,628</td>
</tr>
<tr>
<td>Additions</td>
<td>2,123,901</td>
<td>48,204</td>
<td>162,400</td>
<td>1,480,000</td>
<td>3,814,585</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 31 December 2018</td>
<td>9,427,209</td>
<td>2,773,980</td>
<td>12,132,944</td>
<td>1,480,000</td>
<td>25,814,213</td>
</tr>
<tr>
<td><strong>Accumulated depreciation:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2017</td>
<td>6,127,683</td>
<td>2,528,850</td>
<td>10,182,345</td>
<td></td>
<td>18,838,878</td>
</tr>
<tr>
<td>Charge for the year</td>
<td>686,852</td>
<td>175,178</td>
<td>1,590,841</td>
<td></td>
<td>2,452,871</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 31 December 2017 and 1 January 2018</td>
<td>6,814,535</td>
<td>2,704,028</td>
<td>11,773,186</td>
<td></td>
<td>21,291,749</td>
</tr>
<tr>
<td>Charge for the year</td>
<td>314,979</td>
<td>10,446</td>
<td>71,329</td>
<td></td>
<td>396,754</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 31 December 2018</td>
<td>7,129,514</td>
<td>2,714,474</td>
<td>11,844,515</td>
<td></td>
<td>21,688,503</td>
</tr>
<tr>
<td><strong>Carrying value:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 31 December 2018</td>
<td>2,227,775</td>
<td>59,506</td>
<td>288,429</td>
<td>1,480,000</td>
<td>4,125,710</td>
</tr>
<tr>
<td>At 31 December 2017</td>
<td>488,773</td>
<td>21,748</td>
<td>197,358</td>
<td></td>
<td>707,879</td>
</tr>
</tbody>
</table>
9 Intangible assets

<table>
<thead>
<tr>
<th>Website development cost HKD</th>
</tr>
</thead>
<tbody>
<tr>
<td>600,000</td>
</tr>
</tbody>
</table>

Cost:

At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018 600,000

Accumulated amortisation:

At 1 January 2017 110,000
Charge for the year 120,000

At 31 December 2017 and 1 January 2018 230,000
Charge for the year 120,000

At 31 December 2018 350,000

Carrying value:

At 31 December 2018 250,000
At 31 December 2017 370,000

10 Interest in an associate

<table>
<thead>
<tr>
<th>2018 HKD</th>
<th>2017 HKD</th>
</tr>
</thead>
<tbody>
<tr>
<td>54,632</td>
<td>50,709</td>
</tr>
<tr>
<td>(40,606)</td>
<td>23,941</td>
</tr>
</tbody>
</table>
10 Interest in an associate (continued)

Details of associate as at 31 December 2018 and 2017 are as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Place of incorporation and operation</th>
<th>Percentage of direct ownership interest</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>25%</td>
<td>Settlement of domain name disputes by administrative proceeding in Hong Kong and the People’s Republic of China</td>
</tr>
</tbody>
</table>

The amount due (to)/from an associate is unsecured, interest free and repayable on demand.

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.

Summary financial information on an associate is set out below:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>108,179</td>
<td>115,267</td>
</tr>
<tr>
<td>Surplus and total comprehensive income for the year</td>
<td>15,691</td>
<td>15,600</td>
</tr>
<tr>
<td>Centre’s share of surplus and total comprehensive income for the year</td>
<td>3,923</td>
<td>3,900</td>
</tr>
<tr>
<td>Total assets</td>
<td>261,024</td>
<td>241,138</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>(42,496)</td>
<td>(38,301)</td>
</tr>
<tr>
<td>Net assets</td>
<td>218,528</td>
<td>202,837</td>
</tr>
<tr>
<td>Centre’s share of net assets</td>
<td>54,632</td>
<td>50,709</td>
</tr>
</tbody>
</table>
Hong Kong International Arbitration Centre
香港國際仲裁中心
Notes to the financial statements (continued)
(Expressed in Hong Kong dollars)

11 Interest in a joint venture

<table>
<thead>
<tr>
<th>Name</th>
<th>Place of incorporation and operation</th>
<th>Percentage of direct ownership interest</th>
<th>Principal activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joint Mediation Helpline Office (&quot;JMHO&quot;)</td>
<td>Hong Kong</td>
<td>12.5%</td>
<td>Provision and promotion of mediation services</td>
</tr>
</tbody>
</table>

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.

Summary financial information on joint venture is set out below:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>3,393,613</td>
<td>2,797,992</td>
</tr>
<tr>
<td>Surplus and total comprehensive income for the year</td>
<td>913,281</td>
<td>269,800</td>
</tr>
<tr>
<td>Centre’s share of surplus</td>
<td>114,161</td>
<td>33,725</td>
</tr>
<tr>
<td>Current assets</td>
<td>1,942,326</td>
<td>1,066,827</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>49,839</td>
<td>16,800</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>(238,168)</td>
<td>(242,911)</td>
</tr>
<tr>
<td>Net assets</td>
<td>1,753,997</td>
<td>840,716</td>
</tr>
<tr>
<td>Centre’s share of net assets</td>
<td>219,250</td>
<td>105,089</td>
</tr>
</tbody>
</table>
Notes to the financial statements (continued)
(Expressed in Hong Kong dollars)

12 Financial assets

<table>
<thead>
<tr>
<th></th>
<th>31 December 2018</th>
<th>1 January 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>HKD</td>
<td>HKD</td>
<td>HKD</td>
<td>HKD</td>
</tr>
<tr>
<td>At amortised cost:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Certificate of deposit</td>
<td>10,125,475</td>
<td>8,000,000</td>
<td></td>
</tr>
<tr>
<td>Held to maturity:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Certificate of deposit</td>
<td></td>
<td></td>
<td>8,000,000</td>
</tr>
<tr>
<td>At FVTPL:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds listed in Hong Kong</td>
<td>3,234,543</td>
<td>3,329,542</td>
<td>3,329,542</td>
</tr>
<tr>
<td>Unlisted investment funds in overseas</td>
<td>5,727,637</td>
<td>6,348,283</td>
<td>6,348,283</td>
</tr>
<tr>
<td></td>
<td>8,962,180</td>
<td>9,677,825</td>
<td>9,677,825</td>
</tr>
<tr>
<td></td>
<td>19,087,655</td>
<td>17,677,825</td>
<td>17,677,825</td>
</tr>
</tbody>
</table>

The certificate of deposit bore interest at 1.33% (2017: 1.12%) per annum, matured by January 2019 (2017: August 2018).

The fair value of bonds listed in Hong Kong were based on their bid prices in active markets. The fair values of unlisted investment funds were established by reference to the prices quoted by the banks which are the fund administrators. Financial assets at FVTPL were treated as collateral for facilities granted (note 19).

13 Trade and other receivables

<table>
<thead>
<tr>
<th></th>
<th>31 December 2018</th>
<th>1 January 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>HKD</td>
<td>HKD</td>
<td>HKD</td>
<td>HKD</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>2,480,507</td>
<td>2,161,734</td>
<td>785,658</td>
</tr>
<tr>
<td>Other receivables, deposits and prepayments</td>
<td>1,667,668</td>
<td>1,919,987</td>
<td>1,919,987</td>
</tr>
<tr>
<td></td>
<td>4,148,175</td>
<td>4,081,631</td>
<td>2,705,555</td>
</tr>
</tbody>
</table>

Upon the adoption of HKFRS 15, amount of trade receivables, for which the company’s entitlement to the consideration was unconditional, was reclassified from contract liabilities and disclosed in note 17.

All of the trade and other receivables, apart from certain deposits totalling HKD270,818 (2017: HKD192,480), are expected to be recovered or recognised as expense if impairment become necessary within one year.
Hong Kong International Arbitration Centre
香港國際仲裁中心
Notes to the financial statements (continued)
(Expressed in Hong Kong dollars)

13 Trade and other receivables (continued)

Included in the trade and other receivables, certain interest receivables of HKD54,485 (2017: HKD53,951) were treated as collateral for the facilities granted (note 20).

Trade debtors are due immediately. Further details on the centre's credit policy are set out in note 19(a).

The ageing analysis of trade receivables that were neither individually nor collectively considered to be impaired is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than one month past due</td>
<td>637,519</td>
<td>169,147</td>
</tr>
<tr>
<td>1 to 3 months past due</td>
<td>718,604</td>
<td>343,216</td>
</tr>
<tr>
<td>More than 3 months but less than 12 months past due</td>
<td>1,124,384</td>
<td>273,295</td>
</tr>
<tr>
<td>Amounts past due</td>
<td>2,480,507</td>
<td>785,658</td>
</tr>
</tbody>
</table>

During the year ended 31 December 2018, HKD11,640 (2017: HKD43,964) were written off against trade receivables directly which related to individually impaired receivables where the management assessed that the amount was irrecoverable.

14 Pledged deposits

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>HKD</td>
<td>HKD</td>
</tr>
<tr>
<td>Bank deposit</td>
<td>-</td>
<td>50,024</td>
</tr>
<tr>
<td>Fixed deposit held by investments managers</td>
<td>1,602,965</td>
<td>1,297,446</td>
</tr>
<tr>
<td>Cash deposit held by investments managers</td>
<td>176,300</td>
<td>189,383</td>
</tr>
<tr>
<td></td>
<td>1,779,265</td>
<td>1,536,853</td>
</tr>
</tbody>
</table>

The fixed deposit and cash deposit held by investments managers are treated as collateral for the facilities granted (note 20).

At 31 December 2017, the bank deposit was pledged as security for the grant of credit cards facilities (note 20).

15 Deposits received from claimants and respondents

At 31 December 2018 and 2017, all the deposits were paid by claimants and respondents for arbitration services and held in the centre's segregated bank accounts.
### Hong Kong International Arbitration Centre

**Notes to the financial statements (continued)**

(Expressed in Hong Kong dollars)

#### 16 Other payables and accrued expenses

<table>
<thead>
<tr>
<th></th>
<th>31 December 2018</th>
<th>1 January 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>HKD</td>
<td>5,136,021</td>
<td>3,447,263</td>
<td>3,699,887</td>
</tr>
</tbody>
</table>

Other payables and accrued expenses

Upon the adoption of HKFRS 15, advances and deposits received were reclassified to contract liabilities and disclosed in note 17.

At 31 December 2018, all of other payables and accrued expenses were expected to be settled within one year.

#### 17 Contract liabilities

The centre has initially applied HKFRS 15 using the cumulative effect method and adjusted the opening balances as at 1 January 2018.

<table>
<thead>
<tr>
<th></th>
<th>31 December 2018</th>
<th>1 January 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>HKD</td>
<td>2,850,583</td>
<td>1,628,700</td>
<td>-</td>
</tr>
</tbody>
</table>

Service contracts

- billings in advance of performance

Movements in contract liabilities during the year were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2018 HKD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at 1 January</td>
<td>1,628,700</td>
</tr>
<tr>
<td>Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year</td>
<td>(1,628,700)</td>
</tr>
<tr>
<td>Increase in contract liabilities as a result of billings in advance of performance</td>
<td>2,850,583</td>
</tr>
<tr>
<td>Balance at 31 December</td>
<td>2,850,583</td>
</tr>
</tbody>
</table>

All billings in advance of performance were expected to be recovered within one year.
Notes to the financial statements (continued)
(Expressed in Hong Kong dollars)

18 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 HKD100.

(a) Private sectors’ contributions represent the original donations of HKD39,000 received from 13 organisations 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 HKD19.1 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 therefor 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.

In the opinion of the Council’s members, the above event did not happen during the year. Therefore, the centre is not required to return any portion of the Government contribution to the Government.

19 Financial risk management and fair values

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the centre’s operation. The centre is also exposed to equity price risk arising from its bonds investments. These risks are limited by the centre’s financial management policies and practices described below.

(a) Credit risk

The centre’s credit risk is primarily attributable to certificate of deposit, trade receivables, pledged deposits and clients’ deposits in bank balances and cash and cash equivalents. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.
Hong Kong International Arbitration Centre
香港國際仲裁中心

Notes to the financial statements (continued)
(Expressed in Hong Kong dollars)

19 Financial risk management and fair values (continued)

(a) Credit risk (continued)

The centre’s exposure to credit risk arising from certificate of deposit, pledged deposits, clients’ deposits in bank balances and cash and cash equivalents is limited because the counterparties are financial institutions that have sound credit rating.

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. Trade receivables are due immediately. Normally, the centre does not obtain collateral from customers.

The centre’s exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the centre has a few individual customers with large outstanding balances. At 31 December 2018, the centre has no significant concentration of credit risk. At 31 December 2017, the centre had a certain concentration of credit risk as 33% of the total trade receivables was due from the two largest customers.

The centre measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the centre’s historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the centre’s different customer bases.

There was no impairment loss recognised in the years ended 31 December 2018 and 2017.

Further quantitative disclosures in respect of the centre’s exposure to credit risk arising from trade receivables are set out in note 13.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset presented in the statement of financial position. The centre does not provide any other guarantees which would expose it to credit risk.

(b) Liquidity risk

The centre regularly monitors current and expected liquidity requirements to ensure that it maintains sufficient cash to meet its liquidity requirements in the short and longer term.

(c) Interest rate risk

Apart from fixed interest rate certificate of deposits and pledged deposits, the centre has no significant interest bearing assets and liabilities. Accordingly, its income and operating cash flows are substantially independent of changes in market interest rates.
19 Financial risk management and fair values (continued)

(d) Foreign currency risk

The centre is exposed to foreign currency risk primarily through its revenue, expenses, its assets and liabilities that are denominated in Renminbi, United States dollars and Euros.

(i) Exposure to foreign currency risk

The following table details the significant exposure at the end of the reporting period to foreign currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the centre.

<table>
<thead>
<tr>
<th>2018</th>
<th>United States</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Renminbi HKD</td>
<td>Dollars HKD</td>
<td>Euros HKD</td>
</tr>
<tr>
<td>Financial assets</td>
<td>-</td>
<td>18,180,846</td>
<td>906,809</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>270,818</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Pledged deposits</td>
<td>-</td>
<td>1,614,517</td>
<td>162,053</td>
</tr>
<tr>
<td>Clients' deposits in bank balances</td>
<td>-</td>
<td>8,778,119</td>
<td>-</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>823,558</td>
<td>14,257,144</td>
<td>-</td>
</tr>
<tr>
<td>Deposits received from claimants and respondents</td>
<td>-</td>
<td>(8,778,119)</td>
<td>-</td>
</tr>
<tr>
<td>Other payables and accrued expenses</td>
<td>(183,060)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>911,316</td>
<td>34,052,507</td>
<td>1,068,862</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2017</th>
<th>United States</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Renminbi HKD</td>
<td>Dollars HKD</td>
<td>Euros HKD</td>
</tr>
<tr>
<td>Financial assets</td>
<td>-</td>
<td>8,557,947</td>
<td>1,119,878</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>192,480</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Pledged deposits</td>
<td>-</td>
<td>1,306,779</td>
<td>177,757</td>
</tr>
<tr>
<td>Clients' deposits in bank balances</td>
<td>-</td>
<td>8,440,358</td>
<td>-</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>79,161</td>
<td>40,019</td>
<td>-</td>
</tr>
<tr>
<td>Deposits received from claimants and respondents</td>
<td>-</td>
<td>(8,440,358)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>271,641</td>
<td>9,904,745</td>
<td>1,297,635</td>
</tr>
</tbody>
</table>
Hong Kong International Arbitration Centre  
香港國際仲裁中心  
Notes to the financial statements (continued)  
(Expressed in Hong Kong dollars)  

19  Financial risk management and fair values (continued)  

(d)  Foreign currency risk (continued)  

As Hong Kong dollars is pegged to United States dollars, the centre does not expect any significant exposure to foreign currency risk in respect of United States dollars.  

At 31 December 2018 and 2017, it was estimated that the effect on the centre’s surplus of income over expenditure would not be material for a general depreciation or appreciation of 5% on Hong Kong dollars against Renminbi and Euros, with all other variables being held constant.  

(e)  Fair values  

(i)  Financial instruments carried at fair value  

The following table presents the fair value of the centre’s financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:  

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.  
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.  
- Level 3 valuations: Fair value measured using significant unobservable inputs.  

<table>
<thead>
<tr>
<th>Financial assets at FVTPL</th>
<th>Level 1 2018</th>
<th>Level 1 2017</th>
<th>Level 2 2018</th>
<th>Level 2 2017</th>
<th>Level 1 2018</th>
<th>Level 1 2017</th>
<th>Total 2018</th>
<th>Total 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>HKD 2018</td>
<td>HKD 2017</td>
<td>HKD 2018</td>
<td>HKD 2017</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds listed in Hong Kong</td>
<td>3,234,543</td>
<td>3,329,542</td>
<td>-</td>
<td>-</td>
<td>3,234,543</td>
<td>3,329,542</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unlisted investment funds in overseas</td>
<td>-</td>
<td>-</td>
<td>5,727,637</td>
<td>6,348,283</td>
<td>5,727,637</td>
<td>6,348,283</td>
<td>3,234,543</td>
<td>3,329,542</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>9,762,180</strong></td>
<td><strong>9,677,525</strong></td>
<td><strong>3,234,543</strong></td>
<td><strong>3,329,542</strong></td>
<td><strong>5,727,637</strong></td>
<td><strong>6,348,283</strong></td>
<td><strong>3,234,543</strong></td>
<td><strong>3,329,542</strong></td>
</tr>
</tbody>
</table>

There were no transfers between the levels of fair value measurement hierarchy for the years ended 31 December 2018 and 2017.  

(ii)  Financial instruments carried at other than fair value  

The carrying amounts of the financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2018 and 2017.
Hong Kong International Arbitration Centre

Notes to the financial statements (continued)
(Expressed in Hong Kong dollars)

19 Financial risk management and fair values (continued)

(f) Price risk

The centre is exposed to price risk arising from its financial assets at FVTPL. 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% (2017: 10%) higher/lower while all other variables were held constant, the centre’s surplus for the year would have been HKD896,218 (2017: HKD967,783) higher/lower, mainly as a result of changes in fair value of financial assets. 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 bonds investments would change in accordance with the historical correlation with the relevant risk variables, that none of the centre’s financial assets at FVTPL 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 2017.

Further, the centre holds some unlisted investments which were measured at fair value at 31 December 2018 and 2017. The management considers there should not have significant change in the fair value of the investments.

20 Banking facilities

As at 31 December 2018, revolving loan facilities of HKD7,750,000 (2017: HKD7,750,000) from a bank were granted to the centre under which financial assets at FVTPL, fixed deposit and cash deposit held by investments managers and interest receivable with an aggregate carrying amount of HKD10,795,930 (2017: HKD11,218,576) were treated as collateral for the facilities granted. Unutilised facilities available to the centre as at 31 December 2018 amounted to HKD7,750,000 (2017: HKD7,750,000).

As at 31 December 2017, the centre had a total credit limit of HKD50,000 for credit card accounts. The centre had pledged a bank deposit of HKD50,024 as a security in favour of the bank for the grant of the credit cards facilities. As at 31 December 2017, unutilised credit cards facilities available to the centre amounted to HKD50,000.
Hong Kong International Arbitration Centre
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Notes to the financial statements (continued)
(Expressed in Hong Kong dollars)

21 Commitments

(a) At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>HKD</td>
<td>HKD</td>
</tr>
<tr>
<td>Within 1 year</td>
<td>320,128</td>
<td>871,807</td>
</tr>
<tr>
<td>After 1 year but within 5 years</td>
<td>162,675</td>
<td>381,542</td>
</tr>
<tr>
<td></td>
<td>482,803</td>
<td>1,253,349</td>
</tr>
</tbody>
</table>

The centre is the lessee in respect of a number of offices and office equipment held under operating leases. The leases typically run for an initial period of 3 to 5 years, at the end of which period all terms are renegotiated. The leases do not include any contingent rentals.

The office of the centre located at a portion of 38/F., Two Exchange Square, 8 Connaught Place, Central, Hong Kong, was paying HKD1 rental per annum to The Financial Secretary Incorporated commencing from 1 October 1994. On 22 May 2012 and 7 June 2018, the centre entered into two supplementary agreements with The Financial Secretary Incorporated under which the whole of 38/F. of above mentioned building was let to the centre at an annual rent of HKD1 for the period from 16 March 2012 to 15 March 2018 and from 16 March 2018 to 15 March 2024 respectively.

(b) Capital commitment outstanding at 31 December 2018 not provided for in the financial statements was as follows:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>HKD</td>
<td>HKD</td>
</tr>
<tr>
<td>Contracted for</td>
<td>370,000</td>
<td>------</td>
</tr>
</tbody>
</table>

22 Material related party transactions

(a) Transaction with key management personnel

All members of key management personnel are the Council members of the centre, none of whom received any remuneration in respect of their services to the centre during the year (note 7).
Hong Kong International Arbitration Centre
香港國際仲裁中心

Notes to the financial statements (continued)
(Expressed in Hong Kong dollars)

22 Material related party transactions (continued)

(b) Transactions with other related parties

During the year, the centre entered into the following material related party transactions:

<table>
<thead>
<tr>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>HKD</td>
<td>HKD</td>
</tr>
</tbody>
</table>

Share of common operating cost to associate

23,122  24,917

Balances with related party is disclosed in the statement of financial position and in note 10.

23 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2018

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2018 and which have not been adopted in these financial statements.

The centre is assessing the impact of these amendments, new standards and new interpretations in the period of initial application. So far it has concluded that their adoption will not have a significant impact on the centre’s financial statements.