Annual Report
2016 Reflections
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**ABOUT US**

The Hong Kong International Arbitration Centre (HKIAC) is one of the top three arbitral institutions in the world and the most preferred arbitral institution outside of Europe.

Established in 1985, HKIAC is an independent and non-profit organisation. As a one-stop-shop, HKIAC provides arbitration, mediation, adjudication and domain name dispute resolution services. It also maintains 18 state-of-the-art hearing or meeting rooms.
It is with great pride and some sadness that I report on 2016, the last year in my term as Chairperson of HKIAC.

When I look back over the totality of my term, I am struck by the volume and significance of HKIAC’s achievements. These have been made possible through shared efforts of many within the Hong Kong and international legal and business communities. I would like to thank, in particular, John Budge, chairperson of the Finance and Administration Committee, for his many years of steadfast dedication, and the members of the Secretariat—led by Secretary-General Chiann Bao—for the quality of their work and the creative way in which they complete it.

Over the course of 2016, HKIAC continued to thrive in its role as one of the world’s leading international arbitration centres. HKIAC experienced strong growth in caseload, not only in domestic and international arbitration but also in respect of its mediation and domain name dispute resolution services. HKIAC’s reputation for breaking new ground continued as it responded to users’ feedback. HKIAC was nominated for an award recognizing its innovation for its offer of free hearing space to parties using HKIAC’s services in disputes involving developing States.

Like HKIAC, Hong Kong as a legal seat adapted to users’ needs through several significant legislative reforms. First, the Arbitration Ordinance was amended to clarify that disputes involving intellectual property rights can be settled by arbitration, and that it is not contrary to Hong Kong’s public policy to enforce arbitral awards relating to intellectual property rights. Second, following a comprehensive public consultation process, in October 2016, the Hong Kong Law Reform Commission released a report recommending that the Arbitration Ordinance be amended to allow for third party funding of arbitration and associated proceedings, and that appropriate financial and ethical safeguards be developed.

The Hong Kong courts maintained their strong record of enforcement in 2016. Of 32 applications to enforce an award, the Court refused to enforce just one. In addition, Hong Kong and HKIAC awards continued their stellar record of enforcement outside of Hong Kong, and particularly in Mainland China.

The Hong Kong government’s plan to create a legal hub in which law-related organisations will hold offices progressed. HKIAC will remain at its current premises at Two Exchange Square.

While it brings me much pleasure to reflect back over my term, I am likewise pleased when I look ahead to HKIAC’s future. I have no doubt that it will continue to provide excellent dispute resolution services, that it will innovatively adapt to the needs of its users, and that it will grow from strength to strength.

Teresa Cheng GBS SC JP
Chairperson
Hong Kong International Arbitration Centre
31 December 2016
It is a great privilege that I write this report having taken up the role of Secretary-General of HKIAC in September 2016 from Chiann Bao, my pioneering and indefatigable predecessor.

In this short time, I have found HKIAC to be a thriving institution with an ever-increasing and diverse caseload. Its governing body, the HKIAC Council, and its Standing Committees—the engines of the Centre’s operations and case oversight—are comprised of dispute resolution, commercial, and industry experts. The Secretariat is a group of multilingual, highly qualified and experienced individuals.

In this last quarter of 2016, HKIAC has held Hong Kong Arbitration Week, which was attended by more people than ever before, and launched a new initiative under which it offers free hearing space in cases involving a developing State where the parties have opted for HKIAC administrative support.

In addition to its primary objective of ensuring efficient case administration, HKIAC has key projects planned for 2018 and beyond. These include a revision of the 2013 Administered Arbitration Rules and an extensive outreach programme on dispute resolution and related issues in the context of China’s Belt and Road Initiative.

Sarah GRIMMER
Secretary-General
Hong Kong International Arbitration Centre

Over 2016, the Hong Kong Mediation Council (“HKMC”) completed a comprehensive work-plan and achieved targeted results. A total of 24 mediation events were organized and well received by participants.

HKMC continued to promote and facilitate the use of mediation both within and outside of Hong Kong.

Among other events, HKMC organized a conference on “The Beauty of Sector-Specific Mediation in Hong Kong” during Medialion Week 2016 with the support of the Hong Kong Department of Justice. The conference introduced to approximately 200 mediators and corporate representatives the various sector-specific mediation schemes run by governmental and professional organisations in Hong Kong. Another of HKMC’s seminars, on the “Use of Mediation in Intellectual Property Disputes”, was sponsored by the Hong Kong Mediation Accreditation Association Limited and attended by approximately 100 participants. HKMC was also among the supporting organisations of the inaugural Belt and Road Summit 2016 held by the Hong Kong Trade Development Council. HKMC Committee members spoke regularly at various academic institutions in Hong Kong and delivered trainings to companies and public entities.

Regionally, HKMC continued as a member of the Guang Dong-Hong Kong-Macau Commercial Mediation Alliance. It also maintained its working relationship with the Shanghai Commercial Mediation Centre and supported the 3rd Shanghai Hong Kong Commercial Mediation Conference.

I am indebted to our Committee, the interest and working group members, together with the HKIAC secretariat for their unfailing contribution to HKMCA’s objectives. With their continued support, I am sure that HKMC will continue to effectively promote and facilitate the use of mediation both within and outside of Hong Kong.

Man Sing Yeung
Chairperson
Hong Kong Mediation Council
Hong Kong as an arbitral venue has a long track-record of being a progressive seat; a fiercely pro-arbitration seat; and of leading the way forward particularly in Asia.

ADR in Asia Conference 2016
Sarah Grimmer, Secretary-General
Hong Kong International Arbitration Centre

In 2016, the HKIAC Secretariat visited the following jurisdictions:
- 16 cities in Asia
- 5 cities in Europe
- 4 cities in North America
- 1 city in Africa

HKIAC Arbitration Clause Negotiation Workshop were held in the following cities:
- Hong Kong
- Hanoi
- Seoul
- Moscow
- Mumbai
- Shanghai

HKIAC Tribunal Secretary Training Courses
- Hong Kong
- Singapore
- London
- Beijing
- New York
**Arbitration**

262 New Arbitration Cases were administered by HKIAC under the HKIAC Administered Arbitration Rules or the UNCITRAL Rules. HK$19.4 billion total amount in dispute (approximately US$2.5 billion).

94 were administered by HKIAC under the HKIAC Administered Arbitration Rules or the UNCITRAL Rules.

87.2% international

49.1% no connection with HK

6.6% no connection with Asia

78.4% at least one non-Hong Kong party

39 jurisdictions participated

94% international

49.1% no connection with HK

6.6% no connection with Asia

78.4% at least one non-Hong Kong party

39 jurisdictions participated

**Types of disputes**

1. Corporate and Finance: 29.3%
2. Maritime: 21.6%
3. Construction: 15.9%
4. Intellectual Property: 9.4%
5. International Trade: 10.8%
6. Insurance: 2.4%
7. Energy: 2.4%
8. Others: 8.9%

**Seat of arbitration**

1. Hong Kong
2. Singapore

**Governing Law**

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

**Total Number of Arbitrator Appointments**

137

**Industry Breakdown of Domain Name Cases**

- Banking and Finance, 6.56%
- Electronics, 3.28%
- Entertainment, 2.73%
- Fashion and Personal Care, 15.30%
- Food Beverages and Restaurants, 2.19%
- Luxury Items, 4.37%
- Internet and IT, 14.75%
- Hotels and Travel, 3.22%
- Others, 1.09%
- Transportation, 1.09%
- Telecommunication, 1.09%
- Technology and Pharmaceuticals, 20.22%
- Media and Publishing, 2.75%
- Sports, 2.19%

**Mediation Disputes**

- Commercial: 9
- Construction: 4
- Land & Property: 2

**Arbitrator appointments and confirmations**

- Female arbitrator appointments: 18
- Male arbitrator appointments: 119
- Total arbitrator appointments: 137

**Requests for consolidation**

- 1 was granted

**Requests for joinder**

- 2 were granted

**Challenges to arbitrators**

- 0

**Emergency arbitration cases**

- 65 awards were issued by HKIAC tribunals
- Expedited procedure applications 8 were granted

**Language of the Arbitration**

- Chinese: 12.8%
- English: 79.8%
- Bilingual (English & Chinese): 7.5%

**Domiciles of Parties in Domain Name Cases**

- China: 181
- United States: 68
- Hong Kong: 29
- United Kingdom: 20
- Germany: 15
- Korea: 12
- Singapore: 9
- Switzerland: 7

**Dispute Resolution Matters**

- HKDRP: 148
- UDRP: 121
- CNDRP: 59
- URS: 52

**2016 Statistics**

460 Total Number of Dispute Resolution Matters

- 2014: HKDRP 14, UDRP 9, CNDRP 12, URS 2
- 2015: HKDRP 19, UDRP 11, CNDRP 5, URS 2
- 2016: HKDRP 14, UDRP 12, CNDRP 5, URS 2

- Domain Name Disputes: 183
- Emergency arbitration cases: 158
- Expedited procedure applications: 8 were granted
Acclaimed world-leading hearing centre, the HKIAC offers an "excellent location at the heart of Central", with close proximity to a large number of business hotels, law firms, and a vast network of transportation, including the Airport Express.

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

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

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

Teresa CHENG SC (Chairperson)
Peter GOLDSMITH PC QC (Vice Chairperson)
Henri ÁLVAREZ QC
Chiann BAO
Arthur BOWRING
Peter CALDWELL
Justin D’AGOSTINO
Niels ELIASSON
FEI Ning
Matthew GEARING QC
Timothy HILL
Anthony HOUGHTON SC
Jim JAMISON

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

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

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
Adrian LAI
Daniel LAM
Joseph WAN

International Advisory Board
The International Advisory Board is comprised 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
Yves FORTIER QC
Emmanuel GAILLARD
Bernard HANOTIAU
Hon Mr Justice Michael HARTMANN
Lord HOFFMANN PC
Michael HWANG SC
Gabrielle KAUFMANN-KOHLER
Niels KRAINSOE
Elsie LEUNG

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

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

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

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

Jun Hee KIM
Daniel LAM
Stephen MALOY
Danny MOK
Robert PE
Kathryn SANGER
Gary SOO
Christopher TO
Joseph WAN
Briana YOUNG
Shirley YUEN

Ronald ARCULLI
Julian D M LEW QC
Hon Mr Justice Geoffrey MA
Hon Anthony NEOH SC
Jan PAULSSON
Sir Vivian RAMSEY
Hon Justice James SPIGELMAN AC QC
Hon Mr Justice Robert TANG
Jingzhou TAO
Albert Jan VAN DEN BERG
VV VEEDER QC
Anna WIU
Jianlong YU
Council's Report
Audited Financial Statements

Hong Kong International Arbitration Centre
31 December 2015
The Council has pleasure in submitting their report and audited financial statements for the year ended 31 December 2015.

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

Results
The results of the Centre for the year ended 31 December 2015 are set out in the income and expenditure statement on pages 5 to 6.

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

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

- Arthur BOWRING
- Chun Daniel LAM
- Henri ALVAREZ
- James Edward JAMISON
- John R BUDGE
- Joon Hee KIM
- Justin John Gaetano D’AGOSTINO
- Ka Chong Frederick KAN
- Kathryn Sara Hippolyte SANGER
- Kwok Leung SOO
- Liang Yee Philip YANG (resigned on 22 September 2015)
- Matthew GEARING
- Neil Trevor KAPLAN (resigned on 22 September 2015)
- Nils Rolandsson ELIASSON
- Ning FEI
- Peter GOLDSMITH
- Peter Scott CALDWELL
- Robert San PE
- Robin Somers PEARD
- Sai Cheong Joseph WAN
- Shirley YUEN
- Stephen Arthur MALOY
- Timothy HILL
- Wing Christopher TO
- Yeuk Wah Teresa CHENG

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

Council's Report

Management contracts
No contracts concerning the management and administration of the whole or any substantial part of any business of the Centre were entered into or existed during the year.

Equity-linked agreements
No equity-linked agreements into which the Centre entered subsisted at any time during the year.

Permitted indemnity provisions
No permitted indemnity provision was in force during the year, or is in force at the date of this report, for the benefit of a council member of the Centre (whether made by the Centre or otherwise).

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

On behalf of the Council and signed on its behalf by

[Signature]
Council Member
John R BUDGE

26 SEP 2016
Independent Auditor’s Report

To the members of

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

We have audited the financial statements of Hong Kong International Arbitration Centre (the “Centre”) set out on pages 5 to 28, which comprise the statement of financial position as at 31 December 2015, and the income and expenditure statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Council members’ responsibility for the financial statements

The council members of the Centre are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the council members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

To the members of

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Centre as at 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Certified Public Accountants
Hong Kong 26 SEP 2016

Chan Chi Ming Andy
Practising Certificate number: P05132
# Hong Kong International Arbitration Centre

## Income and Expenditure Statement

**Year ended 31 December 2015**

<table>
<thead>
<tr>
<th>Note</th>
<th>2015</th>
<th>2014</th>
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<tbody>
<tr>
<td></td>
<td>HK$</td>
<td>HK$</td>
</tr>
<tr>
<td></td>
<td>2015</td>
<td>2014</td>
</tr>
</tbody>
</table>

### Operating income

<table>
<thead>
<tr>
<th>Note</th>
<th>2015</th>
<th>2014</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>HK$</td>
<td>HK$</td>
</tr>
</tbody>
</table>

#### Room hire

7,655,219

8,100,723

#### Administration income

3,416,168

2,293,905

#### Administered arbitration income

9,096,741

5,297,920

#### Appointment fee income

651,970

728,250

#### Conference and seminar income

3,841,553

2,343,207

#### Domain name income

960,678

744,973

#### Tribunal secretary fee

97,194

- 

#### Mediation fee income

42,000

43,000

#### Panel fee income

619,850

642,291

#### Sundry income

331,528

226,236

#### Income from 19th International Congress of Maritime Arbitrators

3,854,533

- 

#### Income from ICCA 2015 Hong Kong Summit

2,873,706

- 

#### Grants from the government specific for various projects

3  

2,607,676  

350,539

#### Interest income

2  

6  

5

### Other income

<table>
<thead>
<tr>
<th>Note</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>HK$</td>
<td>HK$</td>
</tr>
</tbody>
</table>

#### Expenditure

<table>
<thead>
<tr>
<th>Note</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>HK$</td>
<td>HK$</td>
</tr>
</tbody>
</table>

#### Audit fee

58,280

55,415

#### Building management fee

930,190

891,000

#### Company secretarial fee

1,219

- 

#### Conference and seminar expenses

1,940,433

1,783,432

#### Contribution in association with Professional Services Development Assistance Scheme

10,503

- 

#### Depreciation

3,607,674

3,609,095

#### Electricity

85,696

90,466

#### Entertainment

102,708

85,365

#### Expenses in association with 19th International Congress of Maritime Arbitrators

2,483,807

- 

#### Expenditure in association with ICCA 2015 Hong Kong Summit

2,874,116

- 

#### Expenses in association with various projects

4  

2,607,676  

350,539

#### Insurance

303,716

301,224

#### Marketing and promotion

7,688

9,826

#### MPF contribution expenses

301,951

295,874

#### Office supplies

20,424

17,454

#### Overseas travelling

196,573

2,005,353

#### Overseas travelling – Seoul office

69,004

122,168

#### Overseas travelling – Shanghai office

101,887

- 

#### Postage, printing and stationery

508,394

791,159

#### Rates

1,113,668

1,396,280

#### Repairs and maintenance

655,085

658,679

#### Staff costs

12,515,026

12,417,231

#### Subscription and magazines

97,716

187,215

#### Sundries

707,259

1,124,041

#### Telephone and fax

426,871

395,978

#### Surplus (Deficit) from operation

4,321,258

(5,816,745)
## Income and Expenditure Statement

**Year ended 31 December 2015**

<table>
<thead>
<tr>
<th>Note</th>
<th>2015 HK$</th>
<th>2014 HK$</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investment (loss) gain</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net gain from investment</td>
<td>526,157</td>
<td>90,666</td>
</tr>
<tr>
<td>Unrealised (loss) gain on revaluation of investment</td>
<td>(751,026)</td>
<td>672,141</td>
</tr>
<tr>
<td></td>
<td>(224,869)</td>
<td>762,807</td>
</tr>
<tr>
<td><strong>Finance cost</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank loan interest</td>
<td>5 (72,390)</td>
<td>(93,182)</td>
</tr>
<tr>
<td>Share of result of joint ventures</td>
<td>10 (12,256)</td>
<td>(11,717)</td>
</tr>
<tr>
<td><strong>Surplus (Deficit) for the year</strong></td>
<td>5 4,011,743</td>
<td>(5,158,837)</td>
</tr>
</tbody>
</table>
## Statement of Comprehensive Income

**Year ended 31 December 2015**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Surplus (Deficit) for the year</strong></td>
<td>4,011,743</td>
<td>(5,158,837)</td>
</tr>
<tr>
<td><strong>Other comprehensive income for the year, net of tax</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total comprehensive income (loss) for the year</strong></td>
<td>4,011,743</td>
<td>(5,158,837)</td>
</tr>
</tbody>
</table>
# Statement of Financial Position

**At 31 December 2015**

<table>
<thead>
<tr>
<th>Non-current assets</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Note</td>
<td>HK$</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>8</td>
<td>6,079,820</td>
</tr>
<tr>
<td>Financial assets at fair value through profit or loss</td>
<td>9</td>
<td>3,623,441</td>
</tr>
<tr>
<td>Interest in joint ventures</td>
<td>10</td>
<td>182,003</td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td><strong>9,885,264</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Current assets</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash deposits held by investment managers</td>
<td>9</td>
<td>6,570,687</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>12</td>
<td>1,250,546</td>
</tr>
<tr>
<td>Prepayment, temporary payments and other debtors</td>
<td></td>
<td>2,105,478</td>
</tr>
<tr>
<td>Investment income receivables</td>
<td></td>
<td>53,933</td>
</tr>
<tr>
<td>Amount due from a joint venture</td>
<td>10</td>
<td>23,962</td>
</tr>
<tr>
<td>Amounts due from related companies</td>
<td>11</td>
<td>1,542,738</td>
</tr>
<tr>
<td>Bank balances and cash</td>
<td></td>
<td>9,712,278</td>
</tr>
<tr>
<td>Bank balances – clients’ deposits</td>
<td></td>
<td>194,903,794</td>
</tr>
<tr>
<td>Pledged deposits</td>
<td></td>
<td>50,014</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td><strong>216,213,430</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Current liabilities</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits received from claimants and respondents</td>
<td>13</td>
<td>194,903,794</td>
</tr>
<tr>
<td>Accruals and temporary receipts</td>
<td></td>
<td>4,770,746</td>
</tr>
<tr>
<td>Grants received in advance</td>
<td></td>
<td>109,401</td>
</tr>
<tr>
<td>Bank loan</td>
<td></td>
<td>199,783,941</td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td><strong>199,783,941</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Net current assets (liabilities)</strong></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net assets</strong></td>
<td></td>
<td><strong>26,314,753</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CAPITAL AND RESERVES</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital contributions</td>
<td></td>
<td><strong>21,878,644</strong></td>
</tr>
<tr>
<td>Private sectors</td>
<td>14</td>
<td>1,593,389</td>
</tr>
<tr>
<td><strong>Accumulated surplus</strong></td>
<td>15</td>
<td>4,436,109</td>
</tr>
<tr>
<td><strong>Capital and reserves</strong></td>
<td></td>
<td><strong>26,314,753</strong></td>
</tr>
</tbody>
</table>

Approved and authorised for issue by the Council Members on 26 SEP 2016 and signed on its behalf by

John R Budge

Sai Cheong Joseph Wan
## Statement of Changes in Equity
### Year ended 31 December 2015

<table>
<thead>
<tr>
<th></th>
<th>Capital contribution HK$</th>
<th>Accumulated surplus HK$</th>
<th>Total HK$</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>At 1 January 2014</strong></td>
<td>21,878,644</td>
<td>5,583,203</td>
<td>27,461,847</td>
</tr>
<tr>
<td><strong>Deficit and total comprehensive loss for the year</strong></td>
<td>-</td>
<td>(5,158,837)</td>
<td>(5,158,837)</td>
</tr>
<tr>
<td><strong>At 31 December 2014 and at 1 January 2015</strong></td>
<td>21,878,644</td>
<td>424,366</td>
<td>22,303,010</td>
</tr>
<tr>
<td><strong>Surplus and total comprehensive income for the year</strong></td>
<td>-</td>
<td>4,011,743</td>
<td>4,011,743</td>
</tr>
<tr>
<td><strong>At 31 December 2015</strong></td>
<td>21,878,644</td>
<td>4,436,109</td>
<td>26,314,753</td>
</tr>
</tbody>
</table>
## Statement of Cash Flows
### Year ended 31 December 2015

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Note</strong></td>
<td><strong>HK$</strong></td>
</tr>
<tr>
<td><strong>OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash generated from (used in) operations and net cash from (used in) operating activities</td>
<td>17</td>
<td>129,858,597</td>
</tr>
<tr>
<td><strong>INVESTING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest received</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Purchase of property, plant and equipment</td>
<td>(316,303)</td>
<td>(136,905)</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities</strong></td>
<td></td>
<td>(316,297)</td>
</tr>
<tr>
<td><strong>FINANCING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repayment of bank loan</td>
<td>(6,500,000)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net cash used in financing activities</strong></td>
<td>(6,500,000)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net increase (decrease) in cash and cash equivalents</strong></td>
<td>123,042,300</td>
<td>(27,629,310)</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at beginning of year</strong></td>
<td>88,194,473</td>
<td>115,823,783</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at end of year</strong></td>
<td>211,236,773</td>
<td>88,194,473</td>
</tr>
</tbody>
</table>

### Analysis of the balances of cash and cash equivalents

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash deposits held by investment managers (Note 9)</td>
<td>6,570,687</td>
<td>345,261</td>
</tr>
<tr>
<td>Bank balances and cash (Note (ii))</td>
<td>9,712,278</td>
<td>2,400,645</td>
</tr>
<tr>
<td>Bank balances – client’s deposits (Note (iii))</td>
<td>194,903,794</td>
<td>85,398,558</td>
</tr>
<tr>
<td>Pledged deposit (Note 20)</td>
<td>50,014</td>
<td>50,009</td>
</tr>
<tr>
<td></td>
<td>211,236,773</td>
<td>88,194,473</td>
</tr>
</tbody>
</table>

### Note:

(i) Included in bank balances and cash were bank deposits with carrying amount of HK$109,340 and HK$1,200,000 (2014: HK$346,672 which was received from the government for Professional Services Development Assistance Scheme) which were received from the government for Dedicated Fund on Branding, Upgrading and Domestic Sales and 19th International Congress of Maritime Arbitrators respectively.

(ii) The balance represented client’s monies for arbitration services which were deposited in the Centre’s designated bank accounts.
CORPORATE INFORMATION

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

1. PRINCIPAL ACCOUNTING POLICIES

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

These financial statements have been prepared on a basis consistent with the accounting policies
adopted in the 2014 financial statements except for the adoption of the new / revised HKFRSs which are
relevant to the Centre. A summary of the principal accounting policies adopted by the Centre is set out
below.

Adoption of new / revised HKFRSs
Annual Improvements Project: 2010-2012 Cycle
The amendments relevant to the Centre include the followings.

HKFRS 13 Fair Value Measurement
The basis for conclusions is amended to clarify that the issuance of HKFRS 13 and the consequential
amendments to HKFRS 9 and HKAS 39 did not remove the Centre’s ability to measure short-term
receivables and payables with no stated interest rate at their invoice amounts without discounting, when
the effect of not discounting is immaterial. The application of the amendments does not have an impact
on the amount recognised.

HKAS 24 Related Party Disclosures
HKAS 24 is amended to clarify that an entity, or any member of a group of which it is a part, providing
key management personnel services (the “management entity”) to the Centre or to the parent of the
reporting entity is a related party of the Centre. The Centre shall disclose the amounts incurred for key
management personnel services that are provided by the management entity. However, the
compensation paid or payable by the management entity to its employees or council members is not
required to be disclosed. The adoption of above amendments does not have an impact on the financial
statements of the Centre.
1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Adoption of new / revised HKFRSs (Continued)

Annual Improvements Project – 2011-2013 Cycle
The amendments relevant to the Centre include the followings.

HKFRS 13 Fair Value Measurement
These amendments clarify that all contracts within the scope of HKAS 39 or HKFRS 9 are included in the scope of the exception as set out in HKFRS 13 for measuring the fair value of a group of financial assets and financial liabilities on a net basis, even if those contracts do not meet the definitions of financial assets or financial liabilities in HKAS 32. These amendments do not have an impact on the financial statements of the Centre.

Impact of the Hong Kong Companies Ordinance (Cap. 622)
The financial-reporting requirements of Part 9 “Accounts and Audit” of the Ordinance come into operation for the preparation of these financial statements. As a result, there are changes to the presentation and disclosures of certain information as compared with the 2014 financial statements. Where appropriate, the comparative information has been amended to achieve a consistent presentation.

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

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

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

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

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

Annual panel fees are recognised on a time proportion basis.

Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to the income and expenditure statement during the year in which they are incurred.
1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

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

Financial instruments
Recognition and derecognition
Financial assets and financial liabilities are recognised when and only when the Centre becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Centre’s contractual rights to future cash flows from the financial asset expire or (ii) the Centre transfers the financial asset and either (a) the Centre transfers substantially all the risks and rewards of ownership of the financial asset, or (b) the Centre neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

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

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

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

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

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

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

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

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

Impairment of non-financial assets (Continued)
If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

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

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

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

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

Foreign currency translation
Items included in the Centre’s financial statements are measured using the currency of the primary economic environment in which the Centre operates (“functional currency”). The financial statements are presented in the currency of Hong Kong dollars, which is the Centre’s functional and presentation currency.

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

Translation differences on non-monetary items, such as equity investments held that are classified as financial assets at fair value through profit or loss, are reported as part of the fair value gain or loss.
1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

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

Leases
Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

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

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

(b) An entity is related to the Centre if any of the following conditions applies:
   (i) One entity is an associate or joint venture of the other entity.
   (ii) Both entities are joint ventures of the same third party.
   (iii) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
   (iv) The entity is a post-employment benefit plan for the benefit of employees of either the Centre or an entity related to the Centre. If the Centre is itself such a plan, the sponsoring employers are also related to the Centre.
   (v) The entity is controlled or jointly controlled by a person identified in (a).
   (vi) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity.
   (vii) The entity 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 and include:
(a) that person’s children and spouse or domestic partner;
(b) children of that person’s spouse or domestic partner; and
(c) dependants of that person or that person’s spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.
1. **PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

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

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

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

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

2. **REVENUE AND INCOME**

   Revenue and income recognised by category are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>HK$</td>
<td>HK$</td>
</tr>
<tr>
<td><strong>Revenue and income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating income</td>
<td>36,048,816</td>
<td>20,771,044</td>
</tr>
<tr>
<td>Other income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank interest income</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total income</strong></td>
<td>36,048,822</td>
<td>20,771,049</td>
</tr>
</tbody>
</table>
3. GRANTS FROM THE GOVERNMENT SPECIFIC FOR VARIOUS PROJECTS

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants for the project under Professional Services Development Assistance Scheme</td>
<td>27,062</td>
<td>350,539</td>
</tr>
<tr>
<td>Grants from the Trade and Industry Department in association with project under the Dedicated Fund on Branding, Upgrading and Domestic Sales</td>
<td>490,000</td>
<td>-</td>
</tr>
<tr>
<td>Grants from the Department of Justice in association with United Nations Commission on International Trade Law Asia Pacific Judiciary Conference and Workshop in Hong Kong</td>
<td>2,090,614</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td><strong>2,607,676</strong></td>
<td><strong>350,539</strong></td>
</tr>
</tbody>
</table>

4. EXPENSES IN ASSOCIATION WITH VARIOUS PROJECTS

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditure in association with the project under Professional Services Development Assistance Scheme</td>
<td>27,062</td>
<td>350,539</td>
</tr>
<tr>
<td>Expenditure in association with the project under Dedicated Fund on Branding, Upgrading and Domestic Sales</td>
<td>490,000</td>
<td>-</td>
</tr>
<tr>
<td>Expenditure in association with United Nations Commission on International Trade Law Asia Pacific Judiciary Conference and Workshop in Hong Kong</td>
<td>2,090,614</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td><strong>2,607,676</strong></td>
<td><strong>350,539</strong></td>
</tr>
</tbody>
</table>
5. **SURPLUS (DEFICIT) FOR THE YEAR**

This is stated after charging:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Finance cost</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest on bank borrowings</td>
<td>72,390</td>
<td>93,182</td>
</tr>
<tr>
<td><strong>Other items</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee benefits expenses, including council members</td>
<td>12,515,026</td>
<td>12,417,231</td>
</tr>
<tr>
<td>MPF contribution expenses, including council members</td>
<td>301,951</td>
<td>295,874</td>
</tr>
<tr>
<td><strong>Total staff costs</strong></td>
<td>12,816,977</td>
<td>12,713,105</td>
</tr>
<tr>
<td>Auditor’s remuneration</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Current year</td>
<td>55,000</td>
<td>55,000</td>
</tr>
<tr>
<td>- Under provision in previous year</td>
<td>3,280</td>
<td>415</td>
</tr>
</tbody>
</table>

6. **INFORMATION ABOUT THE BENEFITS OF COUNCIL MEMBERS**

The following disclosures are presented pursuant to section 383 of the Hong Kong Companies Ordinance.

a) **Council members’ remuneration**

There is no council members’ remuneration for the year (2014: nil).

b) **Loans, quasi-loans and other dealings in favour of council members**

There are no loans, quasi-loans or other dealings in favour of the council members of the Centre that were entered into or subsisted during the year (2014: Nil).

c) **Council members’ material interests in transactions, arrangements or contracts**

After consideration, the council members are of the opinion that no transactions, arrangements and contracts of significance in relation to the Centre’s business to which the Centre was a party and in which a council member of the Centre had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2014: Nil).

7. **TAXATION**

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

<table>
<thead>
<tr>
<th></th>
<th>Office equipment</th>
<th>Furniture and fixtures</th>
<th>Leasehold improvements</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>HK$</td>
<td>HK$</td>
<td>HK$</td>
<td>HK$</td>
</tr>
<tr>
<td><strong>Reconciliation of carrying amount</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– year ended 31 December 2014</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At beginning of year</td>
<td>3,088,340</td>
<td>1,166,339</td>
<td>8,588,702</td>
<td>12,843,381</td>
</tr>
<tr>
<td>Additions</td>
<td>134,205</td>
<td>2,700</td>
<td>-</td>
<td>136,905</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(880,559)</td>
<td>(383,478)</td>
<td>(2,345,058)</td>
<td>(3,609,095)</td>
</tr>
<tr>
<td><strong>At end of the reporting period</strong></td>
<td>2,341,986</td>
<td>785,561</td>
<td>6,243,644</td>
<td>9,371,191</td>
</tr>
<tr>
<td><strong>Reconciliation of carrying amount</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– year ended 31 December 2015</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At beginning of year</td>
<td>2,341,986</td>
<td>785,561</td>
<td>6,243,644</td>
<td>9,371,191</td>
</tr>
<tr>
<td>Additions</td>
<td>286,703</td>
<td>4,000</td>
<td>25,600</td>
<td>316,303</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(899,082)</td>
<td>(360,974)</td>
<td>(2,347,618)</td>
<td>(3,607,674)</td>
</tr>
<tr>
<td><strong>At end of the reporting period</strong></td>
<td>1,729,607</td>
<td>428,587</td>
<td>3,921,626</td>
<td>6,079,820</td>
</tr>
</tbody>
</table>

At 1 January 2015

|                      |                        |                        |                        |       |
| Cost                 | 6,652,071              | 2,698,544              | 11,725,288             | 21,075,903 |
| Accumulated depreciation | (4,310,085)  | (1,912,983)            | (5,481,644)            | (11,704,712) |
| **2,341,986**        | **785,561**            | **6,243,644**          | **9,371,191**          |       |

At 31 December 2015

|                      |                        |                        |                        |       |
| Cost                 | 6,938,774              | 2,702,544              | 11,750,888             | 21,392,206 |
| Accumulated depreciation | (5,209,167)  | (2,273,957)            | (7,829,262)            | (15,312,386) |
| **1,729,607**        | **428,587**            | **3,921,626**          | **6,079,820**          |       |
9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>HK$</td>
<td>HK$</td>
</tr>
<tr>
<td>Held for trading:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Listed equity securities and bonds in Hong Kong</td>
<td>3,352,143</td>
<td>4,610,636</td>
</tr>
<tr>
<td>Listed equity securities and bonds in overseas</td>
<td>-</td>
<td>4,538,835</td>
</tr>
<tr>
<td>Unlisted investment funds in overseas</td>
<td>271,298</td>
<td>7,497,576</td>
</tr>
<tr>
<td>Cash deposits of HK$ 6,570,687 (2014: HK$345,261) held by investment managers is classified in cash deposits held by investment managers accounts under current assets.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The fair value of all listed equity securities and bonds were based on their current bid prices in active markets. The fair values of such unlisted investments funds were established by reference to the prices quoted by the banks which are the fund administrators.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

10. INTEREST IN JOINT VENTURES

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Note</td>
<td></td>
<td></td>
</tr>
<tr>
<td>HK$</td>
<td>HK$</td>
<td></td>
</tr>
<tr>
<td>Share of net assets</td>
<td>(b)</td>
<td>182,003</td>
</tr>
<tr>
<td>Amount due from a joint venture</td>
<td>(a)</td>
<td>23,962</td>
</tr>
</tbody>
</table>

Note:

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

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

<table>
<thead>
<tr>
<th>Name of joint ventures</th>
<th>Principal place of business and place of incorporation</th>
<th>Proportion of interest entitled by the Centre 2015</th>
<th>2014</th>
<th>Principal activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asian Domain Name Dispute Resolution Centre (&quot;ADNDRC&quot;)</td>
<td>Hong Kong</td>
<td>50%</td>
<td>50%</td>
<td>Settlement of domain name disputes by administrative proceeding in Hong Kong and the People’s Republic of China</td>
</tr>
<tr>
<td>Joint Mediation Helpline Office (formerly known as Joint Mediation Helpline Office Limited) (&quot;JMHO&quot;)</td>
<td>Hong Kong</td>
<td>12.5%</td>
<td>12.5%</td>
<td>Provision and promotion of mediation services</td>
</tr>
</tbody>
</table>
10. INTEREST IN JOINT VENTURES (CONTINUED)

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

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

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

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

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying amount of interests</td>
<td>182,003</td>
<td>194,259</td>
</tr>
<tr>
<td>Centre’s share of:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deficit and total comprehensive loss for the year</td>
<td>(12,256)</td>
<td>(11,717)</td>
</tr>
</tbody>
</table>

11. AMOUNTS DUE FROM RELATED COMPANIES

The amounts due from related companies are unsecured, interest-free and have no fixed repayment terms.
12. ACCOUNTS RECEIVABLE

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

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>HK$</td>
<td>HK$</td>
</tr>
<tr>
<td>Neither past due nor impaired</td>
<td>535,535</td>
<td>277,195</td>
</tr>
<tr>
<td>Less than 1 month past due</td>
<td>332,973</td>
<td>509,833</td>
</tr>
<tr>
<td>1 to 3 months past due</td>
<td>64,323</td>
<td>128,342</td>
</tr>
<tr>
<td>Over 3 months past due</td>
<td>317,715</td>
<td>137,248</td>
</tr>
<tr>
<td></td>
<td>715,011</td>
<td>775,423</td>
</tr>
<tr>
<td></td>
<td>1,250,546</td>
<td>1,052,618</td>
</tr>
</tbody>
</table>

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

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

The Centre does not hold any collateral over these balances.

13. DEPOSITS RECEIVED FROM CLAIMANTS AND RESPONDENTS

At 31 December 2015 and 2014, all the deposits were paid by claimants and respondents for arbitration services and held in name of the Centre's bank accounts.
14. **CAPITAL CONTRIBUTIONS**

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

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

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

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

(i) if for any two consecutive years the audited accounts of the Centre show an excess of income (excluding interest income) over expenditure subject only to the figure for expenditure including a sum which the Centre would have to pay by way of open market rental for any premises occupied by it if at the time the rent 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.

15. **ACCUMULATED SURPLUS**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>At beginning of year</td>
<td>424,366 HK$</td>
<td>5,583,203 HK$</td>
</tr>
<tr>
<td>Surplus (Deficit) for the year</td>
<td>4,011,743</td>
<td>(5,158,837)</td>
</tr>
<tr>
<td>At end of the reporting period</td>
<td><strong>4,436,109</strong></td>
<td><strong>424,366</strong></td>
</tr>
</tbody>
</table>
16. COMMITMENTS UNDER OPERATING LEASES

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

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within one year</td>
<td>HK$42,576</td>
<td>HK$42,576</td>
</tr>
<tr>
<td>In the second to fifth years inclusive</td>
<td>HK$20,532</td>
<td>HK$62,410</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>HK$63,108</strong></td>
<td><strong>HK$104,986</strong></td>
</tr>
</tbody>
</table>

The office of the Centre located at a portion of 38/F., Two Exchange Square, 8 Connaught Place, Central, Hong Kong, was paying HK$1 rental per annum to The Financial Secretary Incorporated commenced from 1 October 1994. On 22 May 2014, the Centre entered into a supplementary agreement 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 HK$1 for the period from 16 March 2014 to 15 March 2018.

17. CASH GENERATED FROM (USED IN) OPERATIONS

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surplus (Deficit) for the year</td>
<td>HK$4,011,743</td>
<td>(HK$5,111,743)</td>
</tr>
<tr>
<td>Interest income</td>
<td>(6)</td>
<td>(5)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>HK$3,607,674</td>
<td>HK$3,609,095</td>
</tr>
<tr>
<td>Share of result of joint ventures</td>
<td>HK$12,256</td>
<td>HK$11,717</td>
</tr>
<tr>
<td><strong>Change in working capital:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Account receivables</td>
<td>(HK$197,928)</td>
<td>(HK$149,213)</td>
</tr>
<tr>
<td>Financial assets at fair value through profit or loss</td>
<td>HK$13,023,606</td>
<td>(HK$1,436,950)</td>
</tr>
<tr>
<td>Investment income receivables</td>
<td>61</td>
<td>(41)</td>
</tr>
<tr>
<td>Prepayments, temporary payments and other debtors</td>
<td>HK$54,599</td>
<td>(HK$1,278,867)</td>
</tr>
<tr>
<td>Due from a joint venture</td>
<td>HK$51,464</td>
<td>48,482</td>
</tr>
<tr>
<td>Due from related companies</td>
<td>(HK$1,389,106)</td>
<td>(HK$3,989)</td>
</tr>
<tr>
<td>Accruals and temporary receipts</td>
<td>HK$1,416,269</td>
<td>HK$997,174</td>
</tr>
<tr>
<td>Grants received in advance</td>
<td>(HK$237,271)</td>
<td>HK$102,978</td>
</tr>
<tr>
<td>Deposits received</td>
<td>HK$109,505,236</td>
<td>(HK$24,233,954)</td>
</tr>
<tr>
<td><strong>Cash generated from (used in) operations</strong></td>
<td>HK$129,858,597</td>
<td>(HK$27,492,410)</td>
</tr>
</tbody>
</table>
18. RELATED PARTIES TRANSACTIONS

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

<table>
<thead>
<tr>
<th>Related party relationship</th>
<th>Nature of transactions</th>
<th>2015 HK$</th>
<th>2014 HK$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joint ventures</td>
<td>Email and website hosting income (included in administration income)</td>
<td>48,000</td>
<td>48,000</td>
</tr>
<tr>
<td></td>
<td>Share of common operating cost of ADNDRC (net of domain name income)</td>
<td>(37,683)</td>
<td>(19,255)</td>
</tr>
<tr>
<td>Related company under common council membership</td>
<td>Administration fee income</td>
<td>1,200,000</td>
<td>1,170,000</td>
</tr>
<tr>
<td></td>
<td>Room hire income</td>
<td>624,290</td>
<td>626,900</td>
</tr>
</tbody>
</table>

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Price risk
The Centre is exposed to price risk arising from its listed equity securities and bonds investments. 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% (2014: 10%) higher/lower while all other variables were held constant, the Centre’s surplus for the year would have been HK$335,214 higher/lower (2014: deficit for the year would have been HK$914,947 lower/higher), mainly as a result of changes in fair value of investments. The Centre’s sensitivity to price has not changed significantly from the prior year.

The sensitivity analysis has been determined assuming that the reasonably possible changes in the relevant risk variables occurred at the end of the reporting period and had been applied to the exposure to price risk in existence at that date. It is also assumed that the fair values of the Centre’s investments would change in accordance with the historical correlation with the relevant risk variables, that none of the Centre’s financial assets at fair value through profit or loss would be considered impaired as a result of a reasonably possible decrease in the relevant risk variables, and that all other variables remain constant. The stated changes represent management’s assessment of reasonably possible changes in the relevant risk variables over the period until the next annual end of the reporting period. The analysis is performed on the same basis for 2014.
19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Price risk (Continued)
Further, the Centre holds some unlisted investments which are measured at fair value at 31 December 2015 and 2014. Although there was no similar transaction since then, the management considers there should not have significant change in the fair value of the investments.

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

Liquidity risk
The Centre’s objective is to maintain a continuity of funding through the operating cycle between debtors and creditors and through the use of bank borrowings. All the financial liabilities at the end of the reporting period are due for payment on demand.

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

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

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

<table>
<thead>
<tr>
<th>Assets measured at fair value</th>
<th>31 December 2015</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>HK$</td>
<td>HK$</td>
<td>HK$</td>
<td>HK$</td>
</tr>
<tr>
<td>Financial assets at fair value through profit or loss (note 9)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Listed equity securities and bonds in Hong Kong</td>
<td>3,352,143</td>
<td>3,352,143</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Unlisted investment funds in overseas</td>
<td>271,298</td>
<td>-</td>
<td>271,298</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>3,623,441</td>
<td>3,352,143</td>
<td>271,298</td>
<td>-</td>
</tr>
</tbody>
</table>
19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Fair value disclosures (Continued)

Assets measured at fair value (continued)

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

Basis of determining fair value of Level 2 unlisted investment funds in overseas has been detailed in note 9.

During the years ended 31 December 2015 and 2014, there were no transfers between Level 1 and Level 2 fair value measurements.

20. BANKING FACILITIES

As at 31 December 2015, revolving loan facilities of HK$7,750,000 (2014: HK$7,750,000) from a bank were granted to the Centre under which financial assets at fair value through profit or loss, cash deposits held by investments managers and interest income receivable with an aggregate carrying amount of HK$9,963,189 (2014: financial assets at fair value through profit or loss of HK$16,389,776) were treated as collateral for the facilities granted. Unutilised facilities available to the Centre as at 31 December 2015 amounted to HK$7,750,000 (2014: HK$1,250,000).

During the year, the Centre has applied 5 business credit cards with a total credit limit of HK$50,000 (2014: HK$50,000). The Centre has pledged a fixed deposit of HK$50,014 (2014: HK$50,009) as a security in favour of the bank for the grant of the credit cards facility. As at 31 December 2015, unutilised credit cards facility available to the centre amounted to HK$50,000 (2014: HK$50,000).