

Council Members' Report
Audited Financial Statements
Asian Domain Name Dispute Resolution
Centre Limited
Year ended 31 December 2020



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Asian Domain Name Dispute Resolution Centre Limited

Council Members' Report

The council members submit herewith their report and audited financial statements of Asian Domain Name Dispute Resolution Centre Limited (the "Centre") for the year ended 31 December 2020.

Principal activity

The Centre was incorporated in Hong Kong as a Centre limited by guarantee. The principal activity of the Centre is authorising, providing for, supervising and promoting domain name dispute resolution by way of administrative proceedings. These activities are carried out by four separate and independent organisations each based in Asia authorised by the Centre which are also the members of the Centre. The Centre receives appointment fees income from generic top-level domain name registry operators for agreeing to arrange for the Centre's four authorised domain name dispute providing organisations to provide the relevant services. The Centre also receives service income for maintenance of domain name dispute resolution system.

Results

The results of the Centre for the year ended 31 December 2020 are set out in the income and expenditure account on page 6.

Council Members

The council members who held office during the year or during the period from the end of the year to the date of this report were:

CAI Wei Ping
GRIMMER Sarah
LEE Daehee
LEE Kuysung (appointed on 4 February 2020)
LI Hu
PRADHAN Vinayak Prabhakar (resigned on 8 March 2020)
PRIMADI Albertus Aldio
SUH Jeong Il
TAN May Ling
TO Wing Christopher
VENKATRAMAN Nivedita
WANG Chengjie
YANG Fan
YOO Jiyul (resigned on 15 January 2020)
ZHAO Jian

In accordance with the Centre's Article of Association, all the existing council members will retire, and being eligible, will offer themselves for re-election.

Arrangements for acquisition of shares or debentures

At no time during the year was the Centre a party to any arrangements to enable council members of the Centre to acquire benefits by means of the acquisition of shares in, or debentures of, the Centre or any other association.

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 in which a council member of the Centre had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Management contracts

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

Asian Domain Name Dispute Resolution Centre Limited

Council Members' Report

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 then council member or 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.

Approved by the Council and signed on behalf by



TO Wing Christopher
Council Member
20 August 2021

Independent Auditor's Report

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To the members of

Asian Domain Name Dispute Resolution Centre Limited

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

Opinion

We have audited the financial statements of Asian Domain Name Dispute Resolution Centre Limited (the "Centre") set out on pages 6 to 21, which comprise the statement of financial position as at 31 December 2020, and the income and expenditure account, the statement of 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 2020, 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 (the "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 ("HKSAAs") 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 of the Centre are responsible for the council members' report.

Our opinion on the financial statements does not cover the council members' report 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 council members' report and, in doing so, consider whether the council members' report 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 the council members' report, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report

To the members of

Asian Domain Name Dispute Resolution Centre Limited

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

Responsibilities of Council members 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 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.

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

Independent Auditor's Report

To the members of

Asian Domain Name Dispute Resolution Centre Limited

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

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- 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 the council members 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.



Certified Public Accountants
Hong Kong, 20 August 2021

The engagement director on the audit resulting in this independent auditor's report is:

Chan Chi Ming Andy

Practising Certificate number: P05132

Asian Domain Name Dispute Resolution Centre Limited

Income and Expenditure Account

Year ended 31 December 2020

	<i>Note</i>	2020 HK\$	2019 HK\$
Income			
Maintenance fee income	2	15,578	15,578
Bank interest income	3	14	96
Reimbursement of operating expenses	3	143,123	62,875
		<u>158,715</u>	<u>78,549</u>
Expenditure			
Audit fee		25,000	32,000
Bank charges		200	660
Courier and postage charges		738	1,000
Domain name charges		2,241	1,506
Exchange loss		82	60
Legal and professional fees		90,880	12,600
Printing and stationery		-	1,700
Server services fee		16,567	9,664
Sundries		3,785	3,685
System support and maintenance		3,630	-
		<u>143,123</u>	<u>62,875</u>
Surplus for the year		<u>15,592</u>	<u>15,674</u>

Asian Domain Name Dispute Resolution Centre Limited

Statement of Comprehensive Income

Year ended 31 December 2020

	2020 <i>HK\$</i>	2019 <i>HK\$</i>
Surplus for the year	15,592	15,674
Other comprehensive income for the year, net of tax	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u><u>15,592</u></u>	<u><u>15,674</u></u>

Asian Domain Name Dispute Resolution Centre Limited

Statement of Financial Position

At 31 December 2020

	Note	2020 HK\$	2019 HK\$
Current assets			
Trade receivables	5	15,578	31,238
Prepayments		38,108	27,940
Due from members	6	159,319	131,098
Bank balances		262,958	153,500
		<u>475,963</u>	<u>343,776</u>
Current liabilities			
Accruals		78,680	25,000
Due to a member	6	147,548	84,633
		<u>226,228</u>	<u>109,633</u>
NET ASSETS		<u>249,735</u>	<u>234,143</u>
Reserves			
Accumulated surplus		<u>249,735</u>	<u>234,143</u>

These financial statements on pages 6 to 21 were approved and authorised for issue by the Council Members on 20 August 2021 and signed on behalf by



CAI Wei Ping
Council Member



TO Wing Christopher
Council Member

Asian Domain Name Dispute Resolution Centre Limited

Statement of Changes in Equity

Year ended 31 December 2020

	Accumulated surplus HK\$
At 1 January 2019	218,469
Surplus and total comprehensive income for the year	<u>15,674</u>
At 31 December 2019 and 1 January 2020	234,143
Surplus and total comprehensive income for the year	<u>15,592</u>
At 31 December 2020	<u><u>249,735</u></u>

Asian Domain Name Dispute Resolution Centre Limited

Statement of Cash Flows

Year ended 31 December 2020

	2020 HK\$	2019 HK\$
OPERATING ACTIVITIES		
Surplus for the year	15,592	15,674
Interest income	(14)	(96)
Changes in working capital:		
Trade receivables	15,660	(15,578)
Prepayments and deposit	(10,168)	(23,934)
Due from members	(28,221)	5,278
Accruals	53,680	(16,000)
Due to a member	62,915	84,633
Cash generated from operations and net cash from operating activities	109,444	49,978
INVESTING ACTIVITIES		
Interest received	14	96
Net cash from investing activities	14	96
Net movement in cash and cash equivalents	109,458	50,073
Cash and cash equivalents at beginning of the year	153,500	103,427
Cash and cash equivalents at end of the year, represented by bank balances	262,958	153,500

Asian Domain Name Dispute Resolution Centre Limited

Notes to the Financial Statements

Year ended 31 December 2020

CORPORATE INFORMATION

Asian Domain Name Dispute Resolution Centre Limited is a Centre limited by guarantee and is incorporated in Hong Kong. The Centre's registered office is located at 38/F., Two Exchange Square, 8 Connaught Place, Central, Hong Kong. The principal activity of the Centre is authorising, providing for, supervising and promoting domain name dispute resolution by way of administrative proceedings. These activities are carried out by four separate and independent organisations each based in Asia authorised by the Centre which are also the members of the Centre. The Centre receives appointment fees income from generic top-level domain name registry operators for agreeing to arrange for the Centre's four authorised domain name dispute providing organisations to provide the relevant services. The Centre also receives service income for maintenance of domain name dispute resolution system.

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 2019 financial statements except for adoption of the following new / revised HKFRSs that are relevant to the Centre and effective from the current year.

Amendments to HKASs 1 and 8: Definition of Material

The amendments clarify the definition of material and align the definition used across HKFRSs.

The adoption of the amendments does not have any significant impact on the Centre's financial statements.

Amendments to HKAS 39, HKFRSs 7 and 9: Interest Rate Benchmark Reform – Phase 1

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform (the market-wide reform of an interest rate benchmark, including the replacement of an interest rate benchmark with an alternative benchmark). In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

The adoption of the amendments does not have any significant impact on the Centre's financial statements.

A summary of the principal accounting policies adopted by the Centre is set out below.

Basis of measurement

The measurement basis used in the preparation of these financial statements is historical cost.

Notes to the Financial Statements

Year ended 31 December 2020

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Financial assets

Recognition and derecognition

Financial assets 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) it transfers substantially all the risks and rewards of ownership of the financial asset, or (b) it 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.

Financial assets (except for trade receivables without a significant financing component) are initially recognised at their fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Such trade receivables are initially measured at their transaction price.

On initial recognition, a financial asset is classified as (i) measured at amortised cost; (ii) debt investment measured at fair value through other comprehensive income; (iii) equity investment measured at fair value through other comprehensive income; or (iv) measured at fair value through profit or loss ("FVPL").

Classification and measurement

The classification of financial assets at initial recognition depends on the Centre's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition unless the Centre changes its business model for managing them, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

- (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate method and are subject to impairment. Gains and losses arising from impairment, derecognition or through the amortisation process are recognised in profit or loss.

The Centre's financial assets at amortised cost include bank balances and trade and other receivables.

Financial liabilities

Recognition and derecognition

Financial liabilities are recognised when and only when the Centre becomes a party to the contractual provisions of the instruments.

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.

Notes to the Financial Statements

Year ended 31 December 2020

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities (Continued)

Classification and measurement

Financial liabilities are initially recognised at their fair value plus transaction costs that are direct attributable to the issue of the financial liabilities.

The Centre's financial liabilities include other payables. All financial liabilities 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

The Centre recognises loss allowances for expected credit losses ("ECL") on financial assets that are measured at amortised cost to which the impairment requirements apply in accordance with HKFRS 9. At each reporting date, the Centre measures a loss allowance for a financial asset at an amount equal to the lifetime ECL if the credit risk on that financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition, the Centre measures the loss allowance for that financial asset at an amount equal to 12-month ECL.

Measurement of ECL

ECL is a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument.

For financial assets, a credit loss is the present value of the difference between the contractual cash flows that are due to the Centre under the contract and the cash flows that the Centre expects to receive.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument while 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Where ECL is measured on a collective basis, the financial instruments are grouped based on the following one or more shared credit risk characteristics:

- (a) past due information
- (b) nature of instrument
- (c) industry of debtors
- (d) geographical location of debtors

Loss allowance is remeasured at each reporting date to reflect changes in the financial instrument's credit risk and loss since initial recognition. The resulting changes in the loss allowance are recognised as an impairment gain or loss in profit or loss with a corresponding adjustment to the carrying amount of the financial instrument.

Definition of default

The Centre considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that the Centre may not receive the outstanding contractual amounts in full if the financial instrument meets any of the following criteria.

- (i) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Centre, in full (without taking into account any collaterals held by the Centre); or
- (ii) there is a breach of financial covenants by the counterparty.

Notes to the Financial Statements

Year ended 31 December 2020

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Impairment of financial assets (Continued)

Definition of default (Continued)

Irrespective of the above analysis, the Centre considers that default has occurred when a financial asset is more than 90 days past due unless the Centre has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Assessment of significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Centre compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, 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 in the assessment:

- the debtor's failure to make payments of principal or interest on the due dates;
- an actual or expected significant deterioration in the financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- actual or expected changes in the technological, market, economic or legal environment that have or may have a significant adverse effect on the debtor's ability to meet its obligation to the Centre.

Irrespective of the outcome of the above assessment, the Centre presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, except for amounts due from members of HK\$159,319 (2019: HK\$131,098) for which the Centre has reasonable and supportable information to demonstrate that there is no correlation between significant increases in the risk of a default occurring and financial assets of which payments are more than 30 days past due.

Notwithstanding the foregoing, the Centre assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

Low credit risk

A financial instrument is determined to have low credit risk if:

- (i) it has a low risk of default;
- (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Bank balances and amounts due from members are determined to have low credit risk.

Simplified approach of ECL

For trade receivables, the Centre applies a simplified approach in calculating ECL. The Centre recognises a loss allowance based on lifetime ECL at each reporting date based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Notes to the Financial Statements

Year ended 31 December 2020

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Impairment of financial assets (Continued)

Credit-impaired financial asset

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower.
- (b) a breach of contract, such as a default or past due event.
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider.
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.
- (e) the disappearance of an active market for that financial asset because of financial difficulties.
- (f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Write-off

The Centre writes off a financial asset when the Centre has no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof. The Centre writes off the gross carrying amount based on historical experience of recoveries of similar assets. The Centre expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities under the Centre's procedures for recovery of the amounts due. Any subsequent recovery is recognised in profit or loss.

Cash equivalents

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

Revenue recognition

Revenue from contracts with customers within HKFRS 15

Nature of services

The service provided by the Centre is maintenance of domain dispute resolution system.

Identification of performance obligations

At contract inception, the Centre assesses the services promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either:

- (a) a service (or a bundle of services) that is distinct; or
- (b) a series of services that are substantially the same and that have the same pattern of transfer to the customer.

A service that is promised to a customer is distinct if both of the following criteria are met:

- (a) the customer can benefit from the service either on its own or together with other resources that are readily available to the customer (i.e. the service is capable of being distinct); and
- (b) the Centre's promise to transfer the service to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the service is distinct within the context of the contract).

Notes to the Financial Statements

Year ended 31 December 2020

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Revenue from contracts with customers within HKFRS 15 (Continued)

Timing of revenue recognition

Revenue is recognised when (or as) the Centre satisfies a performance obligation by transferring a promised service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Centre transfers control of a service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- (a) the customer simultaneously receives and consumes the benefits provided by the Centre's performance as the Centre performs;
- (b) the Centre's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or
- (c) the Centre's performance does not create an asset with an alternative use to the Centre and the Centre has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time, the Centre satisfies the performance obligation at a point in time when the customer obtains control of the promised asset. In determining when the transfer of control occurs, the Centre considers the concept of control and such indicators as legal title, physical possession, right to payment, significant risks and rewards of ownership of the asset, and customer acceptance.

Service income from maintenance of domain name dispute resolution system are rendered is recognised at point in time when the number of UDRP-F cases filed with the Centre is determined.

Foreign currency translation

Items included in the financial statements of the Centre are measured using the currency of the primary economic environment in which the Centre operates (the "functional currency"). The financial statements are presented in the currency of Hong Kong dollars, which is also the Centre's functional and presentation currency.

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) 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 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.

Asian Domain Name Dispute Resolution Centre Limited

Notes to the Financial Statements

Year ended 31 December 2020

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Related parties (Continued)

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.

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 yet early adopted. The council members do not anticipate that the adoption of the new / revised HKFRSs in the future periods will have any material impact on the results of the Centre.

2. REVENUE

	2020 HK\$	2019 HK\$
<i>Revenue from contracts with customers within HKFRS 15</i>		
Maintenance fee income	<u>15,578</u>	<u>15,578</u>

All revenue from contracts with customers within HKFRS 15 generated for the years ended 31 December 2020 and 2019 were fixed and recognised at point in time.

3. OTHER INCOME

	2020 HK\$	2019 HK\$
Interest income	14	96
Reimbursement of operating expenses	<u>143,123</u>	<u>62,875</u>
	<u>143,137</u>	<u>62,971</u>

4. 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 or trust of a public character.

5. TRADE RECEIVABLES

	2020 HK\$	2019 HK\$
From third parties	<u>15,578</u>	<u>31,238</u>

Asian Domain Name Dispute Resolution Centre Limited

Notes to the Financial Statements

Year ended 31 December 2020

6. DUE FROM (TO) MEMBERS

The amounts due are unsecured, interest-free and have no fixed repayment term.

7. LIMITED BY GUARANTEE

The Centre was incorporated on 26 January 2002 under the Hong Kong Companies Ordinance as a Centre limited by guarantee and does not have a share capital.

In accordance with the Centre's Memorandum of Association, each member of the Centre undertakes to contribute an amount not exceeding HK\$100 to the assets of the Centre in the event of its being wound up whilst he/she is a member, or within 1 year after he/she ceased to be a member.

Capital management

Consistent with previous years, the Centre's objective in managing capital is to safeguard the Centre's ability to continue as a going concern. The capital of Centre represents the accumulated funds. The Centre does not have specific policy or procedures for managing its capital. No changes were made in the objectives, policies or processes during the years ended 31 December 2020 and 2019.

8. RELATED PARTIES TRANSACTIONS

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

Name of related party	Related party relationship	Nature of transaction	2020 HK\$	2019 HK\$
Hong Kong International Arbitration Centre	Member	Reimbursement of operating expenses	<u>35,781</u>	<u>15,719</u>
China International Economic and Trade Arbitration Commission	Member	Reimbursement of operating expenses	<u>35,781</u>	<u>15,719</u>
Internet Address Dispute Resolution Committee	Member	Reimbursement of operating expenses	<u>35,781</u>	<u>15,719</u>
Kuala Lumpur Regional Centre for Arbitration	Member	Reimbursement of operating expenses	<u>35,781</u>	<u>15,719</u>

9. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Centre's principal financial instruments comprise of bank balances, trade and other receivables and payables. They are all arisen directly from the Centre's business activities.

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Year ended 31 December 2020

9. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

The main risk arising from the Centre's financial instruments are credit risk and liquidity risk. The Centre does not have any written risk management policies and guidelines. However, the council members generally adopt conservative strategies on its risk management and limits the Centre's exposure to these risks to a minimum. The council members consider that there has been no change to the Centre's exposure to the financial risk or the manner in which it manages and measures the risks.

(a) Credit risk

Credit risk refers to the risk that debtors will default on their obligations to repay the amount due to the Centre resulting in a loss to the Centre. The Centre's credit risk primarily attributable to bank balances, trade receivables and receivables from members.

The Centre's exposure to credit risk is influenced mainly by the individual characteristics of each debtor. Receivable balances are monitored on an ongoing basis with the result that the Centre's exposure to bad debts is not significant.

Bank balances

The Centre has limited credit risk with its money deposited in a bank, which is leading and reputable and is assessed as having low credit risk. The Centre has not suffered any significant losses arising from the non-performance by these parties in the past and management does not expect this position to change in the future.

Trade receivables

The Centre trades only with recognised and creditworthy third parties. The Company normally grants 30 days credit period to its customers. The Center's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. Credit quality of a customer is assessed based on an extensive credit rating and individual credit limit assessment which is mainly based on the Centre's own trading records and approved by the council members.

At the end of the reporting period, the Centre had a 100% (2019: 100%) concentration of credit risk as there was only one (2019: one) trade debtor.

The Centre's trade receivables are categorised by common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The Centre applies a simplified approach in calculating ECL for trade receivables and recognises a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The expected loss rate used in the provision matrix is calculated for each category based on actual credit loss experience over the past three years and adjusted for current and forward-looking factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Centre's estimate on future economic conditions over the expected lives of the receivables. There was no change in the estimation techniques or significant assumptions made during the year.

Asian Domain Name Dispute Resolution Centre Limited

Notes to the Financial Statements

Year ended 31 December 2020

9. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

Trade receivables (Continued)

The information about the exposure to credit risk and ECL for trade receivables using a provision matrix at the end of reporting period is summarised below:

	Gross carrying amount HK\$	Loss allowance HK\$	Credit- impaired
<u>As at 31 December 2020</u>			
Not yet past due	<u>15,578</u>	<u>-</u>	No
	Gross carrying amount HK\$	Loss allowance HK\$	Credit- impaired
<u>As at 31 December 2019</u>			
Not yet past due	15,578	-	No
Over 1 year	<u>15,660</u>	<u>-</u>	No
	<u>31,238</u>	<u>-</u>	

Receivables from members

The Centre considers that the amounts due from members have low credit risk based on the members' strong capacity to meet their contractual cash flow obligations in the near term and low risk of default. Impairment on receivables from members is measured on 12-month ECL and reflects the short maturities of the exposures.

In estimating the ECL, the Centre has taken into account the historical actual credit loss experience on the members, subsequent repayment patterns of the members and adjusted for forward-looking factors that are specific to the debtors and general economic conditions of the industry in which the members operate, in estimating the probability of default of these financial assets, as well as the loss upon default in each case. The council members consider the ECL of these receivables to be insignificant after taking into account the financial position and credit quality of the members and no loss allowance has been provided for the whole amount.

There was no change in the estimation techniques or significant assumptions made during the year.

(b) Liquidity risk

The Centre's objective is to maintain sufficient and flexible funding to maintain the Centre's daily operation through the financial support from the members. The Centre's financial liabilities as at 31 December 2020 and 2019 are all due on demand.

Fair value of financial instruments

All financial assets and financial liabilities are carried at amounts approximate to their fair values.

Notes to the Financial Statements

Year ended 31 December 2020

10. 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 are no council members' remuneration for the years ended 31 December 2020 and 2019.

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 years ended 31 December 2020 and 2019.

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

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 years ended 31 December 2020 and 2019.