



**Medecins Sans Frontieres (HK)  
Limited**

無國界醫生組織 (香港) 有限公司

Directors' Report and  
Consolidated Financial Statements  
31 December 2018

## Directors' report

The directors submit herewith their annual report together with the audited consolidated financial statements for the year ended 31 December 2018.

### Principal place of business

Medecins Sans Frontieres (HK) Limited ("the organisation") is an organisation incorporated and domiciled in Hong Kong and has its registered office and principal place of business at 22/F, Pacific Plaza, 410-418 Des Voeux Road West, Western District, Hong Kong.

### Principal activities

The organisation has the humanitarian goal of delivering medical aid to people where the level of need and suffering has overwhelmed the local capacity to respond. In support of those primary functions, the organisation conducts fundraising and recruits medical and non-medical staff to work in those relief programmes. It actively communicates to raise awareness of the needs of its patients and the challenges involved in the work.

### Business Review

#### (I) Objectives & our work

##### (a) The Charter of Médecins Sans Frontières (MSF)

Medecins Sans Frontieres (HK) Limited (MSF HK), established in 1994, is a private, international association made up of doctors, health sector workers and other professions which help in achieving its aims. All of its members agree to honour the following principles, which constitute The Charter of MSF:

MSF provides assistance to populations in distress, to victims of natural or man-made disasters and to victims of armed conflict. They do so irrespective of race, religion, creed or political convictions.

MSF observes neutrality and impartiality in the name of universal medical ethics and the right to humanitarian assistance and claims full and unhindered freedom in the exercise of its functions.

Members undertake to respect their professional code of ethics and maintain complete independence from all political, economic or religious powers.

As volunteers, members understand the risks and dangers of the missions they carry out and make no claim for themselves or their assigns for any form of compensation other than that which the association might be able to afford them.

## **Business Review (continued)**

### **(I) Objectives & our work (continued)**

#### **(b) Main Areas of Work**

At its core, the purpose of humanitarian action is to save the lives and ease the suffering of people caught in acute crises, thereby restoring their ability to rebuild their lives and communities. We offer primary healthcare, perform surgery, fight epidemics, rehabilitate and run hospitals and clinics, carry out vaccination campaigns, operate nutrition centres and provide mental healthcare. We are constantly seeking to improve the quality, relevance and extent of our assistance, and we are dedicated to the pursuit of innovation. When we witness serious acts of violence, neglected crises, or obstructions to our activities, MSF may speak out.

The work is carried out by thousands of health professionals, logistical, finance, human resources and administrative staff, some of whom are recruited internationally but the majority are from the countries where the organisation is providing assistance.

MSF HK's Human Resources Department recruits operational staff, both medical and non-medical for programme locations across the world. The vast majority of the financial resources (see (III)(c)) raised by our Fundraising Department goes to international operations. MSF HK provides specialised support to MSF's operational management via our Operations Support Unit, which conducts emergency monitoring and surveillance, as well as research on operationally-relevant dossiers. MSF HK's Communications Department works to raise awareness and provides up to date public information about MSF's work internationally through news media, the internet and public events.

### **(II) Achievements and Performance**

#### **(a) Overview of International Operations**

At any one time, MSF's Operational Centres run programmes in 400-460 locations, in around 70 countries worldwide.

##### **(i) Rapid response to disasters, epidemics and conflict**

For disaster relief, MSF acts fast to gauge the needs, mobilizing MSF staff already in the area or by sending in an emergency team. We are often one of the first international organisations to arrive on the scene of a disaster and our immediate objective will be the relief of suffering in the short term.

In 2018, MSF teams continued their work in areas of armed conflict, such as Afghanistan, Iraq, Nigeria, Yemen, Syria, the Democratic Republic of Congo (DRC) and South Sudan, where they provided care to vulnerable populations caught in the crossfire, and witnessed deplorable attacks on health structures, health staff and civilians.

The conflict in Northern Rakhine state in Myanmar in 2017 led to a huge displacement of Rohingya refugees who fled to join the already large numbers in neighboring Bangladesh. Today, MSF continues to provide care for over 900,000 Rohingya living in dire conditions in Cox's Bazar. By December 2018, MSF had provided over 1 million medical consultations to refugees and the local community.

## **Business Review (continued)**

### **(II) Achievements and Performance (continued)**

#### **(a) Overview of International Operations (continued)**

##### *(i) Rapid response to disasters, epidemics and conflict (continued)*

In 2018, MSF found itself yet again facing another Ebola outbreak, this time in the Democratic Republic of Congo. With the number of confirmed cases passing 680, it is now by far the country's largest-ever Ebola outbreak. It is also the second-biggest Ebola epidemic ever recorded, behind the West Africa outbreak of 2014-2016. MSF is working with the Ministry of Health and other actors in patient screening and care, health promotion, surveillance, infection prevention and control, training, and vaccination of health staff.

MSF's team in Indonesia responded to two natural disasters during the year, the earthquake and subsequent tsunami in central Sulawesi, and another tsunami caused by a volcano eruption in the Sunda strait. The team worked with local health actors to support primary health care services, and provided mental health support to survivors.

The MSF HK Activity Report 2017 to its supporters in the middle of the year provides details on the countries and programmes where donations raised by MSF HK were spent the year before. The MSF International Activity Report gives even more information about the range of work undertaken by the whole movement.

##### *(ii) Long term programmes*

The majority of MSF's programmes have longer term objectives. These programmes are carefully researched and planned before they are initiated, in order to ensure that they will have a real impact on health within the constraints of staff and financial resources which are available. Ultimately, MSF aims to complete each programme and withdraw. It may be possible to close down a programme when the services that we offer are no longer necessary; for example, when an epidemic or a conflict has abated. Another possibility is that we may be able to hand over a programme to a local organisation which is able to take over and sustain the operation.

##### *(iii) Campaigns and Research*

The key focus of MSF's Access Campaign is to highlight the difficulties and break down the barriers people face in getting hold of adequate and effective diagnostic tests, drugs and vaccines for diseases that affect vulnerable populations. Too often, we cannot treat patients because the medicines are too expensive or they are no longer produced. Sometimes, the only drugs we have are highly toxic or ineffective, and nobody is looking for a better cure. In 2018, the Access Campaign focused on treatments for Hepatitis C, drug-resistant tuberculosis and snakebites, and on the issue of antimicrobial resistance.

## **Business Review (continued)**

### **(II) Achievements and Performance (continued)**

#### **(b) MSF HK Office activities**

##### *(i) Key Financial Indicators*

- Donations received from the public amounted to HK\$518.3million in 2018 (2017: HK\$501.6 million), which was an increase of 3.3% (2017: 12.3%) or HK\$16.7million (2017: HK\$55.1 million) on the year before.
- We did not receive funds or grants from any public institution (including the Government of Hong Kong Special Administrative Region ("HKSAR")). Around 90.4% (2017: 91.4%) of the donations were from individual donors, the rest from trusts and corporations.
- We spent a total of HK\$445.8million (2017: HK\$437.2 million) in supporting relief operations, representing 85.9% of total income (2017: 87.1%).
- Fundraising costs were HK\$55.3million (2017: HK\$48.0 million), representing 10.7% (2017: 9.6%) of total income.
- Management and administration costs were HK\$17.6million (2017: HK\$16.7 million), representing 3.4% (2017: 3.3%) of total income.

##### *(ii) Donation Income and Expenses*

The donation income had hit a new record high but a slow growth of 3.3% only in 2018 (2017: 12.3%) after years of rapid and double-digit growth.

The fundraising efficiency was maintained at a healthy level with a return on investment of 9.4 times (2017: 10.5 times).

Regular monthly donations continued to grow and provided a stable income to the organisation. The healthy growth of regular monthly donors has helped MSF to stay proactive in response to disasters and emergencies. Therefore, recruitment and retention of regular monthly donors are the key priorities of the MSF HK, and thus require significant investment. Concerted strategies and activities were deployed for awareness and raising funds from the mass market via face-to-face fundraising, direct response television advertising, direct mail appeals, and fundraising campaigns through online and offline platforms.

Philanthropic initiatives continued in 2018 to keep engagement with individual major donors, corporate donors, foundation donors and legacy gifts. To maintain high ethical standards in independent funding and high standards of due diligence, an MSF HK gift acceptance policy is in place to help identify any sources of donation that may contravene with MSF's principles and mission.

By the end of 2018, the number of active donors supporting MSF also increased, with a growth of 2.6% (2017: 6.2%) from 198,134 in 2017 to 203,356 in 2018.

## **Business Review (continued)**

### **(II) Achievements and Performance (continued)**

#### **(b) MSF HK Office activities (continued)**

##### *(iii) Fund Allocation and Reserves*

MSF HK does not directly manage operational programmes. We are a member entity of MSF International, and we actively participate with other MSF member entities in Belgium, Italy, Luxemburg, Denmark, Norway, Sweden, South Africa and Brazil to form Operational Centre Brussels (OCB), which is responsible for managing a large number of operational programmes.

MSF HK grants funds principally to OCB, and also to other MSF Operational Centres, which enable them to plan and implement programmes in areas of great need. Smaller grants are given to MSF International in Geneva, to the MSF Access Campaign (AC) and to the Drugs for Neglected Diseases Initiative (DNDi).

In the 2018 financial year, MSF HK contributed a total of HK\$377.3 million (2017: HK\$376.7 million) to various emergency and operational programmes in about 50 (2017: 52) countries around the world, representing 72.7% (2017: 75.1%) of total income.

Apart from these programme expenses, HK\$53.0 million (2017: HK\$44.1 million) was allocated for programme support and development, of which HK\$40.6 million (2017: HK\$39.2 million) was transferred to OCB to aid the indirect operational costs.

The remaining income of HK\$15.6million (2017: HK\$16.4 million) was spent in awareness raising, advocacy activities and other humanitarian programmes (AC & DNDi) which are coordinated by MSF International.

MSF HK has been maintaining a “zero reserve” policy, meaning that all donations received after the fundraising, management and administration expenses, are fully dispensed to support relief operations.

##### *(iv) Our field workers*

To support MSF missions worldwide, MSF HK recruits field workers not only in Hong Kong but also in the wider region, including mainland China, Macau, Taiwan, Singapore, the Philippines, Malaysia, Indonesia, Thailand, Cambodia, Vietnam, Laos and Myanmar. These people are the embodiment of the ‘volunteer’ spirit that our Charter speaks of but they do receive some small remuneration or stipend when in the field. This year, 50 (2017: 20) new members were recruited to join our pool of field workers, resulting in a total of 157 (2017: 142) deployments, of which 27 (2017: 18) were first missionaries. Around 62% of our deployments were to fill medical roles (e.g. specialists, doctors, nurses etc.) and the remaining 38% were non-medical positions in functions such as logistics, finance and human resources.

In 2018, the top destinations of our deployments were for MSF programmes in South Sudan, Bangladesh, Iraq and Syria.

## **Business Review (continued)**

### **(II) Achievements and Performance (continued)**

#### **(b) MSF HK Office activities (continued)**

##### *(v) Regional Developments*

MSF HK continued to expand its regional approach in Asia Pacific on behalf of the wider MSF movement. Since 2014, MSF's top decision making body, the International Board, mandated MSF HK to increase our presence in Taiwan and in Singapore, to consolidate MSF's public identity there and eventually to improve our ability to generate donations from private sources in these regions. A representation office of MSF HK was successfully registered in Taiwan in April 2016 allowing MSF to further increase its activities in the country. Coverage in terms of communications and advocacy was strengthened in the Philippines, Indonesia and Malaysia in 2018. The MSF HK's regional approach and capabilities were further reinforced by our continuous engagement with China.

##### *(vi) Major Events*

Some of the effort in these locations has involved conducting substantial public engagement activities via mounting physical events, as a way of explaining MSF's work. In Taipei and Singapore, we exhibited a range of information, hosted public talks, and sharing of humanitarian experiences at medical conferences by our field workers. Similar activities were also held in Manila, Iloilo, Jakarta, Yogyakarta and Kuala Lumpur. While in Hong Kong, the annual events involved organising a sponsored orienteering race and rallying public support for MSF Day on the 7th July, MSF online activities also took place in mainland China.

Following the success of the inaugural MSF Film Festival in 2016 to 2017, the MSF Film Festival toured in Hong Kong, Singapore and Taipei in this year to showcase documentary films about humanitarian crises and MSF's work. The first ever MSF Film Festival took place in 2018 in Macau which has engaged loyal supporters to deepen their understanding of MSF. Through organizing a series of Missing Map mapathons in Hong Kong, Singapore and Taipei, volunteers from different organisations and schools helped to digitise satellite imagery and create maps that significantly help the operations of humanitarian organisations like MSF. In Singapore, special events were arranged to strategically build reputation and visibility, including panel discussion on International Women's Day to engage with high net worth individual, and participated in externally hosted World Humanitarian Day panel discussions.

## **Business Review (continued)**

### **(III) Resources and Governance**

#### **(a) International Organisation Structure**

MSF is a worldwide movement of former and current field workers, employees and volunteers, who are members of associations at national, regional and international levels. MSF HK is one of the 24 associations in the MSF movement which is united by a shared commitment to the MSF Charter and Principles. Each association is a separate, independent legal entity having charitable or nonprofit status in their home society. Each association elects its own board of directors and president. Many associations have an executive office, which is accountable to its board of directors.

The associations are linked in partnership with five operational directorates, which manage MSF's medical humanitarian assistance programmes. Other units, including supply centres and medical units, also support MSF's activities.

National and regional MSF associations, individuals and the International President are all members of MSF International, the association that safeguards the identity of the MSF movement.

MSF International's highest authority is the International General Assembly (IGA), which is responsible for safeguarding MSF's medical humanitarian social mission, and provides strategic direction to the MSF movement. It delegates duties to the International Board and holds it accountable for those tasks. The IGA meets annually, and consists of two representatives from each association, two representatives elected by the individual members of MSF International, and the International President, who is elected by the representatives. The International President is currently Dr. Joanne Liu.

MSF HK is also represented in the board of OCB (OCB Board). The overall mandate of the OCB Board is to build a shared operational vision for OCB, together with the executive, to ensure good governance and accountability of the operational centre. The OCB Board consists of one representative from each of 9 member entities, including MSF HK and 6 persons directly elected by members of the MSF OCB association during the OCB Gathering. Members of MSF HK association are also members of the MSF OCB association.



## **Business Review (continued)**

### **(III) Resources and Governance (continued)**

#### **(b) MSF HK Organisation and Governance Structure**

The board of directors of MSF HK is elected by the members of MSF HK association during the Annual General Meeting. The key responsibilities of the board are to ensure the association's actions and operations are in line with MSF's social mission and principles, overseeing the activities of the executive and ensuring accountability. The responsibilities and functioning of the board of directors are bound by its Articles of Association.

The Finance, Audit and Risk Committee (FARC) was set up by the board of MSF HK as a standing committee in 2017. The FARC helps facilitate internal control enhancements and risk mitigation by scrutinizing and advising on budgets and relevant policies.

As of 31 December 2018, the board of MSF HK consists of 9 elected directors and 3 ex-officio members who are appointed by the board and do not have any voting rights at board meetings.

The MSF HK board appoints an Executive Director, who is accountable to the board, to manage MSF HK. The Executive Director and a Management Team of the heads of six departments (Fundraising, Finance & Administration, Communications, Human Resources, Operational Support and the China Team) are responsible for the management and support of operations.

#### **(c) Fund & Programme Management**

MSF has a funding strategy and policy in place which aims at ensuring optimization of funding opportunities and resources. Relevant guidelines are set up to ensure transparency with respect to the resources allocated to each programme towards our stakeholders, in particular the donors.

MSF Operational Centres manage the programmes in the field locations. Each individual programme will be assigned an annual budget according to the assessed needs and funds available. These are reviewed and monitored at regular intervals on the basis of MSF's risk management and internal control processes, notably to ensure that the programme progresses towards its targets in the most effective way possible in compliance with the internal policies, procedures and available resources. Evaluation of programmes is performed by an MSF unit which is separate and external to the operational management in order to continually adjust strategies and take account of possible weaknesses and lessons learnt.

## **Business Review (continued)**

### **(III) Resources and Governance (continued)**

#### **(d) Risk Management**

MSF HK maintains a detailed risk register which is regularly reviewed, revised and updated by the management team. Risks are rated according to their probability of occurrence, their potential impact on the objectives, finances or reputation of the organisation and the mitigating measures in place. Policies and strategies are adopted which should limit the risks that are considered most potent.

The management team reports to the Board on significant risks identified at regular intervals or will notify the Board of any new risk as it arises.

One of the key operational risks is the unavoidable danger that the personnel recruited by MSF HK to work overseas are often exposed to. All possible safeguards are put in place in the field to avoid any security incidents, and the organisation places great emphasis on negotiating with all parties in a given location to get safety assurances.

As part of our management of risk and reputation in the field, we have been actively clarifying our policies and procedures about staff behavior and sharing that with our supporters here in Hong Kong. In terms of financial risks, a potential downturn in the local economy or instability of global political economy, and any wider economic crisis may impact our donation income. We perform periodic reviews to monitor income as well as expenditure, and will tune our investment to maximise the donations from each of the fundraising channels. Our fundraising strategy of targeting mainly private and individual regular donors also helps to mitigate such risk.

The introduction of the General Data Protection Regulation (GDPR) within the European Union raises obligations for MSF HK, as part of the MSF Movement. This new risk is being mitigated to ensure compliance beyond Hong Kong requirements to also match GDPR standards. Trainings have been conducted to raise awareness on data protection. IT security and data protection have also been enhanced to prevent information leakage.

#### **(e) Cost Control**

MSF, both in Hong Kong and internationally, always strives to make the best possible use of the funds which are donated to us. We ensure that our programmes are focused effectively on populations which are most vulnerable, and we continually review our support, logistics, and medical protocols in order to either reduce costs, or to increase effectiveness.

During 2018 MSF HK was able to commit 85.9% of our total expenditure to support relief operations (2017: 87.1%), which is well above the MSF global benchmark of 80% (2017: 80%). This Social Mission Ratio is either more favorable or comparable with other Hong Kong charities working in the same field.

Management and administration costs accounted for 3.4% (2017: 3.3%) of MSF HK's total outgoings. These expenses were devoted to general management, administration, financial management, and information technology systems. 1.5% (2017: 1.3%) of the total outgoings was transferred to MSF International for their management and general administration purposes.

## **Business Review (continued)**

### **(IV) Sustainable Development**

#### **(a) Relationship with Key Stakeholders**

##### **(i) Donors**

MSF prioritises private funding over institutional funds to ensure that the organisation's actions are financially and operationally independent and impartial. Monetary contributions from sources that conflict with MSF's missions are not accepted. As such, monetary contributions from donors are arguably the backbone that not only pays for all MSF operations, but allows MSF to maintain its core philosophies. MSF HK fundraising programmes are aimed at not only generating income, but maintaining and cultivating relationships with our donors. We aim to ensure there is sustainable income contributing to MSF's operational viability in the long term.

MSF HK Donor Cultivation teams use a variety of methods to increase donors' understanding of MSF's work and enhance their level of support to the organisation. These include engagement events ranging from field worker sharing sessions and film screenings, to large-scale campaigns such as MSF Day and the MSF Orienteering Competition and regular mailed correspondence including the Activity Report and donor magazine.

##### **(ii) Staff**

We provide a friendly, collaborative and team-based working environment and encourage open communication, where each staff member is free to speak out. The relationship with our staff goes beyond the normal employer-employee one because staff members are invited to become a member of the MSF HK Association upon completion of one year's service. As associative members, they will also engage in the collective direction of MSF HK.

##### **(iii) Field Workers**

At the end of 2018, MSF HK had 288 (2017: 255) active field workers in our pool, recruited from a range of different countries across the region. As with our office staff, all field workers are invited to become an associative member of MSF HK and to continue to play a vital role in our development. The active pool of field workers are either serving in missions or waiting to be dispatched. They bring with them professional skills and add to the diversity of our operational teams around the world, while often making significant sacrifices in their family life, home employment and personal comforts. We are grateful for their contributions.

## **Business Review (continued)**

### **(IV) Sustainable Development (continued)**

#### **(a) Relationship with Key Stakeholders (continued)**

##### *(iv) Association Members*

MSF was founded as an association. The associative identity is reiterated in the MSF Charter and Chantilly Agreement. The association engages field workers, volunteers and staff from all the MSF entities in a shared commitment to humanitarian medical action. Being an association member, he/she can engage in the collective ownership of MSF and oversight of its leadership. The association functions in a participatory way. Association members are able to voice their concerns and bring about changes to MSF's actions within the framework of the MSF Charter and Principles. During the General Assembly, members elect the board of directors to represent their voices. As of 31 December 2018, MSF HK has 459 (2017: 452) association members.

##### *(v) Volunteers*

MSF HK is fortunate to have many volunteers who give their time to help in our Hong Kong office as well as events held in Hong Kong, Singapore, Taipei, and Beijing. We are grateful for their contributions and consider them an integral part of our family. Office volunteers are welcome to participate in social activities organised by staff and they are also invited to sit-in presentation sessions when our field workers return from their missions.

##### *(vi) Public*

MSF's commitment to speaking about what it sees in the places where we do the emergency medical work means that our engagement with the public in our home societies is conducted as a primary objective of the organisation and as an end in itself. That process takes place through a range of channels including school talks, public talks, exhibitions, self-initiated events in universities, MSF Day Student Ambassador Programme, extensive and inclusive media relations work, a website dedicated to explaining the nature of humanitarian crises and our response in the field, an active presence on social media and through online awareness campaigns. MSF HK produces regular e-newsletters, a twice-yearly magazine on our work and an explanatory annual report which details our contribution to MSF's global medical effort.

##### *(vii) Local community*

MSF's medical work is aimed at responding to crises of suffering, where local capacities have been overwhelmed. These are emergency interventions that are intended to be as short as possible and designed so that they do not displace or substitute for those local health resources. However we are often able to pass on skills and to restore those local capabilities. Therefore, although MSF is not a development organisation, our contribution to building capacity in the health sector can be significant.

## **Business Review (continued)**

### **(IV) Sustainable Development (continued)**

#### **(b) Environmental Measures**

MSF HK commits to improve the environment for the welfare and enjoyment of our staff and the wider community. We have assumed our responsibility to work towards the achievement of sustainable development. We need to be aware of the impact of our activities on the environment and on communities and to continue to minimise the negative impacts of MSF's operations on the environment. Management routines are set up to be sustainable with the principles of reduce, reuse, repair and recycle. Additional measures of energy savings has been set up for electricity usage.

### **(V) Future Outlook**

In line with our priorities, MSF HK will continue to strive to provide high quality support to all MSF's missions around the world, with a clear vision of continuing our work of providing aid to people in greatest medical need.

At the same time, the Hong Kong head office will continue to enhance the development of MSF in Taiwan, Singapore, China and Southeast Asia. By leveraging existing resources and providing these new initiatives with necessary knowledge and experiences gained from Hong Kong, our aim is to help building up their capacity in the most efficient way.

Our goal will remain to enhance our humanitarian and medical identity in these regions as a core component of our development, while emphasizing transparency for our supporters, and reactivity and quality care for our beneficiaries.

We will continue to invest in internal information and management systems, which will enable us to stay aligned with the best technologies, and in turn allow a better integration and interoperability amongst the various MSF entities in the region.

## **Directors**

The directors who held office during the year and up to the date of this report were as follows:

CHAN Kwong Wai

LIU Chen Kun

TAN Day Seng

CHAN Shut Wah

FAN Ning

LEE Marlene

SAMAN Sartini

TEO Alvin Kuo Jing

CAUSING Morpheus Salarda

BIYO Yvonne Lucindo

(appointed on 25 August 2018)

(resigned on 21 March 2019)

(appointed on 25 August 2018 and  
resigned on 3 December 2018)

LEE Yi Chen

(resigned on 25 August 2018)

VAN DER TAK Dick

(resigned on 16 May 2018)

### **Directors (continued)**

In accordance with article 75 of the organisation's articles of association, all remaining directors retire at the forthcoming Annual General Meeting and, are eligible for re-election.

At no time during the year was the organisation, subsidiary or its affiliates a party to any arrangement to enable the directors of the organisation to acquire benefits by means of the acquisition of equity interests in or debentures of organisation or any other body corporate.

### **Indemnity of directors**

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the directors of the organisation is currently in force and was in force throughout the year.

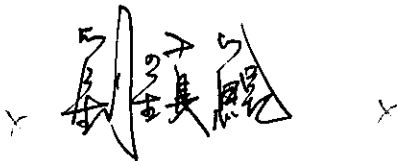
### **Director's interests in transactions, arrangements or contracts**

No contract of significance to which the organisation, subsidiary or affiliates was a party, and in which a director of the organisation had a material interest, subsisted at the end of the year or at any time during the year.

### **Auditor**

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditor of the organisation is to be proposed at the forthcoming Annual General Meeting.

By order of the board

A handwritten signature in black ink, appearing to be 'LIU Chen Kun', with a small 'x' mark to the right.

LIU Chen Kun

Director

Hong Kong, 22 MAY 2019

# Independent auditor's report to the members of Medecins Sans Frontieres (HK) Limited *(Incorporated in Hong Kong and limited by guarantee)*

## **Opinion**

We have audited the consolidated financial statements of Medecins Sans Frontieres (HK) Limited ("the organisation") and its subsidiary ("the group") set out on pages 17 to 37, which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of comprehensive income and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

## **Basis for opinion**

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the group 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.

## **Information other than the consolidated financial statements and auditor's report thereon**

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

# Independent auditor's report to the members of Medecins Sans Frontieres (HK) Limited (continued)

*(Incorporated in Hong Kong and limited by guarantee)*

## **Responsibilities of the directors for the consolidated financial statements**

The directors are responsible for the preparation of the consolidated 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 directors 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 consolidated financial statements, the directors are responsible for assessing the group'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 directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 group's internal control.





**Independent auditor's report to the members of  
Medecins Sans Frontieres (HK) Limited (continued)**  
*(Incorporated in Hong Kong and limited by guarantee)*

**Auditor's responsibilities for the audit of the consolidated financial statements  
(continued)**

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' 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 group'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 consolidated 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 group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors 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.

KPMG

Certified Public Accountants

8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

22 MAY 2019

## Consolidated statement of comprehensive income for the year ended 31 December 2018

(Expressed in Hong Kong dollars)

	Note	2018 \$	2017 \$
<b>Donations income</b>	3	518,339,054	501,633,032
<b>Other income</b>	4	604,273	279,940
		<u>518,943,327</u>	<u>501,912,972</u>
<b>Less: Expenditures</b>			
<b>Supporting relief operations</b>			
Emergency and medical programmes	6	377,285,890	376,727,319
Programme support and development	7	52,951,965	44,100,511
Public awareness and other campaigns		12,339,157	13,257,218
Other humanitarian activities	8	3,249,143	3,096,508
		<u>445,826,155</u>	<u>437,181,556</u>
Management and general administration	9	17,598,308	16,743,032
Fundraising		55,334,702	47,988,384
		<u>518,759,165</u>	<u>501,912,972</u>
Net exchange loss		<u>(184,162)</u>	<u>-</u>
<b>Designated surplus and total comprehensive income for the year</b>	5	<u>-</u>	<u>-</u>

The notes on pages 21 to 37 form part of these consolidated financial statements.

**Consolidated statement of financial position**  
**at 31 December 2018**  
 (Expressed in Hong Kong dollars)

	Note	2018 \$	2017 \$
<b>Non-current assets</b>			
Property, plant and equipment	13	1,097,336	1,327,531
Intangible assets	14	3,466,441	-
		<u>4,563,777</u>	<u>1,327,531</u>
<b>Current assets</b>			
Debtors	15	182,945	36,756
Deposits and prepayments	15	2,874,774	5,306,802
Amount due from MSF International	16	153,551	610,640
Amount due from MSF Belgium	16	360,485	224,419
Amount due from MSF France	16	74,505	34,936
Amount due from MSF Holland	16	44,875	58,583
Amount due from MSF Spain	16	13,185	82,003
Amount due from MSF Switzerland	16	64,564	12,527
Amount due from MSF Australia	16	-	3,840
Amount due from MSF United Kingdom	16	-	3,430
Amount due from Norway	16	3,090	-
Amount due from India	16	1,242	-
Cash and cash equivalents		67,969,834	36,024,961
		<u>71,743,050</u>	<u>42,398,897</u>
<b>Current liabilities</b>			
Creditors and accrued expenses	17	7,602,840	6,006,602
Deferred income	18	-	1,629,081
Amount due to MSF Belgium	16	65,258,411	36,090,745
Amount due to MSF International	16	246,958	-
Amount due to MSF Jakarta	16	95,255	-
Amount due to MSF France	16	2,992,728	-
Amount due to MSF United Kingdom	16	106,992	-
Amount due to MSF Korea	16	3,643	-
		<u>76,306,827</u>	<u>43,726,428</u>
<b>Net current liabilities</b>		<u>(4,563,777)</u>	<u>(1,327,531)</u>
<b>Net assets</b>		<u>-</u>	<u>-</u>

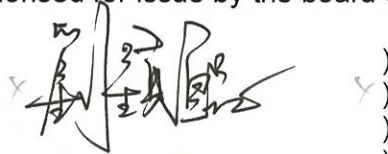
## Consolidated statement of financial position at 31 December 2018 (continued)

(Expressed in Hong Kong dollars)

	2018 \$	2017 \$
Represented by:		
<b>Fund balances</b>		
Accumulated funds	-	-

Approved and authorised for issue by the board of directors on 22 MAY 2019

LIU Chen Kun



)  
) Directors

CHAN Kwong Wai



The notes on pages 21 to 37 form part of these consolidated financial statements.

## Consolidated cash flow statement for the year ended 31 December 2018 (Expressed in Hong Kong dollars)

	Note	2018 \$	2017 \$
<b>Operating activities</b>			
Designated surplus for the year		-	-
Adjustments for:			
Interest income	4	(531,110)	(2,743)
Depreciation	13	652,911	610,731
Amortisation of intangible assets	14	621,001	-
Gain on disposal of property, plant and equipment		(57)	-
<b>Operating surplus before changes in working capital</b>		<b>742,745</b>	<b>607,988</b>
(Increase)/decrease in debtors		(146,189)	40,108
Decrease/(increase) in deposits and prepayments		2,432,028	(1,773,630)
Increase in creditors and accrued expenses		1,596,238	205,386
Decrease in deferred income		(1,629,081)	(7,920,577)
Increase in net amounts due to MSF entities		32,928,123	15,952,079
<b>Net cash generated from operating activities</b>		<b>35,923,864</b>	<b>7,111,354</b>
<b>Investing activities</b>			
Payment for the purchase of property, plant and equipment	13	(424,159)	(322,700)
Payment for the purchase of intangible assets	14	(4,087,442)	-
Proceeds from disposal of property, plant and equipment		1,500	-
Interest received		531,110	2,743
<b>Net cash used in investing activities</b>		<b>(3,978,991)</b>	<b>(319,957)</b>
<b>Net increase in cash and cash equivalents</b>		<b>31,944,873</b>	<b>6,791,397</b>
<b>Cash and cash equivalents at 1 January</b>		<b>36,024,961</b>	<b>29,233,564</b>
<b>Cash and cash equivalents at 31 December</b>		<b>67,969,834</b>	<b>36,024,961</b>

Cash and cash equivalents represent cash at bank and on hand.

The notes on pages 21 to 37 form part of these consolidated financial statements.

# Notes to the consolidated financial statements

*(Expressed in Hong Kong dollars unless otherwise indicated)*

## **1 Status of the organisation**

The organisation is limited by guarantee, such that under the provisions of the organisation's articles of association, every member shall, in the event of the organisation being wound up, contribute such amount as may be required to meet the liabilities of the organisation, but not exceeding \$100 each. As at 31 December 2018, the organisation has 459 (2017: 452) members.

## **2 Significant accounting policies**

### **(a) Statement of compliance**

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. Significant accounting policies adopted by the group are disclosed below.

### **(b) Basis of preparation of the consolidated financial statements**

The consolidated financial statements for the year ended 31 December 2018 comprise the organisation and its subsidiary (together referred to as the "group").

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

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

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

## 2 Significant accounting policies (continued)

The group has maintained a policy of "zero reserve". That is, all funds raised, net of operating expenses, would be transferred to MSF operational centres. The group also has non-current assets and therefore would inevitably have a position of net current liabilities with the same amount as the non-current assets, which amounted to \$4,563,777 at 31 December 2018. The directors are of the opinion that, having taken into account the expected cash inflows from public donations, the group has sufficient financial resources to meet its liabilities as and when they fall due in the coming twelve months from the end of the reporting period. Accordingly, the directors believe that the group will be able to continue as a going concern and have prepared the consolidated financial statements on a going concern basis.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the group. None of these developments have had a material effect on how the group's results and financial position for the current or prior periods have been prepared or presented. The group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

### (c) Consolidated statement of changes in accumulated funds

There has been no change in accumulated funds for the current or prior year and the fund balance remained zero throughout the years presented. Accordingly, no consolidated statement of changes in accumulated funds has been prepared.

### (d) Subsidiary

Subsidiary is an entity controlled by the group. The group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the group has power, only substantive rights (held by the group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the organisation's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses.

The investment in a subsidiary is reviewed for indications of impairment at the end of each reporting period. An impairment loss is recognised in surplus or deficit whenever the carrying amount of an asset, or of the cash-generating unit to which it belongs, exceeds its recoverable amount. The recoverable amount of the asset, or of the cash-generating unit to which it belongs, is the greater of its fair value less costs to disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

## 2 Significant accounting policies (continued)

### (e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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

- Leasehold improvements	Over the remaining lease term
- Furniture and fixtures	5 years
- Office equipment	5 years
- Computer equipment	3 <sup>1</sup> / <sub>3</sub> years

Both the useful life of an asset and its residual value, if any, are reviewed annually.

The carrying amounts of property, plant and equipment are reviewed for indications of impairment at the end of each reporting period. An impairment loss is recognised in surplus or deficit if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. The recoverable amount of an asset, or of the cash generating unit to which it belongs, is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

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

### (f) Intangible assets

Intangible assets that are acquired by the organisation are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (note 2(e)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight line basis over the assets' estimated useful lives. Computer software are amortised from the date they are available for use and their estimated useful lives are 3.3 years.

Both the period and method of amortisation are reviewed annually.



## 2 Significant accounting policies (continued)

### (g) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

#### (i) Classification of assets leased to the group

Assets that are held by the group under leases which transfer to the group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the group are classified as operating leases.

#### (ii) Operating lease charges

Where the group has the use of assets held under operating leases, payments made under the leases are charged to surplus or deficit in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in surplus or deficit as an integral part of the aggregate net lease payments made.

### (h) Receivables

A receivable is recognized when the group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

The loss allowance for trade receivable is measured at an amount equal to lifetime expected credit losses (ECLs), which are those losses that are expected to occur over the expected life of the trade receivables. The loss allowance is estimated using a provision matrix based on the group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

ECLs are remeasured at each reporting date with any changes recognised as an impairment gain or loss in profit or loss. The group recognises an impairment gain or loss with a corresponding adjustment to the carrying amount of receivables through a loss allowance account.

## 2 Significant accounting policies (continued)

The gross carrying amount of a trade debtor or other receivable is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

### (i) Creditors

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

### (j) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

### (k) Employee benefits

Salaries, 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.

### (l) Provisions and contingent liabilities

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

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

### (m) Revenue recognition

#### (i) Donation income

General donation represents cash received from various fund raising projects and is recognised upon receipt.

Designated donation which are earmarked for specific purposes are initially recognised as deferred income and then recognised in surplus or deficit over the period necessary to match with the related costs which they are intended to compensate.

## 2 Significant accounting policies (continued)

### (ii) Interest income

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

### (n) Translation of foreign currencies

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

### (o) Related parties

- (1) A person, or a close member of that person's family, is related to the group if that person:
  - (i) has control or joint control over the group;
  - (ii) has significant influence over the group; or
  - (iii) is a member of the key management personnel of the group or the group's parent.
- (2) An entity is related to the group if any of the following conditions applies:
  - (i) The entity and the group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the group or an entity related to the group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (1).
  - (vii) A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

**3 Donations income**

Donations income represents donations received from public, private trusts and foundations.

**4 Other income**

	2018	2017
	\$	\$
Associate membership fee	5,550	6,450
Bank interest income	531,110	2,743
Tickets and book sales	67,556	6,069
Gain on disposal of property, plant and equipment	57	-
Exchange gain	-	264,678
	<u>604,273</u>	<u>279,940</u>

**5 Designated surplus for the year**

Designated surplus for the year is arrived at after charging:

	2018	2017
	\$	\$
Salaries, wages and other benefits (including contributions to defined contribution retirement plan of \$1,692,386 (2017: \$1,552,217))	31,721,878	26,091,450
Auditors' remuneration	135,000	135,000
Depreciation (note 13)	652,911	610,731
Amortisation (note 14)	621,001	-
Operating lease charges for property and equipment rentals	2,424,724	2,177,741
	<u>2,424,724</u>	<u>2,177,741</u>

## 6 Emergency and medical programmes

The group has transferred the following amounts to aid emergency and medical programmes co-ordinated by other Medecins Sans Frontieres entities:

<i>Missions</i>	<i>2018</i>	<i>2017</i>
	\$	\$
Afghanistan	27,074,732	45,767,564
Bangladesh	11,668,077	6,010,256
Belgium	1,543,819	2,619,982
Bolivia	781,454	335,450
Brazil	407,659	105,855
Burundi	4,341,842	5,610,292
Cambodia	1,544,137	1,935,875
Central African Republic	18,786,830	7,841,382
Chad	3,759,677	4,000,000
Côte d'Ivoire	2,938,006	14,929
Dominica	-	8,609
Democratic Republic of Congo	49,469,579	38,253,902
Egypt	3,718,496	1,880,046
Ethiopia	6,500,000	6,000,000
Ghana	505,587	46,219
Greece	1,980	-
Guinea	4,645,889	5,051,827
Haiti	11,015,916	14,058,104
India	14,995,972	14,977,470
Indonesia	626,929	810,802
Iraq	18,698,169	17,997,104
Italy	4,864,123	9,279,230
Kenya	3,662,176	5,451,734
Lebanon	19,930,035	20,696,450
Libya	4,000,000	3,000,000
Madagascar	5,830	29,231
Malawi	4,373,976	2,030,667
Malaysia	5,000,000	3,500,000
Mali	5,078,890	23,341
Malta	227,103	-
Mauritania	3,039,832	10,406,756
Mexico	-	14,418
Mozambique	3,654,035	1,449,501
Myanmar	9,000,000	5,850,000
Nauru	1,708,293	550,531
Nicaragua	187,766	-
Niger	-	3,748,652
Nigeria	12,346,969	15,361,104
Pakistan	12,502,254	18,657,856
Palestine	1,564,025	1,186,057
Papua New Guinea	2,000	-
Russia	609,378	648,367
Sierra Leone	6,166,346	11,844,220
South Africa	5,882,187	5,585,310

## 6 Emergency and medical programmes (continued)

	2018	2017
	\$	\$
South Sudan	27,410,537	16,087,561
Syria	27,660,637	10,921,644
Tajikistan	-	3,000,000
Tunisia	36	1,328,122
Turkey	-	3,000,000
Ukraine	2,164,975	2,928,845
Uzbekistan	3,000,000	3,000,000
Venezuela	3,743,084	7,312,017
Yemen	10,751,790	15,037,010
Zimbabwe	6,748,417	2,806,230
Migrant Support Balkan Route	8,976,446	8,322,924
	<u>377,285,890</u>	<u>376,727,319</u>

## 7 Programme support and development

Included in expenditures for programme support and development is an amount of \$40,600,963 (2017: \$39,211,505) transferred to operational centre in MSF Belgium to aid indirect operational costs.

## 8 Other humanitarian activities

The group has transferred the following amounts to aid other humanitarian activities co-ordinated by other Medecins Sans Frontieres entities:

	2018	2017
	\$	\$
DNDi	1,381,364	1,319,571
Access Campaign	1,867,779	1,776,937
	<u>3,249,143</u>	<u>3,096,508</u>

## 9 Management and general administration

Included in expenditures for management and general administration is an amount of \$7,531,109 (2017: \$6,608,217) transferred to MSF International for management and general administration expenditure purposes.

## 10 Directors' emolument

Directors' emolument disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2018	2017
	\$	\$
Directors' fees	-	-
Salaries, allowances and benefits in kind	-	-
Discretionary bonuses	-	-
Retirement scheme contributions	-	-
	<u>                    </u>	<u>                    </u>

## 11 Taxation

No provision for Hong Kong Profits Tax has been made as the organisation is an approved charitable organisation which is exempted from tax under Section 88 of the Inland Revenue Ordinance and the subsidiary of the organisation did not have assessable profits for the year.

## 12 Interest in a subsidiary

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

<i>Name of Company</i>	<i>Place of incorporation and operation</i>	<i>Particulars of issued and paid up capital</i>	<i>Percentage of equity shares held directly by the organisation</i>	<i>Principal activities</i>
MSF (HK) Limited	Hong Kong	HK\$1	100%	Inactive

MSF (HK) Limited was dissolved on 8 February 2019.

### 13 Property, plant and equipment

	<i>Leasehold improvements</i> \$	<i>Furniture and fixtures</i> \$	<i>Office equipment</i> \$	<i>Computer equipment</i> \$	<i>Total</i> \$
<b>Cost:</b>					
At 1 January 2018	905,331	614,305	748,511	1,994,374	4,262,521
Additions	49,200	-	31,237	343,722	424,159
Disposals	-	(172,519)	(337,332)	(455,625)	(965,476)
At 31 December 2018	<u>954,531</u>	<u>441,786</u>	<u>442,416</u>	<u>1,882,471</u>	<u>3,721,204</u>
<b>Accumulated depreciation:</b>					
At 1 January 2018	334,937	434,025	591,375	1,574,653	2,934,990
Charge for the year	247,436	74,837	63,986	266,652	652,911
Written off on disposal	-	(172,519)	(335,889)	(455,625)	(964,033)
At 31 December 2018	<u>582,373</u>	<u>336,343</u>	<u>319,472</u>	<u>1,385,680</u>	<u>2,623,868</u>
<b>Net book value:</b>					
At 31 December 2018	<u>372,158</u>	<u>105,443</u>	<u>122,944</u>	<u>496,791</u>	<u>1,097,336</u>
<b>Cost:</b>					
At 1 January 2017	905,331	614,305	748,511	1,784,124	4,052,271
Additions	-	-	-	322,700	322,700
Disposals	-	-	-	(112,450)	(112,450)
At 31 December 2017	<u>905,331</u>	<u>614,305</u>	<u>748,511</u>	<u>1,994,374</u>	<u>4,262,521</u>
<b>Accumulated depreciation:</b>					
At 1 January 2017	105,395	359,188	528,816	1,443,310	2,436,709
Charge for the year	229,542	74,837	62,559	243,793	610,731
Written off on disposal	-	-	-	(112,450)	(112,450)
At 31 December 2017	<u>334,937</u>	<u>434,025</u>	<u>591,375</u>	<u>1,574,653</u>	<u>2,934,990</u>
<b>Net book value:</b>					
At 31 December 2017	<u>570,394</u>	<u>180,280</u>	<u>157,136</u>	<u>419,721</u>	<u>1,327,531</u>



## 14 Intangible Assets

	<i>Computer software HKD</i>
<b>Cost:</b>	
At 1 January 2017, 31 December 2017 and 1 January 2018	\$ -
Addition	4,087,442
At 31 December 2018	<u>\$ 4,087,442</u>
<b>Accumulated amortisation:</b>	
At 1 January 2017, 31 December 2017 and 1 January 2018	\$ -
Charge for the year <sup>(*)</sup>	621,001
At 31 December 2018	<u>\$ 621,001</u>
<b>Net book value:</b>	
At 31 December 2018	<u>\$ 3,466,441</u>
At 31 December 2017	<u>\$ -</u>

(\*) The amount is included in "Programme support and development", "Management and general administration" and "Fundraising" in the consolidated statement of comprehensive income.

## 15 Debtors, deposits and prepayments

Included in deposits and prepayments are deposits of \$1,076,150 (2017: \$1,333,843) which are expected to be recovered after one year. All of the other debtors, deposits and prepayments are expected to be recovered or recognised as expense within one year.

## 16 Amounts due from/(to) other Medecins Sans Frontieres entities

The amounts due from/(to) other Medecins Sans Frontieres entities are unsecured, interest-free and recoverable/(repayable) on demand.

## 17 Creditors and accrued expenses

Except for \$2,837,897 (2017: \$315,246) which is not expected to be settled within one year, the remaining balance of creditors and accrued expenses are expected to be settled within one year.

## 18 Deferred income

As at 31 December 2017, deferred income represented unspent donation fund received and designated for the Ebola initiative. The entire balance was recognised as donation income during the financial year ended 31 December 2018.

## 19 Fund balances

### *The organisation*

Details of the changes in the organisation's fund balances between the beginning and the end of the years are set out below.

	<i>Accumulated funds \$</i>
<b>At 1 January 2017</b>	5,599
Designated surplus and total comprehensive income for the year	870
	6,469
<b>At 31 December 2017, 1 January 2018 and 31 December 2018</b>	6,469

## 20 Financial risk management and fair values

Exposure to credit and liquidity risks arises in the normal course of the group's activities. The group's exposure to these risks and the financial risk management policies and practices used by the group to manage these risks are described below:

### (a) *Credit risk*

The group's credit risk is primarily attributable to amounts due from other Medecins Sans Frontieres entities and cash at bank. The group manages this risk as follows:

Amounts due from other Medecins Sans Frontieres entities are current in nature and recoverable on demand. Any credit risk associated with these balances is expected to be low, taking into account their financial positions, past dealings with them and other factors.

The group's cash at bank is placed with major financial institutions with sound credit ratings for which the group considers to have low credit risk.

The group does not provide any guarantees which would expose the group to credit risk.

### (b) *Liquidity risk*

Apart from the going concern consideration mentioned in note 2(b), the group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

## 20 Financial risk management and fair values (continued)

### (c) Fair values

All financial instruments were carried at amounts not materially different from their fair values as at 31 December 2018 and 2017.

## 21 Members' liability

The organisation is not authorised to issue share capital and is limited by guarantee. The liability of members is limited, in the event of the organisation being wound up, to \$100 per member.

## 22 Operating lease commitments

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

	2018 \$	2017 \$
Within one year	2,989,009	2,619,819
After one year but within five years	1,752,714	3,615,060
	<u>4,741,723</u>	<u>6,234,879</u>

The group is a lessee in respect of properties held under operating leases. The leases typically run for an initial period of one to five years, at the end of which period all terms are renegotiated. None of the leases includes contingent rentals.

## 23 Material related party transactions

### (a) Key management personnel remuneration

Key management personnel of the group are all the directors of the organisation, whose remuneration is disclosed in note 10.

### (b) Transactions with related parties

Apart from the amounts transferred to other Medecins Sans Frontieres entities to aid emergency and medical programmes co-ordinated, indirect operational costs, other humanitarian activities and for management and general administration expenditure purposes as disclosed in note 6, 7, 8 and 9 and the balances disclosed elsewhere in these financial statements, there were no other material related party transactions.

## 24 Organisation-level statement of financial position

	2018	2017
	\$	\$
<b>Non-current assets</b>		
Interest in a subsidiary	6,469	6,469
Property, plant and equipment	1,097,336	1,327,531
Intangible assets	3,466,441	-
	<u>4,570,246</u>	<u>1,334,000</u>
<b>Current assets</b>		
Debtors	182,945	36,756
Deposits and prepayments	2,874,774	5,306,802
Amount due from MSF International	153,551	610,640
Amount due from MSF Belgium	360,485	224,419
Amount due from MSF France	74,505	34,936
Amount due from MSF Holland	44,875	58,583
Amount due from MSF Spain	13,185	82,003
Amount due from MSF Switzerland	64,564	12,527
Amount due from Australia	-	3,840
Amount due from United Kingdom	-	3,430
Amount due from Norway	3,090	-
Amount due from India	1,242	-
Cash and cash equivalents	67,969,834	36,024,961
	<u>71,743,050</u>	<u>42,398,897</u>
<b>Current liabilities</b>		
Creditors and accrued expenses	7,602,840	6,006,602
Deferred income	-	1,629,081
Amount due to MSF Belgium	65,258,411	36,090,745
Amount due to MSF International	246,958	-
Amount due to MSF Jakarta	95,255	-
Amount due to MSF France	2,992,728	-
Amount due to MSF United Kingdom	106,992	-
Amount due to MSF Korea	3,643	-
	<u>76,306,827</u>	<u>43,726,428</u>
<b>Net current liabilities</b>	<u>(4,563,777)</u>	<u>(1,327,531)</u>
<b>Net assets</b>	<u>6,469</u>	<u>6,469</u>

**24 Organisation-level statement of financial position (continued)**

	2018	2017
	\$	\$
Represented by:		
<b>Fund balances</b>		
Accumulated funds	<u>6,469</u>	<u>6,469</u>

Approved and authorised for issue by the board of directors on **22 MAY 2019**

LIU Chen Kun	x		x	)	
				)	
				)	Directors
CHAN Kwong Wai	x		x	)	

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

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

*Effective for  
accounting periods  
beginning on or after*

HKFRS 16, *Leases*

1 January 2019

The group is in the process of making an assessment of what the impact of this new standard is expected to be in the period of initial application. So far the group has identified some aspects of HKFRS 16 which may have an impact on the consolidated financial statements. Further details of the expected impacts are discussed below. The actual impact upon the initial adoption of the standard may differ as the assessment completed to date is based on the information currently available to the group, and further impacts may be identified before the standard is initially applied in the group's financial statements for the year ended 31 December 2019. The group may also change its accounting policy elections, including the transition options, until the standard is initially applied in the financial statements.

### **HKFRS 16, *Leases***

HKFRS 16 will primarily affect the group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of comprehensive income over the period of the lease.

As disclosed in note 22, at 31 December 2018 the group's future minimum lease payments under non-cancellable operating leases amount to \$4,741,723, a portion of which is payable between 1 and 5 years after the reporting date. Upon the initial adoption of HKFRS 16, some of these amounts may need to be recognised as right-of-use assets and lease liabilities.