



**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 2016**

Directors' report

The directors have pleasure in submitting their annual report together with the audited consolidated financial statements for the year ended 31 December 2016.

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 (Hong Kong) Limited (MSF HK), established in 1994, is a private, international association made up of doctors and 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 basic healthcare, perform surgeries, 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 the international operations. MSF HK provides specialised support to MSF's operational management via our Emergency Response and Support Unit, which monitors and deploys to rapid onset crises in the South East Asia region. MSF HK's Communications Department works to raise awareness and provides up to date public information about MSF's work internationally through the news media and the internet.

(II) Achievements and Performance

(a) Overview of International Operations

At any one time, MSF's Operational Centres run programmes in 350 to 400 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.

Business Review (continued)

(II) Achievements and Performance (continued)

(a) Overview of International Operations (continued)

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

In 2016, MSF teams continued their work in areas of armed conflict, such as Syria, Yemen, Libya, South Sudan and Nigeria, where they provided care to vulnerable populations caught in the crossfire, and witnessed deplorable attacks on health structures, health staff and civilians. We also provided life-saving care to the populations fleeing those conflicts, through search and rescue activities at sea and the delivery of aid to those traveling over land. The conflict in Nigeria has led to a malnutrition crisis in the northern part of the country, and MSF had to scale up its activities to respond through nutrition and medical programmes. A surge in violence in South Sudan also led to a scale up of MSF's already extensive activities in the country.

MSF was also kept busy in responding to disease outbreaks and their consequences. Our teams in DRC supported the government in a massive vaccination campaign against yellow fever. MSF teams continued to work in Sierra Leone, Guinea and Liberia to help rebuild the health system which was ravaged by the Ebola Outbreak of 2014-2015.

The MSF HK Annual Activity Report to its supporters in the middle of the year provides detail on the countries and programmes where donations raised by MSF HK is spent the year before. And 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.

Business Review (continued)

(II) *Achievements and Performance (continued)*

(a) Overview of International Operations (continued)

(iii) *Campaigns and Research (continued)*

The key focus of MSF's Access to Essential Medicines 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.

(b) MSF HK Office activities

(i) *Key Financial Indicators*

- Donations received from the public amounted to HK\$446.5 million in 2016 (2015: HK\$393.0 million), which was an increase of 13.6% (2015: 12.8%) or HK\$53.5 million (2015: HK\$44.7 million) on the year before.
- We did not receive funds or grants from any public institution (including the HKSAR Government). Over 89.6% (2015: 90.0%) of the donations were from individual donors, the rest from trusts and corporations.
- Monthly donations amounted to HK\$266.5 million (2015: HK\$236.8 million), representing 59.7% (2015: 60.3%) of the total income. We spent a total of HK\$391.2 million (2015: HK\$344.4 million) in supporting relief operations, representing 87.6% of total income (2015: 87.6%).
- Fundraising costs were HK\$41.3 million (2015: HK\$36.7 million), representing 9.2% (2015: 9.4%) of total income.
- Management and administration costs were HK\$14.1 million (2015: HK\$11.9 million), representing 3.2% (2015: 3.0%) of total income.

Business Review (continued)

(II) Achievements and Performance (continued)

(b) MSF HK Office activities (continued)

(ii) Donation Income and Expenses

The donation income growth of 13.6% in 2016 (2015: 12.8%) was mainly attributed to a lasting impact from the "Ebola Effect" and the visibility of MSF's work in response to a number of crises such as the conflict in the Middle East and the refugees in the Mediterranean Sea. MSF continued to receive heightened media attention and support and interest from MSF's existing donors and the general public in 2016 also rose. Most notably it resulted in two exceptionally generous gifts in the form of a prestigious award and from a private foundation, acknowledging the prominence of MSF's work in combatting Ebola and other diseases around the world. Significant financial support was received from both existing and new donors as a result of the effort expended in diversifying and refining communication and fundraising activities. MSF HK reached out to a wider demographic of people to increase awareness and understanding of MSF's values and principles.

Investment in the expansion of MSF's digital fundraising programmes also contributed to the growth. The upgrading and enhancing MSF HK's online giving platform carried on in 2016 and along with integrated online campaigns and other ongoing fundraising campaigns meant that our digital fundraising platform remained one of the most popular channels amongst donors. In addition to expenses tied directly to fundraising channels and activities, we have invested in various public engagement events, awareness raising activities as well as improving backend infrastructure, aimed at improving future efficiency. The efficiency of fundraising was maintained with a return of investment of 10.8 times (2015: 10.7 times), preserving a healthy return on fundraising investment. MSF is committed to fundraising efficiently and the investments made in 2016 will contribute to long term and sustainable income.

Regular monthly donations continued to grow and provided a stable income to the organisation. In 2016, regular monthly donations comprised 59.7% (2015: 60.3%) of MSF HK's total income, whilst one-off cash donations comprised the rest. Therefore, recruitment and retention of regular monthly donors are therefore the key priorities of the MSF HK Fundraising Department, and thus require significant investment. Main activities can be summarised as the raising of funds and awareness from the mass market via face-to-face fundraising and telephone fundraising, Direct Response Television, mailed appeals, and online campaigns.

Targeted philanthropic activities with individual major donors, corporate donors, foundation donors and legacy gifts continued in 2016 making up 17% (2015: 15%) of the total income. As these activities focus on one-to-one relationships, investment expenditure was relatively low. In 2016, several new initiatives were launched with an emphasis on increasing the interaction and engagement with these donors.

Business Review (continued)

(II) *Achievements and Performance (continued)*

(b) MSF HK Office activities (continued)

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

By the end of 2016, MSF HK had a pool of 99,349 (2015: 71,972) non-giving 'supporter' representing a 38% (2015: 19%) growth from the previous year. This can largely be attributed to the growth of activities in the different demographic segments and different geographic regions. The number of active donors supporting MSF also increased respectively, with a growth of 9% (2015: 6%) from 171,706 in 2015 to 186,621 in 2016.

(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 2016 financial year, MSF HK contributed a total of HK\$343.1 million (2015: HK\$298.7 million) to various emergency and operational programmes in about 54 (2015: 58) countries around the world, representing 76.8% (2015: 76.0%) of total income.

Apart from these programme expenses, HK\$31.4 million (2015: HK\$33.6 million) was allocated for programme support and development, of which HK\$27.2 million (2015: HK\$29.2 million) was transferred to OCB to aid the indirect operational costs. The remaining income of HK\$16.7 million (2015: HK\$12 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 operation.

Business Review (continued)

(II) *Achievements and Performance (continued)*

(b) MSF HK Office activities (continued)

(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, 34 (2015: 53) new members were recruited to join our pool of field workers, resulting in a total of 148 (2015: 195) departures, of which 22 (2015: 47) were first missionaries. About 60% of our departures was to fill medical roles e.g. specialists, doctors, nurses etc. and the remaining 40% were non-medical positions in functions such as logistics, finance and human resources. In 2016, the top destinations of our departures were for MSF programmes in South Sudan and Pakistan, followed by those in Yemen, Afghanistan and Myanmar.

(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 extended to the Philippines and Indonesia in 2016.

(vi) *Major Events*

Some of the effort in those two locations has involved conducting substantial public engagement activities via set piece events, as a way of explaining MSF's work. So in Taipei and Singapore, we exhibited a range of information and hosted public talks by our field workers. Similar exhibitions were also held in Manila and Jakarta. While in Hong Kong, the annual events involve organising a sponsored orienteering race and rallying public support for MSF Day on the 7th July. MSF Day is also marked in mainland China with activities in Guangzhou, Beijing and especially online.

Business Review (continued)

(III) Resources and Governance

(a) International Organisation Structure

MSF is a worldwide movement of former or current field workers, employees and volunteers, who are members of associations at the national, regional and international levels. MSF HK is one of the 24 associations in MSF movement which is united by a shared commitment to the MSF Charter and principle. 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 an 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 Operational Centre Brussels (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 9 member entities, including MSF HK and 6 persons directly elected by members of 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 bounded by its Articles of Association.

As of 31 December 2016, the board of MSF HK consists of 9 elected directors and 4 ex-officio members who are appointed by the board and do not carry any voting rights at the board meetings.

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 five departments (Fundraising, Finance & Administration, Communications, Human Resources 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 program 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 report 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.

In terms of financial risks, a potential downturn in the local economy or any wider economic crisis may impact our donation income. We perform periodic reviews to monitor income 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.

(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 2016 MSF HK was able to commit 87.6% of our total expenditure to support relief operations (2015: 87.6%), which is well above the MSF global benchmark of 80% (2015: 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 3.2% (2015: 3.0%) of MSF HK's total outgoings. These expenses were devoted to general management, administration, financial management, and information technology systems. 1% (2015: 1%) of the total budget 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, regular mailed correspondence including Activity Report and a donor survey in 2016. New cultivation tools such as the MSF Film Festival and Open House event were also used for 2016.

(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 2016, MSF HK had 238 (2015: 257) 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 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 associations function in a participatory way. Association members are able voice their concerns and bring about changes to MSF actions within the framework of the MSF Charter. During the General Assembly, members select the board of directors to represent their voices. As of 31 December 2016, MSF HK has 435 (2015: 406) 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, Guangzhou and Beijing. We are grateful for their contributions and considered them an integral part of our family. In addition to weekly briefings held in the office during which the current issues faced by the Movement are shared with our volunteers, there is an annual Volunteer Day, a fun occasion with full participation from our staff and volunteers.

(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 public talks, exhibitions, extensive and inclusive media relations work, a website dedicated to explaining the nature of humanitarian crises and our response in the field, and an active presence on social media. MSF HK produces regular e-newsletters, a twice-yearly magazine on our work and an explanatory annual report which details our contribution to the global medical effort.

(vi) 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. So 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 its activities on the environment and on the communities; continue to minimizing and reducing the negative impacts of its operation to the environment; management routines are set up to be sustainable with the principles of reduce, reuse, repair and recycle.

(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 the world's neediest population.

At the same time, we will continue our incubation role in the development of MSF in Taiwan, Singapore and China. By leveraging existing resources and providing these new initiatives with the necessary knowledge and experiences gained from Hong Kong, our aim is to help in 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 to our development, while emphasizing transparency for our supporters, reactivity and quality care for our beneficiaries.

We would also like to increase our investment 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	
LEE Sau Wai	
LIU Chen Kun	
TAN Day Seng	
VAN DER TAK Dick	
CHAN Shut Wah	(Appointed on 27 August 2016)
FAN Ning	(Appointed on 27 August 2016)
LEE Marlene	(Appointed on 27 August 2016)
SAMAN Sartini	(Appointed on 27 August 2016)
LEUNG Sin Man	(Resigned on 18 July 2016)
ANNUAR Johann Bin	(Resigned on 27 August 2016)
LI Wilson	(Resigned on 27 August 2016)
COSICO Roy Anthony	(Resigned on 28 September 2016)

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 fellow subsidiary a party to any arrangement to enable the directors of the organisation to acquire benefits by means of the acquisition of shares 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.

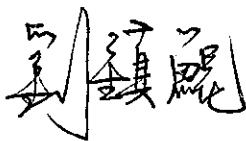
Director's interests in transactions, arrangements or contracts

No contract of significance to which the organisation, subsidiary or fellow subsidiaries 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.

Auditors

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

By order of the board



LIU Chen Kun

Director

Hong Kong, 19 MAY 2017



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 18 to 37, which comprise the consolidated statement of financial position as at 31 December 2016, 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 2016 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 ("HKSAs") 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.

Certified Public Accountants

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

19 MAY 2017

Consolidated statement of comprehensive income for the year ended 31 December 2016

(Expressed in Hong Kong dollars)

	Note	2016 \$	2015 \$
Donations income	3	446,511,122	392,974,645
Other income	4	183,738	24,796
		<u>446,694,860</u>	<u>392,999,441</u>
Less: Expenditures			
Supporting relief operations			
Emergency and medical programmes	6	343,140,542	298,760,753
Programme support and development	7	31,380,530	33,619,679
Public awareness and other campaigns		13,977,611	9,936,610
Other humanitarian activities	8	2,745,594	2,083,824
		<u>391,244,277</u>	<u>344,400,866</u>
 Management and general administration	9	14,110,084	11,872,547
Fundraising		41,340,499	36,726,028
		<u>446,694,860</u>	<u>392,999,441</u>
Designated surplus and total comprehensive income for the year	5	<u>-</u>	<u>-</u>

The notes on pages 22 to 37 form part of these consolidated financial statements.

Consolidated statement of financial position at 31 December 2016 *(Expressed in Hong Kong dollars)*

	Note	2016 \$	2015 \$
Non-current assets			
Property, plant and equipment	13	1,615,562	1,060,828
Current assets			
Debtors	14	76,864	138,960
Deposits and prepayments	14	3,533,172	1,985,797
Amount due from MSF International	15	1,409,750	1,141,045
Amount due from MSF Belgium	15	459,785	304,818
Amount due from MSF France	15	32,107	18,658
Amount due from MSF Holland	15	63,126	125,978
Amount due from MSF Spain	15	62,628	74,700
Amount due from MSF Switzerland	15	37,133	42,403
Cash and cash equivalents		29,233,564	22,206,001
		34,908,129	26,038,360
Current liabilities			
Creditors and accrued expenses	16	5,801,216	2,392,861
Deferred income	17	9,549,658	-
Amount due to MSF Supply	15	-	5,048
Amount due to MSF Belgium	15	21,168,697	24,688,749
Amount due to MSF France	15	-	1,000
Amount due to MSF Spain	15	4,120	-
Amount due to MSF USA	15	-	11,530
		36,523,691	27,099,188
Net current liabilities		(1,615,562)	(1,060,828)
Net assets		-	-

Consolidated statement of financial position at 31 December 2016 (continued) (Expressed in Hong Kong dollars)

	Note	2016 \$	2015 \$
Represented by:			
Fund balances			
Accumulated funds		-	-

Approved and authorised for issue by the board of directors on **19 MAY 2017**

LIU Chen Kun



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) Directors

CHAN Kwong Wai



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The notes on pages 22 to 37 form part of these consolidated financial statements.

Consolidated cash flow statement for the year ended 31 December 2016 (Expressed in Hong Kong dollars)

	Note	2016 \$	2015 \$
Operating activities			
Designated surplus for the year		-	-
Adjustments for:			
Interest income		(2,598)	(2,775)
Depreciation	13	562,000	276,267
Operating surplus before changes in working capital		559,402	273,492
Decrease/(increase) in debtors		62,096	(113,568)
Increase in deposits and prepayments		(1,547,375)	(360,406)
Increase/(decrease) in creditors and accrued expenses		3,408,355	(1,759,691)
Increase/(decrease) in deferred income		9,549,658	(1,199,684)
(Decrease)/increase in net amounts due to MSF entities		(3,890,437)	368,587
Net cash generated/(used in) operating activities		8,141,699	(2,791,270)
Investing activities			
Payment for the purchase of property, plant and equipment	13	(1,116,734)	(515,690)
Interest received		2,598	2,775
Net cash used in investing activities		(1,114,136)	(512,915)
Net increase/(decrease) in cash and cash equivalents		7,027,563	(3,304,185)
Cash and cash equivalents at 1 January		22,206,001	25,510,186
Cash and cash equivalents at 31 December		29,233,564	22,206,001

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

The notes on pages 22 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.

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 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 2016 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)

(b) Basis of preparation of the consolidated financial statements (continued)

The group is in net current liabilities at 31 December 2016, as 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 has a non-current asset of \$1,615,562 (2015: \$1,060,828). Therefore the group would inevitably have a position of net current liabilities with the same amount as at 31 December 2016. 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 thus 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. However, none of these developments have a material impact on the consolidated financial statements of the group for current and prior periods.

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. 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.

2 Significant accounting policies (continued)

(d) *Subsidiary (continued)*

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 sell 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.

(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 ¹ / ₃ 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 assets. 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.

2 Significant accounting policies (continued)

(f) *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.

(g) *Receivables*

Receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

Impairment losses for bad and doubtful debts are recognised when there is objective evidence of impairment and are measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the asset's original effective interest rate where the effect of discounting is material. Objective evidence of impairment includes observable data that comes to the attention of the group about events that have an impact on the asset's estimated future cash flows such as significant financial difficulty of the debtor.

2 Significant accounting policies (continued)

(h) 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.

(i) 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.

(j) 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.

(k) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the group and the organisation 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.

2 Significant accounting policies (continued)

(l) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in surplus or deficit as follows:

(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.

(ii) Interest income

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

(m) 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.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

(n) 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 Significant accounting policies (continued)

(n) Related parties (continued)

- (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, which are recognised as income upon receipt.

4 Other income

	2016 \$	2015 \$
Associate membership fee	7,450	9,600
Bank interest income	2,598	2,775
Tickets and book sales	102,063	12,421
Exchange gain	71,627	-
	<u>183,738</u>	<u>24,796</u>

5 Designated surplus for the year

Designated surplus for the year is arrived at after charging:

	2016 \$	2015 \$
Salaries, wages and other benefits (including contributions to defined contribution retirement plan of \$1,501,829 (2015: \$1,279,678))	22,868,672	20,882,692
Auditors' remuneration	120,000	85,000
Depreciation	562,000	276,267
Operating lease charges for property and equipment rentals	1,934,551	1,770,386

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>	2016 \$	2015 \$
Afghanistan	26,045,493	18,134,102
Algeria	483,969	1,093,601
Australia	2,614	20,168
Belgium	826,354	607,790
Brazil	-	99,995
Bangladesh	14,000,000	6,900,000
Bolivia	11,198	-
Bulgaria	485	2,373
Burundi	1,279,676	1,779,619
Cambodia	1,224,911	196,910
Central Africa Republic	20,795,319	6,326,566
Chad	4,000,000	4,900,000
Cote D'ivoire	278,181	345,061
Democratic Republic Of Congo	30,696,481	33,439,838
Ecuador	19,719	-
Egypt	1,477,899	1,688,870
Eritrea	16,385	-
Ethiopia	4,300,000	3,500,000
France	1,335,291	-
Gaza	-	1,000
Greece	-	164
Guinea	8,413,042	7,673,630
Haiti	11,506,378	6,254,018
India	8,061,300	4,617,332
Indonesia	813,293	242,473
Iraq	3,341,917	-
Italy	3,777,897	6,077,490

6 Emergency and medical programmes (continued)

	2016 \$	2015 \$
Jordan	3,500,000	6,338,191
Kenya	3,826,351	2,622,111
Lebanon	16,268,562	15,371,826
Liberia	-	1,384,049
Libya	-	1,672,733
Madagascar	727,709	1,933,026
Malawi	3,032,438	2,770,412
Malaysia	900,000	1,000,000
Mali	1,335,291	-
Mauritania	1,364,160	1,685,016
Mozambique	3,890,532	4,345,322
Myanmar	14,500,000	18,600,000
Nepal	10,935	1,392,913
Niger	1,951,169	5,946,358
Nigeria	3,538,926	3,200,000
Pakistan	19,921,477	17,637,129
Papua New Guinea	3,000,000	4,000,000
Philippines	-	22,895
Russia	230,222	-
Sierra Leone	5,831,233	5,449,827
South Africa	5,210,558	4,399,804
Sudan	-	114,952
Sudan South	21,687,203	7,409,466
Syria	3,000,000	6,139,563
Tanzania	8,544	465,949
Tunisia	1,247,500	-
Turkey	8,688,058	-
Ukraine	2,663,271	9,872,165
Uzbekistan	2,500,000	2,620,000
Venezuela	1,711,992	-
Yemen	5,500,000	10,132,160
Zimbabwe	7,676,626	6,098,574
Migrant Support Balkan Route	7,196,814	20,284,704
Funds allocated for unforeseeable emergencies and HIV/AIDS programmes	49,513,169	31,811,923
MSF International Fund	-	138,685
	<u>343,140,542</u>	<u>298,760,753</u>

7 Programme support and development

Included in expenditures for programme support and development is an amount of \$27,226,270 (2015: \$29,204,839) 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:

	2016 \$	2015 \$
DNDi	1,204,978	988,502
Access Campaign	1,540,616	1,095,322
	<u>2,745,594</u>	<u>2,083,824</u>

9 Management and general administration

Included in expenditures for management, general and administration is an amount of \$4,504,153 (2015: \$2,825,353) 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 is as follows:

	2016 \$	2015 \$
Directors' fee	-	-
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 2016 and 2015 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 (%)</i>	<i>Principal activities</i>
MSF (HK) Limited	Hong Kong	HK\$1	100%	Inactive

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> \$
Cost:					
At 1 January 2016	1,755,725	397,870	727,489	1,631,997	4,513,081
Additions	727,150	216,435	21,022	152,127	1,116,734
Disposals	(1,577,544)	-	-	-	(1,577,544)
At 31 December 2016	<u>905,331</u>	<u>614,305</u>	<u>748,511</u>	<u>1,784,124</u>	<u>4,052,271</u>
Accumulated depreciation:					
At 1 January 2016	1,392,285	337,258	465,305	1,257,405	3,452,253
Charge for the year	290,654	21,930	63,511	185,905	562,000
Written off on disposal	(1,577,544)	-	-	-	(1,577,544)
At 31 December 2016	<u>105,395</u>	<u>359,188</u>	<u>528,816</u>	<u>1,443,310</u>	<u>2,436,709</u>
Net book value:					
At 31 December 2016	<u>799,936</u>	<u>255,117</u>	<u>219,695</u>	<u>340,814</u>	<u>1,615,562</u>
Cost:					
At 1 January 2015	1,755,725	397,870	528,203	1,315,593	3,997,391
Additions	-	-	199,286	316,404	515,690
At 31 December 2015	<u>1,755,725</u>	<u>397,870</u>	<u>727,489</u>	<u>1,631,997</u>	<u>4,513,081</u>
Accumulated depreciation:					
At 1 January 2015	1,288,323	320,137	433,215	1,134,311	3,175,986
Charge for the year	103,962	17,121	32,090	123,094	276,267
At 31 December 2015	<u>1,392,285</u>	<u>337,258</u>	<u>465,305</u>	<u>1,257,405</u>	<u>3,452,253</u>
Net book value:					
At 31 December 2015	<u>363,440</u>	<u>60,612</u>	<u>262,184</u>	<u>374,592</u>	<u>1,060,828</u>

14 Debtors, deposits and prepayments

Included in deposits and prepayments is deposits of \$1,403,182 (2015: \$1,067,940) 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.

15 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.

16 Creditors and accrued expenses

Included in the balance of \$726,907 (2015: \$726,907) which is not expected to be settled within one year, the remaining balance of other creditors and accrued expenses are expected to be settled within one year.

17 Deferred income

Deferred income represents donation fund received and designated for the Ebola initiative which are unspent as at 31 December 2016 and expected to be recognised as donation income upon the fund is spent.

18 Fund balances

The organisation

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

	<i>Accumulated funds \$</i>
At 1 January 2015	-
Designated surplus and total comprehensive income for the year	2,650
At 31 December 2015 and 1 January 2016	2,650
Designated surplus and total comprehensive income for the year	2,949
At 31 December 2016	5,599

19 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 follow:

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.

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.

(c) Fair values

All financial instruments were carried at amounts not materially different from their fair values as at 31 December 2016 and 2015.

20 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.

21 Operating lease commitments

At 31 December 2016, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2016 \$	2015 \$
Within one year	2,310,599	2,164,413
After one year but within five years	5,617,453	7,220,403
	<u>7,928,052</u>	<u>9,384,816</u>

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

22 Material related party transactions

(a) Key management personnel remuneration

Remuneration for key management personnel of the group, including amounts paid to the organisation's directors as 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 those financial statements, there were no other material related party transactions.

23 Company-level statement of financial position

	2016 \$	2015 \$
Non-current assets		
Interest in a subsidiary	56,500	53,250
Property, plant and equipment	1,615,562	1,060,828
	<u>1,672,062</u>	<u>1,114,078</u>
Current assets		
Debtors	76,844	138,960
Deposits and prepayments	3,533,172	1,985,797
Amount due from MSF International office	1,409,750	1,141,045
Amount due from MSF Belgium	459,785	304,818
Amount due from MSF France	32,107	18,658
Amount due from MSF Holland	63,126	125,978
Amount due from MSF Spain	62,628	74,700
Amount due from MSF Switzerland	37,133	42,403
Cash and cash equivalents	29,182,683	22,155,401
	<u>34,857,228</u>	<u>25,987,760</u>
Current liabilities		
Creditors and accrued expenses	5,801,216	2,392,861
Deferred income	9,549,658	-
Amount due to MSF Supply	-	5,048
Amount due to MSF Belgium	21,168,697	24,688,749
Amount due to MSF France	-	1,000
Amount due to MSF Spain	4,120	-
Amount due to MSF USA	-	11,530
	<u>36,523,691</u>	<u>27,099,188</u>
Net current liabilities	<u>(1,666,463)</u>	<u>(1,111,428)</u>
Net assets	<u>5,599</u>	<u>2,650</u>
Represented by:		
Fund balances		
Accumulated funds	<u>5,599</u>	<u>2,650</u>

Approved and authorised for issue by the board of directors on **19 MAY 2017**

LIU Chen Kun



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) Directors
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CHAN Kwong Wai



24 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2016

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2016 and which have not been adopted in these consolidated financial statements.

The group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. None of these is expected to have a significant effect on the consolidated financial statements of the group except the following:

HKFRS 16 *Leases* will result in almost all leases being recognised on the consolidated statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The standard will affect primarily the accounting for group's operating leases. As at the reporting date, the group has non-cancellable operating lease commitments of HK\$7,928,052 as in note 21. However, the group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the group does not intend to adopt the standard before its effective date.