

Report of the Directors and Audited Financial Statements

MEDECINS SANS FRONTIERES (HK) LIMITED

31 December 2023



MEDECINS SANS FRONTIERES (HK) LIMITED

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MEDECINS SANS FRONTIERES (HK) LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 31 December 2023.

Principal place of business

Medecins Sans Frontieres (HK) Limited ("the Organisation") is an organisation incorporated and domiciled in Hong Kong under section 88 of the Inland Revenue Ordinance. The Organisation 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 objectives, the Organisation conducts fundraising and recruits medical and non-medical staff to work in those relief programmes. It also actively communicates to the general public to raise awareness of the needs of its patients and the challenges involved in its humanitarian mission.

Business Review

(I) Objectives & our work

(a) The Charter of Medecins Sans Frontieres ("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.

MEDECINS SANS FRONTIERES (HK) LIMITED

REPORT OF THE DIRECTORS (continued)

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 epidemic outbreaks, rehabilitate and run hospitals and clinics, carry out vaccination campaigns, operate nutrition centres and provide mental healthcare, as well as health education. 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 (sometimes including violations of international humanitarian law), 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 programme 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 Analysis Department, together with the China representative, helps to engage with Chinese stakeholders in the countries where MSF runs operations in support of MSF's medical objectives. The Analysis Department also produces more general analysis of issues in the Asia Pacific to support MSF activities, including MSF medical operations. MSF HK's Communications Department works to raise awareness and provides up-to-date public information about MSF's medical humanitarian work through news media, an official website, social media platforms, and public engagement events in Hong Kong, mainland China, Singapore and the Southeast Asia region.

(II) Achievements and Performance

(a) Overview of International Operations

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

(i) Rapid response to disasters, epidemics and conflict

In 2023, MSF was involved in humanitarian response in numerous natural and man-made disasters.

In February, the earthquake in Türkiye and northwest Syria led to a complex MSF intervention. In war-torn Syria with limited access, ongoing conflict and few emergency organisations involved; MSF used their existing programmes to address the urgent needs in the first phase, then later scaling up. After an earthquake in Morocco, MSF focussed on psychological first aid to complement the national response. In Afghanistan, MSF (as one of the few medical organisations left in the country) used their existing programmes after a series of earthquakes to provide medical assistance. Other extreme weather events in Libya and Myanmar made MSF rely heavily on our programmes already there to be able to respond.

MEDECINS SANS FRONTIERES (HK) LIMITED

REPORT OF THE DIRECTORS (continued)

Business Review (continued)

(II) Achievements and Performance (continued)

(a) Overview of International Operations (continued)

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

MSF has faced operational difficulties in a number of armed conflicts like Ukraine, Sudan and Gaza, where we were confronted by deplorable attacks on health structures, health staff and civilians. For the MSF intervention in Sudan, additional activities were set up in some neighbouring countries where people took refuge. MSF teams continued their work in other conflict areas, such as Iraq, Haiti, Nigeria, Yemen, the Democratic Republic of Congo (DRC) and South Sudan, where they provided care to vulnerable people caught in the crossfire.

As funding for humanitarian relief for Rohingya refugees in Bangladesh stagnates, MSF expanded their activities in Cox's Bazar as medical needs increase. In Myanmar, MSF teams faced increased difficulties in providing medical care because of supply issues and staff movement restrictions.

In Hong Kong, MSF, alongside local partners, supported people facing homelessness, delivering general health screenings, health talks and mental health support. MSF hosted a regional mental health conference that served as an experience exchange platform for the missions in the region.

For disaster relief, MSF acts fast to gauge the needs by mobilising MSF staff already in the area or by sending in an emergency team. Our immediate objective will be the relief of suffering in the short term.

(ii) *Long term programmes*

MSF programmes usually start as an emergency response to humanitarian and medical crises. Due to protracted situations that continue for years and affect people's access to lifesaving medical care, most MSF's programmes have a longer-term life span. These programmes are carefully researched and planned before they are initiated and reviewed constantly to ensure that they will have a real impact on the health status of affected populations, while taking into account the constraints of staff and the financial resources which are available. Ultimately, MSF aims to complete or hand over each programme. It may be possible to close down a programme when the services that we offer are no longer necessary; for example, when an epidemic has abated. Another possibility is that we may be able to hand over a programme to the local authorities, a local or other international 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 overcome the barriers people face in getting hold of adequate, effective and affordable 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 pharmaceutical corporations are not looking for a better cure. The Access Campaign has been advocating for the availability of better treatments for tuberculosis, affordability of pneumonia vaccines, availability of Ebola vaccine and treatments for people most in need and highlighting the issue of antimicrobial resistance that teams on the ground are seeing. During the COVID-19 pandemic, the Access Campaign has been calling for no patents or profiteering on drugs, tests, or vaccines used for this novel coronavirus.

MEDECINS SANS FRONTIERES (HK) LIMITED

REPORT OF THE DIRECTORS (continued)

Business Review (continued)

(II) Achievements and Performance (continued)

(a) Overview of International Operations (continued)

(iii) Campaigns and Research (continued)

MSF collaborated in the World Mosquito Program together with the Honduran authorities in partnership with local communities to implement innovative public health strategies to reduce illness from arboviruses such as dengue, zika and chikungunya. These Wolbachia trial prevention methods have been proved to be effective in 12 other countries with high levels of dengue, reaching some 10 million people.

(b) MSF HK Office Activities

(i) Key Financial Indicators

- Donations received from the public amounted to HK\$419.5 million in 2023 (2022: HK\$373.3 million), which was an increase of 12.4% (2022: decrease of 9.2%) or HK\$46.2 million (2022: decrease of HK\$37.6 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 94% (2022: 94.5%) of the donations were from private individual donors and the rest from trusts and corporations.
- We spent a total of HK\$362.4 million (2022: HK\$321.2 million) in supporting the social mission, representing 85.9% of total income (2022: 85.7%).
- Fundraising costs were HK\$35.4 million (2022: HK\$33.2 million), representing 8.4% (2022: 8.9%) of total income.
- Management and administration costs were HK\$24 million (2022: HK\$20.3 million), representing 5.7% (2022: 5.4%) of total income.

(ii) Donation Income and Expenses

The donation income of 2023 was HK\$419,489,902, 12.4% more than 2022. While the donor attrition rate continued to reduce, contributions from regular donors dropped by 5.2%, contributing 56% to the total income. With the economic outlook still uncertain, donors are more engaged in one-off donations. In 2023, there was a significant increase in one-off donations, including support to MSF’s disaster relief for the Türkiye-Syria earthquake and medical humanitarian aid to places affected by conflicts, and natural disasters. MSF HK also received one of its highest value legacy donations this year. Return on Investment (ROI) was 11.8, compared to 11.2 in 2022.

MEDECINS SANS FRONTIERES (HK) LIMITED

REPORT OF THE DIRECTORS (continued)

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 medical humanitarian programmes. We are a member entity of MSF International, and we actively participate with other MSF member entities Belgium, Italy, Luxembourg, Denmark, Norway, Sweden, Southern 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 2023 financial year, MSF HK contributed a total of HK\$294.6 million (2022: HK\$262.4 million) to various emergency and medical humanitarian programmes in about 38 (2022: 38) countries around the world, representing 69.8% (2022: 70.0%) of total income.

Apart from these programme expenses, HK\$54.3 million (2022: HK\$47.3 million) was allocated for programme support and development, of which HK\$23 million (2022: HK\$23.4 million) was transferred to OCB to aid the indirect operational costs.

The remaining income of HK\$13.5 million (2022: HK\$11.4 million) was spent in awareness raising, advocacy activities and other humanitarian programmes (AC & DNDi) which are coordinated by MSF International.

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

(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. They embody the ‘volunteering’ spirit that our Charter speaks of, and as a matter of principle we provide a modest remuneration or stipend.

54 (2022: 29) new members were recruited to join our pool of field workers, resulting in a total of 134 (2022: 126) deployments, of which, 21 (2022: 17) went for their first assignment. Around 57% of our deployments were to fill medical roles (e.g., specialists, doctors, nurses) and the remaining 43% were non-medical positions in functions such as logistics, finance and human resources.

In 2023, the top countries of deployment were: Yemen, South Sudan, Afghanistan, Ethiopia and Sierra Leone.

MEDECINS SANS FRONTIERES (HK) LIMITED

REPORT OF THE DIRECTORS (continued)

Business Review (continued)

(II) Achievements and Performance (continued)

(b) MSF HK Office Activities (continued)

(v) *Regional Developments*

As mandated by the MSF International Board in 2014 and the 2017 International General Assembly, MSF HK continued to expand its regional reach in Asia-Pacific including mainland China, Taiwan, Singapore and Southeast Asia.

In mainland China, MSF continued to share its experience and exchange ideas with various Chinese organisations and individuals on the practical deployment of humanitarian aid and on global health governance. We presented the main findings from the TB PRACTECAL trial, which included the safety, efficacy and cost-effectiveness of the groundbreaking novel, 6 months, all oral BPaLM regimen for the treatment of drug resistant TB, to China's TB experts. We assisted in earlier implementation of the BPaLM regimen in China by sharing crucial data from an MSF trial. We also looked into the fast-growing TB diagnostic techniques in China and explored how these new tools could be helping TB patients MSF treats around the world. At the same time, we were sourcing medical products in China to broaden MSF's supply base and increase the security of the supply chain. In 2023, we remained committed to drawing public attention to people affected by crises, including those in Ukraine and refugees crossing the Mediterranean migration route.

MSF HK is also supporting field operations to engage with Chinese stakeholders in countries where MSF is present. This work is ongoing in Afghanistan, Ethiopia and Myanmar, with clear interest expressed from MSF projects elsewhere in Africa, Latin America, the Middle East and in the Pacific Islands. We continue to refine this service with the aim ultimately of making it available to MSF projects worldwide.

MSF Taiwan was approved as a branch office supervised by MSF Hong Kong by the International Board and endorsed by the International General Assembly in 2014, initially registered in 2015 as a Representative Office of MSF Hong Kong and as a Foundation in 2018. While the MSF Taiwan branch is a financially independent operation, MSF HK retains its role of steering and supervising to ensure alignment with the regional plan and strategy.

MSF HK continues to extend its work in Singapore in terms of supporter cultivation, branding and awareness raising through offshore management.

MSF Hong Kong, in collaboration with MSF Japan and MSF Australia launched the "South East, East Asia and Pacific" (SEEAP) regional development project in November 2019 and continued its development through 2023. This has the prime objectives of consolidating MSF's public identity, humanitarian medical engagement, enhancing general awareness of MSF humanitarian works and diversifying the stream of donations from private sources in the region. Meanwhile, recognizing the evolving needs of the movement and its founding partners, SEEAP has engaged an in-depth review of its objectives and governance that is anticipated to result in a reconfigured partnership by mid 2024.

To further the objective of consolidating MSF's public identity, MSF HK has created an Identity Framework containing guidance on how to minimise these misunderstandings and so project a comprehensible, consistent and thus credible identity.

MEDECINS SANS FRONTIERES (HK) LIMITED

REPORT OF THE DIRECTORS (continued)

Business Review (continued)

(II) *Achievements and Performance* (continued)

(b) MSF HK Office Activities (continued)

(vi) *Public Engagement Activities*

With the easing of social distancing measures in 2023, MSF HK revived some of its on-ground engagement activities, such as organising two donors' gatherings, a silent concert, and prepared to roll out its signature event "On Track to Save" in 2024.

MSF's "Can We Hear" silent concert concluded successfully on July 8th, 2023 at the HKICC Lee Shau Kee School of Creativity. The programme combined music and visual arts to illustrate the experiences of people who were forcibly displaced due to events such as conflict, natural disasters, and climate change. Singer Kay Tse as well as other performers impressed the audience of 300 who were attracted to experience this unique "immersive music experience".

On engagement with students, MSF continued to share information and stories of our work in talks with tertiary institutes and student associations. In Hong Kong, our international mobile staff and office staff did 7 sharing sessions over the year.

(vii) *Diversity and Inclusion*

MSF HK recruits people (field workers and office staff) from multicultural Southeast Asia and Greater China regions, bringing in talent as well as diversity to our social missions. MSF HK is actively participating in the DEI initiatives and platforms of the wider movement and is part of the DEI advisory group for the Brussels office. Its aim is to trigger a change in the way MSF is staffing its positions, developing its people, associating them in decision-making, so ensuring that the diversity of their voices is expressed and heard.

MEDECINS SANS FRONTIERES (HK) LIMITED

REPORT OF THE DIRECTORS (continued)

Business Review (continued)

(III) Resources and Governance

(a) International Organisation Structure

MSF is a worldwide movement of former and current staff and volunteers who are members of associations at national, regional, and international levels. MSF HK is one of the 26 associations in the MSF movement which is united by a shared commitment to the MSF Charter and Principles. Each association is an independent legal entity having charitable or non-profit 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 six 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 incumbent International President is Dr. Christos Christou.

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 the 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.

(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, to oversee the activities of the executive and to ensure 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 of the Board of MSF HK in 2017. The FARC helps risk mitigation, facilitates internal control enhancement, scrutinizes and advises on the annual budget and any relevant policies.

As of 31 December 2023, the board of MSF HK consists of 10 elected directors and 3 ex-officio members, who are appointed by the board and do not have any voting rights at board meetings.

MEDECINS SANS FRONTIERES (HK) LIMITED

REPORT OF THE DIRECTORS (continued)

Business Review (continued)

(III) Resources and Governance (continued)

(b) MSF HK Organisation and Governance Structure (continued)

The MSF HK board appoints an Executive Director, who is accountable to the board, to manage MSF HK. The Executive office (including MSF HK Executive Director, Director of Development, Regional Director of Finance, Risk and Compliance and Executive Assistant) and a Regional Management Team (Deputy Executive Director, Field Human Resources, Operational Support, Communications, Analysis, the China Team and the Taiwan 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 to ensure 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 health and humanitarian 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.

(d) Risk and Compliance

As a humanitarian organization, maintaining the highest standards of integrity is a responsibility and a requirement to preserve the trust of our donors who make our work possible, as well as the people who we serve and their communities, and the staff who work for us.

Our strategic plan commits us to strengthen risk monitoring, compliance and internal control that ensure we have robust policies, procedures, culture and organizational structures supporting all matters of integrity and compliance. MSF HK is adopting the Enterprise Risk Management (ERM) framework for identifying and monitoring risk for prioritizing strategies, actions and enhancements for establishing a robust control environment.

That framework entailed that a detailed risk register be maintained, regularly reviewed, revised and updated by the Management Team. Policies and strategies are adopted which should mitigate 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 potential risk as it arises.

Examples of risks that we are potentially more susceptible to and that MSF HK must ensure sufficient mitigation actions are in place against are: privacy data protection, financial crimes and economic downturn.

MEDECINS SANS FRONTIERES (HK) LIMITED

REPORT OF THE DIRECTORS (continued)

Business Review (continued)

(III) Resources and Governance (continued)

(d) Risk and Compliance (continued)

Our mitigation actions include adopting the wider MSF movement's privacy assessment and monitoring process to ensure we comply with the European Union (EU) regulation General Data Protection Regulation (GDPR), as well as comply with the Hong Kong regulation Personal Data (Privacy) Ordinance (PDPO). Cybersecurity is assessed and enhanced to prevent data breaches/leakage. In addition, we are accredited to the Payment Card Industry (PCI) certification, mandated by credit card companies every year to ensure that the security of donors' credit card transactions fulfil the security requirements established by the PCI Security Standard Council (SSC).

To prevent financial crime, we implement gift acceptance policy and due diligence processes that ensure we comply with the Anti-Money Laundering and Counter-Terrorist Financing Ordinance in Hong Kong. For mitigating the risk of a downturn in the economy, 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 diversifying income sources and fundraising channels also helps to mitigate such risk.

Furthermore, MSF HK is setting up systems to monitor five key geopolitical risks with the potential to affect operations. These systems allow MSF HK to take timely risk mitigation measures if required.

(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 to either reduce costs, or to increase effectiveness.

During 2023, MSF HK was able to commit 85.9% of our total expenditure to support the social mission (2022: 85.7%), which is well above the average MSF global social mission contribution of 80.2% in 2022.

Management and administration costs accounted for 5.7% (2022: 5.4%) of MSF HK's total outgoings. These expenses were devoted to general management, administration, financial management, and human resources. 1.5% (2022: 1.4%) of the total outgoings was transferred to MSF International for their management and general administration purposes.

(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. MSF HK has a strict internal protocol, which will be reviewed periodically, to ensure 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 that there is sustainable income contributing to MSF's operational viability in the long term.

MEDECINS SANS FRONTIERES (HK) LIMITED

REPORT OF THE DIRECTORS (continued)

Business Review (continued)

(IV) *Sustainable Development* (continued)

(a) Relationship with Key Stakeholders (continued)

(i) *Donors* (continued)

MSF HK donor cultivation teams employ an array of tactics to build donors' understanding of MSF HK and cultivate deeper levels of support. To achieve this, a diverse range of activities have been implemented, including interactive field worker sharing sessions and online webinars, as well as inspiring campaigns such as 'MSF Day' or the annual orienteering competition. Furthermore, donors are kept up-to-date about recent news through regular mailed correspondence ranging from activity reports to periodicals highlighting key projects worldwide. Major donors also receive an annual dedicated donor magazine.

The use of WhatsApp with donors also allows MSF to provide timely and personalised updates and responses to its donors.

(ii) *Staff*

We provide a collaborative and team-based working environment. Colleagues are encouraged to express their opinions and suggestions. We have regular meetings and briefings for everyone to get up-to-date on the progress of MSF's global work and MSF HK activities.

In 2023, MSF HK appointed a new Executive Director and Deputy Executive Director. We also strengthened our management team by having key positions staffed in the areas of Communications, Fundraising, Human Resources (Field Operations), and Office Human Resources & Administration.

(iii) *Field Workers*

At the end of 2023, MSF HK had 363 (2022: 357) active field workers in our pool, originating from Hong Kong and the wider region, including mainland China, Macau, Taiwan, Singapore, the Philippines, Malaysia, Indonesia, Thailand, Cambodia, Vietnam, Laos and Myanmar. We organized 134 field assignments from our pool of field workers, with the majority being assigned to Yemen, Afghanistan, South Sudan, Ethiopia and Sierra Leone.

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 and discussions on how to best carry out MSF's social mission and keep the patients' needs at the core of what we do. The active pool of field workers 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. Their consistent dedication and commitment is deeply appreciated and admirable.

(iv) *Association Members*

MSF was founded as an association. The associative identity is reiterated in the MSF Charter and the Chantilly Agreement. The association engages field workers, volunteers, and staff from all the MSF entities in a shared commitment to humanitarian medical action. As an association member, everyone can engage in the collective ownership of MSF and oversight of its leadership.

MEDECINS SANS FRONTIERES (HK) LIMITED

REPORT OF THE DIRECTORS (continued)

Business Review (continued)

(IV) Sustainable Development (continued)

(a) Relationship with Key Stakeholders (continued)

(iv) Association Members (continued)

The association functions in a participatory way. Association members are able to voice their contributions and concerns to 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 2023, MSF HK has 580 (2022: 558) association members.

(v) Volunteers

MSF HK is fortunate to have a good number of active volunteers who give their time to help in our Hong Kong office as well as on our various events held in Hong Kong, Singapore, Guangzhou, Beijing and in the Southeast Asia region. We are grateful for their contributions and consider them an integral part of our family. In adherence to COVID-19 restrictions and to better protect our volunteers from the disease, we limited volunteers' visits in the office and their support to events.

(vi) Public Communications

MSF's actions are first and foremost medical. And it is of utmost importance to draw attention in our home society to what our field teams witness and experience in the places where we carry out the emergency medical work for people facing conflict, natural and man-made disasters, epidemics and healthcare exclusion. At the same time, providing medical information on priority health issues in our home society is also crucial. We achieved these objectives through extensive media exposure, events, public talks, publications, and digital means such as the website, e-newsletters, webinars, and social media.

In 2023, MSF HK dedicated its efforts to publicly speaking out about the humanitarian situations arising from emergencies and conflicts in various regions. This included earthquakes in Türkiye and Syria, Afghanistan, conflicts in Sudan and Gaza. Additionally, we aimed to raise public awareness about a range of pressing humanitarian issues that have silently affected thousands of vulnerable people.

(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.

During the COVID-19 response in Hong Kong, MSF developed a public communications package to address mental health issues in local communities. The "How Are You" mental health website featured tips for elderly individuals and caregivers on how to handle stress and negative emotional symptoms as a response to the needs of the local community.

MEDECINS SANS FRONTIERES (HK) LIMITED

REPORT OF THE DIRECTORS (continued)

Business Review (continued)

(IV) Sustainable Development (continued)

(b) Environmental Measures

MSF HK commits to contribute to the improvement of the environment for the welfare and enjoyment of our staff and the wider community. 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. We will further strengthen green practices in the office towards the achievement of sustainable development.

Management routines are set up to be sustainable with the principles of reduce, reuse, repair and recycle, including energy savings for electricity usage.

We utilize the 'Carbon Emissions Footprinting Tool' to identify significant sources of emissions. This tool promotes immediate behaviour change and informs our mitigation efforts and goal-setting. The key areas highlighted in the Carbon Emission Report include electricity usage, paper consumption, staff commuting, and flights. The results generated from this report will guide us in taking action to reduce office carbon emissions and minimize our overall environmental impact."

(V) Future Outlook

In line with our key priorities, MSF HK will continue to strive to provide high quality support to MSF's missions around the world, tapping into the strength of our diversity for quality medical care to people most in need of humanitarian action.

As we noted in our 2023 outlook, both the Asia region and the humanitarian sector at large are going through a phase of intense reconfiguring. On one hand, global humanitarian needs have never been so high and meeting them requires unlocking new resources and efficiencies. At the same time, geopolitical tensions and challenges to the civic space pose heightened risks to MSF and its peers in operating safely and effectively.

In light of those rapid changes, our overarching objective for 2024 is to build up both organizational resilience to challenges ahead, and the agility to seize the short, medium and long-term opportunities:

- Over the long-term, we will define our strategic vision to 2030 with the view to future-proof the organization and maximize the return on investment of our presence in East and South East Asia for MSF's Social Mission.
- We will develop a 3-year strategic plan focused on protecting achievements and enabling institutional development in this fast-evolving context.
- Throughout the year we will continue to build a trusted & coherent identity, diversify and grow our income, and leverage our specific comparative advantages at the intersection of China, Southeast Asia and the West to provide support to operations.
- Internally, we will develop the enabling capacity to achieve those objectives, and in particular we will grow a resilient and engaged workforce, strengthen risk management, and streamline and digitize key processes.

MEDECINS SANS FRONTIERES (HK) LIMITED

REPORT OF THE DIRECTORS (continued)

Directors

The directors of the Organisation during the year and up to the date of the report were:

WONG Poh Fei
LOW Hwee Ling, Sally
LIM Suet Fong
BACCHETTA Adrio Serafino
KOERNIAWAN Heru Sutanto
LI Kandice Ellen
ZAINAL Husni Mubarak
CHU King Hei
TONG Wing Sze Jennifer (appointed on 26 August 2023)
CHIU Cheuk Pong (appointed on 26 August 2023)
CHAN Shannon Melissa (resigned on 26 August 2023)

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 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.

Directors' interests in transactions, arrangements or contracts

No contract of significance to which the Organisation 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.

Auditors

Ernst & Young retire and a resolution for their reappointment as auditors of the Organisation will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD



.....
TONG Wing Sze Jennifer

Hong Kong

31 MAY 2024



Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
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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 financial statements of Medecins Sans Frontieres (HK) Limited ("the Organisation") set out on pages 18 to 45, which comprise the statement of financial position as at 31 December 2023, the statement of comprehensive income, the statement of changes in accumulated funds and the statement of cash flows for the year then ended and notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Organisation as at 31 December 2023 and of its financial performance and its 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 financial statements section of our report. We are independent of the Organisation 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 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 report of the directors, other than the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Responsibilities of the directors for the financial statements

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Organisation's internal control.
- 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 Organisation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organisation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

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

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
Hong Kong

31 MAY 2024

MEDECINS SANS FRONTIERES (HK) LIMITED

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	Notes	2023 HK\$	2022 HK\$
Donations income	3	419,489,902	373,269,293
Other income	4	<u>2,583,659</u>	<u>1,649,372</u>
Total income		422,073,561	374,918,665
Less: Expenditures			
Emergency and medical programmes	7	(294,612,693)	(262,400,706)
Programme support and development	8	(54,259,342)	(47,390,487)
Public awareness and other campaigns		(11,517,731)	(9,441,464)
Other humanitarian activities	9	<u>(1,993,422)</u>	<u>(2,003,534)</u>
Social mission		(362,383,188)	(321,236,191)
Management and general administration	10	(23,977,153)	(20,344,217)
Fundraising		(35,421,248)	(33,196,223)
Finance cost	6	<u>(101,054)</u>	<u>(70,324)</u>
Total expenditures		(421,882,643)	(374,846,955)
Surplus from operating activities		190,918	71,710
Net exchange loss		<u>(190,918)</u>	<u>(71,710)</u>
DESIGNATED SURPLUS AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR	5	<u><u>-</u></u>	<u><u>-</u></u>

MEDECINS SANS FRONTIERES (HK) LIMITED

STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	2023 HK\$	2022 HK\$
NON-CURRENT ASSETS			
Property, plant and equipment	13	5,369,067	2,743,033
Intangible assets	14	615,126	889,857
Deposit	15	667,044	98,296
Total non-current assets		<u>6,651,237</u>	<u>3,731,186</u>
CURRENT ASSETS			
Debtors	15	118,349	1,553,009
Prepayment and deposits	15	2,407,520	1,925,741
Amount due from MSF International	16	503,024	147,200
Amount due from MSF Belgium	16	607,007	255,834
Amount due from MSF Holland	16	24,977	36,403
Amount due from MSF Japan	16	477,015	425,907
Amount due from MSF Spain	16	9,960	3,940
Amount due from MSF Australia	16	587,066	527,772
Amount due from MSF France	16	634,219	570,696
Amount due from MSF Switzerland	16	1,691	4,907
Amount due from MSF TW Foundation	16	15,296	50,095
Amount due from MSF USA	16	124,436	-
Amount due from MSF Korea	16	308	-
Cash and cash equivalents	17	44,972,634	31,579,719
Total current assets		<u>50,483,502</u>	<u>37,081,223</u>
CURRENT LIABILITIES			
Creditors, other payables and accruals	18	7,500,108	5,007,325
Lease liabilities	13	1,982,080	1,833,222
Amount due to MSF Belgium	16	36,349,044	26,777,732
Amount due to MSF International	16	3,437,911	3,472,551
Amount due to MSF USA	16	-	23,076
Amount due to MSF Australia	16	864,694	623,594
Amount due to MSF Japan	16	538,836	423,791
Amount due to MSF France	16	477,542	354,251
Amount due to MSF Korea	16	377,581	336,239
Amount due to MSF Spain	16	61,499	49,898
Amount due to MSF Holland	16	577	-
Amount due to MSF TW Foundation	16	19,629	-
Total current liabilities		<u>51,609,501</u>	<u>38,901,679</u>
NET CURRENT LIABILITIES		<u>(1,125,999)</u>	<u>(1,820,456)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>5,525,238</u>	<u>1,910,730</u>

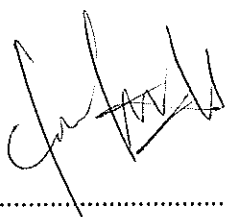
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MEDECINS SANS FRONTIERES (HK) LIMITED

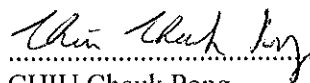
STATEMENT OF FINANCIAL POSITION (continued)

31 December 2023

	Notes	2023 HK\$	2022 HK\$
NON-CURRENT LIABILITIES			
Lease liabilities	13	3,210,210	195,444
Creditors, other payables and accruals	18	<u>2,315,028</u>	<u>1,715,286</u>
Total non-current liabilities		<u>5,525,238</u>	<u>1,910,730</u>
Net assets		<u>-</u>	<u>-</u>
Represented by:			
Fund balances			
Accumulated funds		<u>-</u>	<u>-</u>



.....
TONG Wing Sze Jennifer
Director



.....
CHIU Cheuk Pong
Director

MEDECINS SANS FRONTIERES (HK) LIMITED

STATEMENT OF CHANGES IN ACCUMULATED FUNDS

Year ended 31 December 2023

	Accumulated funds HK\$
At 1 January 2022	-
Designated surplus and total comprehensive income for the year	<u>-</u>
At 31 December 2022 and at 1 January 2023	-
Designated surplus and total comprehensive income for the year	<u>-</u>
At 31 December 2023	<u><u>-</u></u>

MEDECINS SANS FRONTIERES (HK) LIMITED

STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Notes	2023 HK\$	2022 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Designated surplus for the year		-	-
Adjustments for:			
Bank interest income	4	(1,330,109)	(548,225)
Depreciation	5	2,661,661	2,935,651
Amortisation of intangible asset	5	359,731	469,631
Finance cost	6	101,054	70,324
Provision for long service payment		<u>599,742</u>	<u>(150,182)</u>
		2,392,079	2,777,199
Decrease/(increase) in debtors		1,434,660	(1,496,478)
(Increase)/decrease in prepayment and deposits	19(a)	(1,050,527)	1,337,302
Increase/(decrease) in creditors, other payables and accruals		2,492,783	(3,112,319)
Movement in balance with MSF entities		<u>9,103,936</u>	<u>(43,622,264)</u>
Net cash flows from/(used in) operating activities		<u>14,372,931</u>	<u>(44,116,560)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	4	1,330,109	548,225
Purchases of items of property, plant and equipment	13	(359,027)	(142,380)
Purchases of items of intangible assets	14	(85,000)	(567,000)
Net cash flows from/(used in) investing activities		<u>886,082</u>	<u>(161,155)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal portion of lease payments	19(b)	(1,765,044)	(2,521,737)
Interest element on lease liabilities	19(b)	(101,054)	(70,324)
Net cash flows used in financing activities		<u>(1,866,098)</u>	<u>(2,592,061)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		<u>31,579,719</u>	<u>78,449,495</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>44,972,634</u>	<u>31,579,719</u>
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	17	<u>44,972,634</u>	<u>31,579,719</u>

MEDECINS SANS FRONTIERES (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2023

1. ORGANISATION INFORMATION

Medecins Sans Frontieres (HK) Limited ("the Organisation") is an organisation incorporated and domiciled in Hong Kong under section 88 of the Inland Revenue Ordinance. The Organisation has its registered office and principal place of business at 22/F, Pacific Plaza, 410-418 Des Voeux Road West, Western District, Hong Kong.

The Organisation's principal activities have not changed during the year and comprised fundraising and recruits medical and non-medical staff to work in those relief programmes. It also actively communicates to the general public to raise awareness of the needs of its patients and the challenges involved in its humanitarian mission.

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 HK\$100 each. As at 31 December 2023, the Organisation has 580 (2022: 558) members.

2. ACCOUNTING POLICIES

2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual 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.

2.2 BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention and are presented in Hong Kong dollars, which is also the Organisation's functional currency.

The Organisation has maintained a policy of "zero reserve". That is, all funds raised, net of operating expenses, would be transferred to MSF operational centres. Despite the Organisation's net current liabilities at 31 December 2023, the directors are of the opinion that, having taken into account the expected cash inflows from public donations and the nature of major current liabilities being transfers to MSF operational centres, the scale of which is driven by the donation income, the Organisation 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 have prepared the financial statements on a going concern basis.

MEDECINS SANS FRONTIERES (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Organisation has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

The nature and impact of the new and revised HKFRSs has had no significant financial effect on these financial statements.

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Organisation has not applied any revised HKFRSs, that have been issued but are not yet effective for the accounting year ended 31 December 2023, in these financial statements.

The Organisation is in the process of making an assessment of the impact of these revised HKFRSs upon initial application but is not yet in a position to state whether these revised HKFRSs would have a significant impact on the Organisation's results of operations and financial position.

2.5 MATERIAL ACCOUNTING POLICIES

Related parties

A party is considered to be related to the Organisation if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Organisation;
 - (ii) has significant influence over the Organisation; or
 - (iii) is a member of the key management personnel of the Organisation or a parent of the Organisation;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Organisation are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Organisation 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;

MEDECINS SANS FRONTIERES (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Related parties (continued)

A party is considered to be related to the Organisation if: (continued)

- (b) the party is an entity where any of the following conditions applies: (continued)
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Organisation or an entity related to the Organisation;
 - (vi) the entity is controlled or jointly controlled by a person identifies in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Organisation or to the parent of the Organisation.

Property, plant and equipment and depreciation

Items of property, plant and equipment are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Organisation recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Owned assets:

Leasehold improvements	Over the lease term
Furniture and fixtures	20%
Office equipment	20%
Computer equipment	33 $\frac{1}{3}$ %

Right-of-use assets

Buildings	Over the lease terms
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MEDECINS SANS FRONTIERES (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

The gain or loss on disposal of items of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset and is recognised in profit or loss.

The asset's residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

Intangible assets

Intangible assets include purchased computer software. Purchased computer software are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 3.3 years.

Impairment of non-financial assets

The Organisation assesses at the end of each reporting period whether there is an indication that an asset may be impaired. If such an indication exists, the Organisation makes an estimate of the asset's recoverable amount.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e., a cash-generating unit). In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of the impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. The reversal of the impairment loss is credited to profit or loss in the year in which it arises.

MEDECINS SANS FRONTIERES (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Leases

Lessee

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. All leases with a term of more than 12 months are recognised as assets representing the right of use of the underlying asset and liabilities representing the obligation to make lease payments, unless the underlying asset is of low value. Both the assets and the liabilities are initially measured on a present value basis. Right-of-use assets are recognised under property, plant and equipment and are measured at cost or valuation less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter of the useful lives of the assets and the lease terms. Lease liabilities are initially measured at the present value of lease payments to be made under the lease terms and subsequently adjusted by the effect of the interest on and the settlement of the lease liabilities, and the re-measurement arising from any reassessment of the lease liabilities or lease modifications.

Financial assets

Trade receivables that do not contain a significant financing component or for which the Organisation has applied the practical expedient of not adjusting the effect of a significant financing component are measured at the transaction price determined under HKFRS 15. All the other financial assets are initially recognised at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss. Regular way purchases and sales of financial assets are recognised on the trade date, that is, the date when the Organisation commits to purchase or sell the assets.

(a) Classification and measurement

Debt instruments are measured at amortised cost using the effective interest rate method, subject to impairment if the assets are held for the collection of contractual cash flows where those contractual cash flows represent solely payments of principal and interest.

MEDECINS SANS FRONTIERES (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Financial assets (continued)

(b) Impairment

The Organisation applies the expected credit loss model on all the financial assets that are subject to impairment. For trade receivables without a significant financing component, the Organisation applies the simplified approach which requires impairment allowances to be measured at lifetime expected credit losses.

For other financial assets, impairment allowances are recognised under the general approach where expected credit losses are recognised in two stages. For credit exposures where there has not been a significant increase in credit risk since initial recognition, the Organisation is required to provide for credit losses that result from possible default events within the next 12 months. For those credit exposures where there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure irrespective of the timing of the default.

The Organisation considers a default has occurred when a financial asset is more than 90 days past due unless the Organisation has reasonable and supportable information to demonstrate that a more appropriate default criterion should be applied.

(c) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets have expired; or where the Organisation has transferred its contractual rights to receive the cash flows of the financial assets and has transferred substantially all the risks and rewards of ownership; or where control is not retained.

Financial liabilities

Financial liabilities include amounts due to MSF entities, creditor and accrued expense. They are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, they are subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities are derecognised when they are extinguished, i.e., when the obligation is discharged or cancelled, or expires.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the statement of cash flow, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand.

MEDECINS SANS FRONTIERES (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Revenue recognition

General donation represents cash received from various fundraising 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.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Employee benefits

Pension scheme

The Organisation operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Organisation in an independently administered fund. The Organisation's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Defined benefit plan

The Organisation's statutory obligation to pay long service payment is a defined benefit plan. The cost of providing benefits relating to long service payment is determined using the projected unit credit actuarial valuation method.

Remeasurements, comprising actuarial gains and losses, and investment returns and other experience adjustments associated with the MPF employer contributions (excluding amounts included in net interest on the net defined benefit liability), are debited or credited to equity in other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss at the earlier of:

- the date of the plan amendment or curtailment; and
- the date that the Company recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the defined benefit liability. The Organisation recognises the following changes in the defined benefit obligation under "employee benefit expenses" in the statement of profit or loss by function:

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- net interest expense or income

MEDECINS SANS FRONTIERES (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Foreign currency transactions

These financial statements are presented in Hong Kong dollars, which is the Organisation's functional and presentation currency. Transactions in foreign currencies are translated into the functional currency of the Organisation using the exchange rates prevailing at the dates of the transactions. Exchange differences arising from the settlement of such transactions and from the retranslation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

3. DONATIONS INCOME

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

MEDECINS SANS FRONTIERES (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2023

4. OTHER INCOME

Other income includes the following:

	2023 HK\$	2022 HK\$
Associate membership fee	8,350	6,550
Grant income from MSF Australia	1,132,626	1,062,752
Bank interest income	1,330,109	548,225
Tickets and book sales	39,091	3,230
Others	73,483	28,615
	<u>2,583,659</u>	<u>1,649,372</u>
Total	<u>2,583,659</u>	<u>1,649,372</u>

5. DESIGNATED SURPLUS

The Organisation's designated surplus is arrived at after (crediting)/charging:

	2023 HK\$	2022 HK\$
Depreciation (note 13)	2,661,661	2,935,651
Amortisation (note 14)	359,731	469,631
Lease payments not included in the measurement of lease liabilities (note 13)	42,979	134,284
Auditor's remuneration	162,000	158,000
Staff costs (excluding directors' remuneration (note 11)):		
Salaries, allowances and benefits in kind	43,642,281	37,688,769
Pension scheme contributions	2,604,919	2,319,148
	<u>46,247,200</u>	<u>40,007,917</u>
Foreign exchange differences, net	<u>(190,918)</u>	<u>(71,710)</u>

6. FINANCE COST

	2023 HK\$	2022 HK\$
Interest on lease liabilities	<u>101,054</u>	<u>70,324</u>

MEDECINS SANS FRONTIERES (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2023

7. EMERGENCY AND MEDICAL PROGRAMMES

The Organisation has recognised the following amounts to aid emergency and medical programmes co-ordinated by other MSF entities:

<i>Missions</i>	2023 HK\$	2022 HK\$
Afghanistan	19,215,757	16,582,141
Bangladesh	11,459,430	11,146,246
Belgium	2,419,635	3,976,054
Benin	3,559,076	1,606,513
Bolivia	154,163	-
Brazil	3,849,680	1,035,814
Burundi	1,181,574	3,022,794
Central African Republic	9,871,268	8,803,734
Cote d'Ivoire	27,318	163,309
Democratic Republic of Congo	39,650,690	27,120,095
Egypt	2,697,773	3,925,488
Ethiopia	9,114,782	3,690,868
Greece	2,774,225	1,254,960
Guinea	1,598,927	3,862,885
Haiti	6,852,393	8,443,147
Hong Kong	3,287,185	2,227,753
India	5,052,741	2,955,056
Indonesia	5,663,010	1,078,652
Iraq	17,236,574	8,550,780
Italy	2,438,554	2,713,586
Kenya	1,461,160	1,811,274
Lebanon	9,485,132	3,853,887
Malaysia	5,000,000	8,680,000
Mali	8,274,406	2,528,053
Mozambique	706,923	2,328,062
Myanmar	10,000,000	10,000,000
Nigeria	14,824,498	16,937,163
Pakistan	7,683,066	6,831,963
Palestine	2,471,506	4,403,615

MEDECINS SANS FRONTIERES (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2023

7. EMERGENCY AND MEDICAL PROGRAMMES (continued)

The Organisation has recognised the following amounts to aid emergency and medical programmes co-ordinated by other MSF entities: (continued)

<i>Missions (continued)</i>	2023 HK\$	2022 HK\$
Sierra Leone	1,681,400	4,434,002
South Africa	133,190	1,855,213
South Sudan	14,018,716	13,764,504
Sudan	3,959,688	2,077,305
Syria	18,223,195	16,292,164
Ukraine	27,106	4,330,375
Uganda	-	290,743
Venezuela	-	7,402,998
Yemen	15,827,240	14,795,565
Zimbabwe	235,870	1,569,823
Migrant Support Balkan Route	755,977	229,470
MSF Academic Field projects	443,700	-
Fund allocated for unforeseeable emergencies programmes	<u>31,295,165</u>	<u>25,824,652</u>
Total	<u>294,612,693*</u>	<u>262,400,706 *</u>

* HK\$207,122,693 (2022: HK\$185,720,706) was granted to operational centre in MSF Belgium, HK\$87,390,000 (2022: HK\$76,680,000) was granted to operational centre in MSF Holland and HK\$100,000 (2022: Nil) was granted to operational centre in MSF France.

8. PROGRAMME SUPPORT AND DEVELOPMENT

Included in expenditures for programme support and development are amounts of HK\$23,013,634 (2022: HK\$23,393,605) and HK\$9,710,000 (2022: HK\$8,520,000) transferred to operational centre in MSF Belgium and MSF Holland, respectively, HK\$901,592 (2022: HK\$713,529), HK\$901,592 (2022: HK\$713,529), HK\$377,581 (2022: HK\$336,239) and HK\$377,542 (2022: HK\$354,251) transferred to MSF Australia, MSF Japan, MSF Korea and MSF France, respectively for South-east and East Asia-Pacific Project (“SEEAP”) regional development project, and HK\$2,789,401(2022: HK\$2,180,002) transferred to MSF International office to aid indirect operational costs.

MEDECINS SANS FRONTIERES (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2023

9. OTHER HUMANITARIAN ACTIVITIES

The Organisation has transferred the following amounts to aid other humanitarian activities co-ordinated by other MSF entities:

	2023 HK\$	2022 HK\$
Drugs for Neglected Disease initiative ("DNDi")	845,730	844,737
Access Campaign	<u>1,147,692</u>	<u>1,158,797</u>
Total	<u><u>1,993,422</u></u>	<u><u>2,003,534</u></u>

10. MANAGEMENT AND GENERAL ADMINISTRATION

Included in expenditures for management and general administration is an amount of HK\$6,237,925 (2022: HK\$5,257,995) transferred to MSF International for management and general administration expenditure purposes.

11. DIRECTORS' REMUNERATION

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

	2023 HK\$	2022 HK\$
Fees	-	-
Other emoluments:		
Salaries, allowances and benefits in kind	-	-
Pension scheme contributions	<u>-</u>	<u>-</u>
Total	<u><u>-</u></u>	<u><u>-</u></u>

12. INCOME TAX

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

MEDECINS SANS FRONTIERES (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2023

13. PROPERTY, PLANT AND EQUIPMENT AND LEASE LIABILITIES

	Owned assets					Total HK\$
	Right-of-use assets	Leasehold improvements HK\$	Furniture and fixtures HK\$	Office equipment HK\$	Computer equipment HK\$	
31 December 2023						
At 1 January 2023:						
Cost	11,681,723	954,531	417,199	449,911	2,529,393	16,032,757
Accumulated depreciation	(9,389,786)	(954,531)	(382,027)	(438,456)	(2,124,924)	(13,289,724)
Net carrying amount	<u>2,291,937</u>	<u>-</u>	<u>35,172</u>	<u>11,455</u>	<u>404,469</u>	<u>2,743,033</u>
At 1 January 2023, net of accumulated depreciation	2,291,937	-	35,172	11,455	404,469	2,743,033
Additions	-	-	-	23,119	335,908	359,027
Modification	4,928,668	-	-	-	-	4,928,668
Depreciation provided during the year	(2,417,705)	-	(7,153)	(8,319)	(228,484)	(2,661,661)
At 31 December 2023, net of accumulated depreciation	<u>4,802,900</u>	<u>-</u>	<u>28,019</u>	<u>26,255</u>	<u>511,893</u>	<u>5,369,067</u>
At 31 December 2023:						
Cost	16,610,391	954,531	417,199	466,202	2,611,391	21,059,714
Accumulated depreciation	(11,807,491)	(954,531)	(389,180)	(439,947)	(2,099,498)	(15,690,647)
Net carrying amount	<u>4,802,900</u>	<u>-</u>	<u>28,019</u>	<u>26,255</u>	<u>511,893</u>	<u>5,369,067</u>

MEDECINS SANS FRONTIERES (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2023

13. PROPERTY, PLANT AND EQUIPMENT AND LEASE LIABILITIES (continued)

	Owned assets					Total HK\$
	Right-of-use assets	Leasehold improvements HK\$	Furniture and fixtures HK\$	Office equipment HK\$	Computer equipment HK\$	
31 December 2022						
At 1 January 2022:						
Cost	11,934,325	954,531	384,279	449,911	2,422,781	16,145,827
Accumulated depreciation	(7,680,675)	(954,531)	(384,279)	(428,381)	(1,897,296)	(11,345,162)
Net carrying amount	4,253,650	-	-	21,530	525,485	4,800,665
At 1 January 2022, net of accumulated depreciation	4,253,650	-	-	21,530	525,485	4,800,665
Additions	56,077	-	35,768	-	106,612	198,457
Modification	679,562	-	-	-	-	679,562
Depreciation provided during the year	(2,697,352)	-	(596)	(10,075)	(227,628)	(2,935,651)
At 31 December 2022, net of accumulated depreciation	2,291,937	-	35,172	11,455	404,469	2,743,033
At 31 December 2022:						
Cost	11,681,723	954,531	417,199	449,911	2,529,393	16,032,757
Accumulated depreciation	(9,389,786)	(954,531)	(382,027)	(438,456)	(2,124,924)	(13,289,724)
Net carrying amount	2,291,937	-	35,172	11,455	404,469	2,743,033

MEDECINS SANS FRONTIERES (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2023

13. PROPERTY, PLANT AND EQUIPMENT AND LEASE LIABILITIES (continued)

The Organisation leases certain of its offices used in its operation. Leases for these assets are negotiated for terms ranging from 2 to 3 years with no extension or termination options and all the lease payments are fixed.

Maturity profile of lease liabilities

	2023 HK\$	2022 HK\$
Within one year	2,216,222	1,866,098
After one year but within five years	<u>3,367,423</u>	<u>199,022</u>
Lease liabilities (undiscounted)	5,583,645	2,065,120
Discount amount	<u>(391,355)</u>	<u>(36,454)</u>
Lease liabilities (discounted)	<u>5,192,290</u>	<u>2,028,666</u>
Current	<u>1,982,080</u>	<u>1,833,222</u>
Non-current	<u>3,210,210</u>	<u>195,444</u>

The incremental borrowing rate applied to the lease liabilities recognised at 31 December 2023 was 5.48% (2022: 2.97%).

Movements of carrying amounts of lease liabilities during the year are as follows:

	HK\$
Carrying amount at 1 January 2022	3,910,035
Additions	48,470
Modification	591,898
Accretion of interest	70,324
Payments	<u>(2,592,061)</u>
Carrying amount at 31 December 2022 and 1 January 2023	2,028,666
Modification	4,928,668
Accretion of interest	101,054
Payments	<u>(1,866,098)</u>
Carrying amount at 31 December 2023	<u>5,192,290</u>

MEDECINS SANS FRONTIERES (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2023

13. PROPERTY, PLANT AND EQUIPMENT AND LEASE LIABILITIES (continued)

Amounts recognised in the statement of profit or loss for the years ended 31 December 2023 and 2022

	2023 HK\$	2022 HK\$
Depreciation expense of right-of-use assets	2,417,705	2,697,352
Interest expense on lease liabilities	101,054	70,324
Expense relating to short-term leases (include in programme support and development, public awareness and other campaigns, management and general administration expenditures and fundraising expenditures)	<u>42,979</u>	<u>134,284</u>
Total amount recognised in profit or loss	<u><u>2,561,738</u></u>	<u><u>2,901,960</u></u>

The Organisation had total cash outflows for leases of HK\$1,909,077 in 2023 (2022: HK\$2,726,345). The Organisation also had non-cash additions of right-of-use assets of HK\$56,077, including an amount of HK\$7,607 transferred from prepayment (note 19 (a)), in 2022 and lease liabilities of HK\$48,470 in 2022.

14. INTANGIBLE ASSETS

	Computer software HK\$
31 December 2023	
At 1 January 2023	
Cost	4,009,470
Accumulated amortisation	<u>(3,119,613)</u>
Net carrying amount	<u>889,857</u>
At 1 January 2023, net of accumulated amortisation	889,857
Additions	85,000
Amortisation provided during the year*	<u>(359,731)</u>
At 31 December 2023, net of accumulated amortisation	<u><u>615,126</u></u>
At 31 December 2023	
Cost	4,094,470
Accumulated amortisation	<u>(3,479,344)</u>
Net carrying amount	<u><u>615,126</u></u>

MEDECINS SANS FRONTIERES (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2023

14. INTANGIBLE ASSETS (continued)

	Computer software HK\$
31 December 2022	
At 1 January 2022	
Cost	3,442,470
Accumulated amortisation	<u>(2,649,982)</u>
Net carrying amount	<u>792,488</u>
At 1 January 2022, net of accumulated amortisation	792,488
Additions	567,000
Amortisation provided during the year*	<u>(469,631)</u>
At 31 December 2022, net of accumulated amortisation	<u>889,857</u>
At 31 December 2022	
Cost	4,009,470
Accumulated amortisation	<u>(3,119,613)</u>
Net carrying amount	<u>889,857</u>

* The amount is included in "Programme support and development", "Public awareness and other campaigns", "Management and general administration" and "Fundraising" in the statement of comprehensive income.

MEDECINS SANS FRONTIERES (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2023

15. DEBTORS, PREPAYMENT AND DEPOSITS

	2023 HK\$	2022 HK\$
Deposits and debtors	1,101,038	2,638,716
Prepayments	<u>2,091,875</u>	<u>938,330</u>
Total	3,192,913	3,577,046
Portion classified as current assets	<u>(2,525,869)</u>	<u>(3,478,750)</u>
Non-current portion	<u>667,044</u>	<u>98,296</u>

Impairment of debtors, prepayment and deposits

The carrying amount of other receivables approximated to their fair value as at 31 December 2023 and 2022. Their recoverability was assessed with reference to the credit status of the debtors, and the expected credit losses as at 31 December 2023 and 2022 were considered to be minimal.

16. AMOUNTS DUE FROM/(TO) OTHER MSF ENTITIES

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

17. CASH AND CASH EQUIVALENTS

	2023 HK\$	2022 HK\$
Cash and bank balances	<u>44,972,634</u>	<u>31,579,719</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. The carrying amounts of the cash and cash equivalents approximate to their fair values.

MEDECINS SANS FRONTIERES (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2023

18. CREDITORS, OTHER PAYABLES AND ACCRUALS

	Note	2023 HK\$	2022 HK\$
Creditors		1,761,609	1,034,857
Accrued expenses		5,738,499	3,972,468
Provision for long service payment	(a)	<u>2,315,028</u>	<u>1,715,286</u>
Total		9,815,136	6,722,611
Portion classified as current liabilities		<u>(7,500,108)</u>	<u>(5,007,325)</u>
Non-current portion		<u>2,315,028</u>	<u>1,715,286</u>

Note

(a) The Organisation is obligated to pay long service payment to qualifying employees in Hong Kong with a minimum of 5 years employment period upon retirement or termination of employment under certain circumstances, in accordance with the Hong Kong Employment Ordinance (the "Employment Ordinance"). Long service payment is calculated based on the last monthly salary of the employees and the number of years of service. There are provisions under the Employment Ordinance permitting employers to offset employees' long service payment against the accrued benefits attributable to employer's contributions to the MPF Scheme. In 2022, the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Bill 2022 (the "Amendment Bill") was enacted, such that the Organisation can no longer use accrued benefits arising from MPF mandatory employer contributions to offset employees' long service payment accrued as from the transition date in 2025. The enactment of the Amendment Bill is treated as a plan amendment. Except for the statutory right to offset as described above, the long service payment benefits are unfunded.

The long service payment obligation is exposed to interest rate risk and expected rate of future salary increase.

The most recent actuarial valuation of the present value of the defined benefit obligations was carried out for the year ended 31 December 2023 by Towers Watson Hong Kong Limited, an independent qualified professional valuer, using the projected unit credit actuarial valuation method.

The principal actuarial assumptions used at the end of the reporting period are as follows:

	As at 31 December 2023 %
Discount rate	3.8
Rate of increase of MPF relevant income limit	2.5
Return on MPF Scheme balances	4.5

There are no explicit assets held in respect of the long service payment obligations.

MEDECINS SANS FRONTIERES (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2023

19. NOTE TO THE STATEMENT OF CASH FLOWS

(a) Major non cash transactions

During the year ended 31 December 2022, the Organisation transferred prepayment of HK\$7,607 and HK\$87,664 to the addition of right-of-use assets and modification of right-of-use assets, respectively.

(b) Reconciliation of liabilities arising from financing activities

	Lease liabilities HK\$
At 1 January 2022	3,910,035
Changes from financing cash flows	(2,521,737)
Additions	48,470
Modification	591,898
Finance charges on lease liabilities	70,324
Interest element of lease liabilities	<u>(70,324)</u>
At 31 December 2022 and 1 January 2023	2,028,666
Changes from financing cash flows	(1,765,044)
Modification	4,928,668
Finance charges on lease liabilities	101,054
Interest element of lease liabilities	<u>(101,054)</u>
At 31 December 2023	<u>5,192,290</u>

20. RELATED PARTY TRANSACTIONS

(a) Apart from the grant income from MSF Australia, amounts transferred from/(to) other MSF entities to aid emergency and medical programmes, indirect operational costs, other humanitarian activities and for management and general administration expenditure purposes as disclosed in notes 4, 7, 8, 9 and 10 and the balances disclosed elsewhere in these financial statements, there were no other material related party transactions.

(b) Compensation of key management personnel of the Organisation:

All members of key management personnel are directors of the Organisation and their emoluments are included in note 11 to the financial statements.

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 HK\$100 per member.

MEDECINS SANS FRONTIERES (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2023

22. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	Financial assets at amortised cost	
	2023 HK\$	2022 HK\$
Financial assets included in debtors, prepayment and deposits (note 15)	1,101,038	2,638,716
Amount due from MSF entities	2,984,999	2,022,754
Cash and cash equivalents	<u>44,972,634</u>	<u>31,579,719</u>
Total	<u>49,058,671</u>	<u>36,241,189</u>

Financial liabilities

	Financial liabilities at amortised cost	
	2023 HK\$	2022 HK\$
Amount due to MSF entities	42,127,313	32,061,132
Financial liabilities included in creditor, other payables and accruals	<u>5,740,461</u>	<u>3,120,483</u>
Total	<u>47,867,774</u>	<u>35,181,615</u>

23. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The directors have assessed that the fair values of cash and cash equivalents, balances with MSF entities, financial assets included in debtors, prepayment and deposits, lease liabilities and financial liabilities included in creditors and accrued expenses approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of financial liabilities included in non-current other payables and accruals have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities, and were assessed to approximate their carrying amounts.

MEDECINS SANS FRONTIERES (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2023

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Organisation's principal financial instruments comprise cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Organisation's operations. The Organisation has various other financial assets and liabilities such as debtors, prepayment and deposits, balances with MSF entities, financial liabilities included in creditors and accrued expenses, which arise directly from its operations.

The main risks arising from the Organisation's financial instruments are credit risk, liquidity risk and foreign currency risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

The Organisation's credit risk is primarily attributable to amounts due from other Medecins Sans Frontieres entities and cash at bank. The Organisation 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 Organisation's cash at bank is placed with major financial institutions with sound credit ratings for which the Organisation considers to have low credit risk.

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

Further qualitative data in respect of the Organisation's exposure to credit risk arising from debtors, prepayment and deposits are disclosed in note 15 to the financial statements.

Liquidity risk

The Organisation's objective is to maintain a balance between continuity of funding and flexibility through the use of its cash and cash equivalents and funding from MSF entities. The Organisation'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.

The maturity profile of the Organisation's financial liabilities as at the end of the reporting period, based on the contracted undiscounted payments, was as follows:

31 December 2023	On demand HK\$	Less than one year HK\$	More than one year HK\$	Total HK\$
Amount due to MSF entities	42,127,313	-	-	42,127,313
Financial liabilities included in creditors, other payables and accruals	-	5,740,461	-	5,740,461
Lease liabilities (note 13)	-	2,216,222	3,367,423	5,583,645
Total	<u>42,127,313</u>	<u>7,956,683</u>	<u>3,367,423</u>	<u>53,451,419</u>

MEDECINS SANS FRONTIERES (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2023

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The maturity profile of the Organisation's financial liabilities as at the end of the reporting period, based on the contracted undiscounted payments, was as follows: (continued)

31 December 2022	On demand HK\$	Less than one year HK\$	More than one year HK\$	Total HK\$
Amount due to MSF entities	32,061,132	-	-	32,061,132
Financial liabilities included creditors, other payables and accruals	-	3,120,483	-	3,120,483
Lease liabilities (note 13)	-	1,866,098	199,022	2,065,120
Total	<u>32,061,132</u>	<u>4,986,581</u>	<u>199,022</u>	<u>37,246,735</u>

Foreign currency risk

The Organisation has no significant foreign currency risk because its business is principally conducted in Hong Kong and most of the transactions are denominated in the Organisation's functional currency.

Capital management

The primary objective of the Organisation's capital management is to safeguard the Organisation's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business.

The Organisation manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Organisation may adjust and manage all the funds and properties of the Organisation. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 31 December 2022.

25. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation. The directors consider that such reclassification will allow a more appropriate presentation of the Organisation's financial performance and financial position and better reflect the nature of the transactions.

26. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on **31 MAY 2024**