



Medecins Sans Frontieres (HK)
Limited
無國界醫生組織 (香港) 有限公司

31 December 2019

Directors' report

The directors submit herewith their annual report together with the audited financial statements for the year ended 31 December 2019.

Principal place of business

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

Principal activities

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

Business Review

(I) Objectives & our work

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

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

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

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

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

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

Business Review (continued)

(I) Objectives & our work (continued)

(b) Main Areas of Work

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

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

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

(II) Achievements and Performance

(a) Overview of International Operations

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

(i) Rapid response to disasters, epidemics and conflict

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

In 2019, MSF teams continued their work in areas of armed conflict, such as Afghanistan, Iraq, Nigeria, Yemen, Syria, the Democratic Republic of Congo (DRC) and South Sudan, where they provided care to vulnerable populations caught in the crossfire, and witnessed deplorable attacks on health structures, health staff and civilians.

The conflict in Northern Rakhine state in Myanmar in 2017 led to a huge displacement of Rohingya refugees who fled to join the already large numbers in neighboring Bangladesh. To date, Rohingya refugees in Bangladesh remain wholly reliant on humanitarian aid. MSF continues to treat tens of thousands of patients a month, many of the illnesses are a result of poor living conditions, poor access to clean latrines or water.

Business Review (continued)

(II) Achievements and Performance (continued)

(a) Overview of International Operations (continued)

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

In 2018, MSF found itself yet again facing another Ebola outbreak, this time in the volatile region of Democratic Republic of Congo. With the number of confirmed cases surpassing 3000 in 2019, it is the country's largest-ever Ebola outbreak. It is also the second-biggest Ebola epidemic ever recorded, behind the West Africa outbreak of 2014-2016. MSF has worked with the Ministry of Health and other actors in patient screening and care, health promotion, surveillance, infection prevention and control, training, and vaccination of health staff. Despite having new tools and improvements in the medical management of this epidemic, such as vaccine and developmental treatments, we have faced enormous challenges due to the ongoing conflict in the area and community mistrust towards the response.

In southeastern Africa, two strong cyclones – Idai and Kenneth – flattened thousands of homes and flooded low-lying areas. MSF emergency response teams treated cases of cholera and acute watery diarrhea, provided non-medical items and ensuring safe water and sanitation. MSF teams also responded to flooding in places where international assistance was limited, such as Iran and South Sudan.

Meanwhile, Hong Kong has gone through a particularly challenging time since June 2019. Our team has closely monitored the situation to identify where local medical response capacity could fall short and leave patients vulnerable. We have established direct and regular contacts with local medical facilities and practitioners from the outset. When the restriction that had been placed on people entering the PolyU in November could potentially lead to a previously unseen situation - a potential lack of professional medics for people inside who would need medical attention - our emergency team has sought necessary permissions to gain access from relevant authorities. In total, we medically assisted 29 patients.

The MSF HK Activity Report 2018 to its supporters in the middle of the year provides details on the countries and programmes where donations raised by MSF HK were spent that year. The MSF International Activity Report gives even more information about the range of work undertaken by the whole movement.

(ii) Long term programmes

MSF programmes usually start as an emergency response to humanitarian and medical crises. But due to protracted situations that continue for years and affect people's access to lifesaving medical care, the majority of MSF's programmes have longer term life span. These programmes are carefully researched and planned before they are initiated and evaluated, in order 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 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.

Business Review (continued)

(II) Achievements and Performance (continued)

(a) Overview of International Operations (continued)

(iii) Campaigns and Research

The key focus of MSF's Access Campaign is to highlight the difficulties and break down the barriers people face in getting hold of adequate and effective diagnostic tests, drugs and vaccines for diseases that affect vulnerable populations. Too often, we cannot treat patients because the medicines are too expensive or they are no longer produced. Sometimes, the only drugs we have are highly toxic or ineffective, and nobody is looking for a better cure. The Access Campaign, founded in 1999, has turned 20 years in 2019. It has been advocating for 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.

(b) MSF HK Office activities

(i) Key Financial Indicators

- Donations received from the public amounted to HK\$501.7million in 2019 (2018: HK\$518.3million), which was a decrease of 3.2% (2018: increase of 3.3%) or decrease of HK\$16.7million (2018: increase of HK\$16.7 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 95.2% (2018: 90.4%) of the donations were from individual donors, the rest from trusts and corporations.
- We spent a total of HK\$435.1million (2018: HK\$445.8 million) in supporting relief operations, representing 86.4% of total income (2018: 85.9%).
- Fundraising costs were HK\$50.6million (2018: HK\$55.3 million), representing 10.0% (2018: 10.7%) of total income.
- Management and administration costs were HK\$17.4million (2018: HK\$17.6 million), representing 3.5% (2018: 3.4%) of total income.

(ii) Donation Income and Expenses

The donation income has decreased by 3.2% in 2019 (2018: increased by 3.3 %) after years of rapid growth.

However, the fundraising efficiency was maintained at a healthy level with a return on investment of 9.9 times (2018: 9.4 times).

Business Review (continued)

(II) Achievements and Performance (continued)

(b) MSF HK Office activities (continued)

(ii) Donation Income and Expenses (continued)

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

Philanthropic initiatives continued in 2019 to keep engagement with individual major donors, corporate donors, foundation donors and legacy gifts. Private meetings and events continued throughout the year including a private panel discussion and an International Women's Day gathering.

In 2019, the number of active donors supporting MSF is 207,415 (2018: 203,356). However, due to Hong Kong's political and economic situation in 2019, our donor pool has been reduced in the last quarter of the year.

(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 in Belgium, Italy, Luxembourg, Denmark, Norway, Sweden, South Africa and Brazil to form Operational Centre Brussels (OCB), which is responsible for managing a large number of operational programmes.

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

In the 2019 financial year, MSF HK contributed a total of HK\$375.6 million (2018: HK\$377.3 million) to various emergency and medical humanitarian programmes in about 50 (2018: 50) countries around the world, representing 74.6% (2018: 72.7%) of total income.

Apart from these programme expenses, HK\$46.7 million (2018: HK\$53.0 million) was allocated for programme support and development, of which HK\$36.0 million (2018: HK\$40.6 million) was transferred to OCB to aid the indirect operational costs.

Business Review (continued)

(II) Achievements and Performance (continued)

(b) MSF HK Office activities (continued)

(iii) Fund Allocation and Reserves (continued)

The remaining income of HK\$12.9million (2018: HK\$15.6 million) was spent in awareness raising, advocacy activities and other humanitarian programmes (AC & DND) which are coordinated by MSF International.

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

(iv) Our field workers

To support MSF missions worldwide, MSF HK recruits field workers not only in Hong Kong but also in the wider region, including mainland China, Macau, Taiwan, Singapore, the Philippines, Malaysia, Indonesia, Thailand, Cambodia, Vietnam, Laos and Myanmar. These people are the embodiment of the ‘volunteer’ spirit that our Charter speaks of but they do receive some small remuneration or stipend when in the field. This year, 35 (2018: 50) new members were recruited to join our pool of field workers, resulting in a total of 133 (2018: 157) deployments, of which 24 (2018: 27) were first missioners. Around 62% of our deployments were to fill medical roles (e.g. specialists, doctors, nurses etc.) and the remaining 38% were non-medical positions in functions such as logistics, finance and human resources.

In 2019, the top destinations of our deployments were for MSF programmes in Iraq, Bangladesh, South Sudan and Yemen.

(v) Regional Developments

MSF HK continued to expand its regional approach in Asia Pacific on behalf of the wider MSF movement. Since 2014, MSF’s top decision-making body, the International Board, mandated MSF HK to increase our presence in Taiwan and in Singapore, to consolidate MSF’s public identity there and eventually to improve our ability to generate donations from private sources in these regions. In April 2019, the MSF office in Taipei was officially established as a foundation followed by obtaining a local fundraising permit. The registration of a representation office of MSF HK was subsequently closed by January 2020.

Coverage in terms of communications and advocacy was strengthened in the Philippines, Indonesia and Malaysia in 2019. The MSF HK’s regional approach and capabilities were further reinforced by our continuous engagement with China.

Business Review (continued)

(II) Achievements and Performance (continued)

(b) MSF HK Office activities (continued)

(vi) Major Events

Some of the effort in these locations has involved conducting substantial public engagement activities via mounting physical events, as a way of explaining MSF's work. In Taipei, we exhibited a range of information, hosted public talks, and sharing of humanitarian experiences. MSF also fielded speakers at regional medical conferences in Singapore, as well as strengthened its collaboration with medical schools in the Philippines, Indonesia and Malaysia. Small-scale events and activities were also held in Manila, Cebu, Jakarta, Yogyakarta and Kuala Lumpur. While in Hong Kong, the annual events involved organising a sponsored orienteering race and rallying public support for MSF Day on the 7th July. However, due to the situation we faced towards the end of 2019 amidst the unpredictable and challenging Hong Kong situation, some visibility and awareness raising activities were halted or cancelled. MSF online activities also took place in mainland China. In 2019, the MSF Film Festival toured to Taichung in June. In the 2-day event, five screening sessions and post-screening sharing has been held to showcase documentary films about humanitarian crises and MSF's work.

Through organizing a series of Missing Map mapathons in Hong Kong, Singapore and Taipei, volunteers from the public, different organisations and schools helped to digitise satellite imagery and created maps that significantly helped the operations of humanitarian organisations like MSF. In Singapore, special events such as an International Women's Day gathering and an Open House, were arranged to strategically build reputation and visibility amongst key target audiences.

(III) Resources and Governance

(a) International Organisation Structure

MSF is a worldwide movement of former and current field workers, employees and volunteers, who are members of associations at national, regional and international levels. MSF HK is one of the 25 associations in the MSF movement which is united by a shared commitment to the MSF Charter and Principles. Each association is a separate, independent legal entity having charitable or nonprofit status in their home society. Each association elects its own board of directors and president. Many associations have an executive office, which is accountable to its board of directors.

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

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

Business Review (continued)

(III) Resources and Governance (continued)

(a) International Organisation Structure (continued)

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, overseeing the activities of the executive and ensuring accountability. The responsibilities and functioning of the board of directors are bound by its Articles of Association.

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

As of 31 December 2019, the board of MSF HK consists of 9 elected directors and 4 ex-officio members who are appointed by the board and do not have any voting rights at board meetings.

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

Business Review (continued)

(III) Resources and Governance (continued)

(c) Fund & Programme Management

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

MSF Operational Centres manage the 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 Management

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

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

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

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

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

Business Review (continued)

(III) Resources and Governance (continued)

(e) Cost Control

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

During 2019 MSF HK was able to commit 86.5% of our total expenditure to support relief operations (2018: 85.9%), which is well above the MSF global benchmark of 80% (2018: 80%).

Management and administration costs accounted for 3.5% (2018: 3.4%) of MSF HK's total outgoings. These expenses were devoted to general management, administration, financial management, and information technology systems. 1.5% (2018: 1.5%) 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. Monetary contributions from sources that conflict with MSF's missions are not acceptable. 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 for 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.

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

(ii) Staff

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

Business Review (continued)

(IV) Sustainable Development (continued)

(a) Relationship with Key Stakeholders (continued)

(iii) Field Workers

At the end of 2019, MSF HK had 324 (2018: 288) active field workers in our pool, recruited from a range of different countries across the region. As with our office staff, all field workers are invited to become an associative member of MSF HK and to continue to play a vital role in our development. The active pool of field workers is either serving in missions or waiting to be dispatched. They bring with them professional skills and add to the diversity of our operational teams around the world, while often making significant sacrifices in their family life, home employment and personal comforts. We are grateful for their contributions.

(iv) Association Members

MSF was founded as an association. The associative identity is reiterated in the MSF Charter and Chantilly Agreement. The association engages field workers, volunteers and staff from all the MSF entities in a shared commitment to humanitarian medical action. Being an association member, he/she can engage in the collective ownership of MSF and oversight of its leadership. The association functions in a participatory way. Association members are able to voice their concerns and bring about changes to MSF's actions within the framework of the MSF Charter and Principles. During the General Assembly, members elect the board of directors to represent their voices. As of 31 December 2019, MSF HK has 508 (2018: 459) association members.

(v) Volunteers

MSF HK is fortunate to have many volunteers who give their time to help in our Hong Kong office as well as events held in Hong Kong, Singapore, Taipei, and Beijing. We are grateful for their contributions and consider them an integral part of our family. Office volunteers are welcome to participate in social activities organised by staff.

(vi) Public

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

Business Review (continued)

(IV) Sustainable Development (continued)

(a) Relationship with Key Stakeholders (continued)

(vii) Local community

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

(b) Environmental Measures

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

(V) Future Outlook

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

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

Year 2020 is still subject for challenges with uncertainties on local political situation and the COVID-19 pandemic that have led to economic downturn. In view of these external challenges, the fundraising and public facing activities will be affected and disrupted in the year to come. All of these factors could lead to a negative impact to our donation income.

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

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

Directors

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

LIU Chen Kun	
TAN Day Seng	
CHAN Shut Wah	
LEE Marlene	
SAMAN Sartini	
TEO Alvin Kuo Jing	
ALIPON Sweet C Barangan	(appointed on 24 August 2019)
COPPENS Catherina Philomena Henrica	(appointed on 24 August 2019)
LI Wilson	(appointed on 24 August 2019)
CHAN Kwong Wai	(resigned on 24 August 2019)
FAN Ning	(resigned on 24 August 2019)
CAUSING Morpheus Salarda	(resigned on 21 March 2019)

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.

Auditor

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

By order of the board



CHAN Shut Wah
Director
Hong Kong, 28 MAY 2020



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 17 to 39, which comprise the statement of financial position as at 31 December 2019, the statement of comprehensive income, the statement of changes in accumulated funds and the cash flow statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the organisation as at 31 December 2019 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 ("HKSAAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the 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 annual report, 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 to the members of Medecins Sans Frontieres (HK) Limited (continued)

(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 HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional 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.



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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG

Certified Public Accountants

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

28 MAY 2020

Statement of comprehensive income for the year ended 31 December 2019

(Expressed in Hong Kong dollars)

	Note	2019 \$	2018 (Note) \$
Donations income	3	501,651,480	518,339,054
Other income	4	1,646,483	604,273
		<u>503,297,963</u>	<u>518,943,327</u>
Less: Expenditures			
Supporting relief operations			
Emergency and medical programmes	6	375,577,732	377,285,890
Programme support and development	7	46,686,521	52,951,965
Public awareness and other campaigns		9,550,919	12,339,157
Other humanitarian activities	8	3,314,803	3,249,143
		<u>435,129,975</u>	<u>445,826,155</u>
Management and general administration	9	17,420,688	17,598,308
Fundraising		50,550,654	55,334,702
Finance cost		90,573	-
		<u>503,191,890</u>	<u>518,759,165</u>
Net exchange loss		<u>(112,542)</u>	<u>(184,162)</u>
Designated deficit and total comprehensive income for the year	5	<u>(6,469)</u>	<u>-</u>

Note: The organisation has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

The notes on pages 23 to 39 form part of these financial statements.

Statement of financial position at 31 December 2019

(Expressed in Hong Kong dollars)

	Note	2019	2018
		\$	(Note) \$
Non-current assets			
Interest in a subsidiary	12	-	6,469
Property, plant and equipment	13	8,511,774	1,097,336
Intangible assets	14	3,052,047	3,466,441
		<u>11,563,821</u>	<u>4,570,246</u>
Current assets			
Debtors	15	135,408	182,945
Deposits and prepayments	15	3,882,530	2,874,774
Amount due from MSF International	16	52,877	153,551
Amount due from MSF Belgium	16	214,210	360,485
Amount due from MSF France	16	30,685	74,505
Amount due from MSF Holland	16	87,410	44,875
Amount due from MSF Japan	16	55,260	-
Amount due from MSF Spain	16	8,029	13,185
Amount due from MSF Switzerland	16	6,190	64,564
Amount due from MSF Australia	16	55,260	-
Amount due from Norway	16	-	3,090
Amount due from India	16	-	1,242
Amount due from MSF TW Foundation	16	5,075,564	-
Cash and cash equivalents		36,395,576	67,969,834
		<u>45,998,999</u>	<u>71,743,050</u>
Current liabilities			
Creditors and accrued expenses	17	4,817,341	7,602,840
Lease liabilities	18	2,081,622	-
Amount due to MSF Austria	16	20,994	-
Amount due to MSF Belgium	16	44,510,238	65,258,411
Amount due to MSF International	16	345,848	246,958
Amount due to MSF Jakarta	16	-	95,255
Amount due to MSF France	16	-	2,992,728
Amount due to MSF United Kingdom	16	-	106,992
Amount due to MSF Korea	16	-	3,643
Amount due to MSF South Africa	16	57,122	-
Amount due to MSF TW Foundation	16	4,433	-
		<u>51,837,598</u>	<u>76,306,827</u>

**Statement of financial position
at 31 December 2019 (continued)**
(Expressed in Hong Kong dollars)

	Note	2019	2018
		\$	(Note) \$
Net current liabilities		<u>(5,838,599)</u>	<u>(4,563,777)</u>
Total assets less current liabilities		<u>5,725,222</u>	<u>6,469</u>
Non-current liabilities			
Lease liabilities	18	<u>5,725,222</u>	-
Net assets		<u>-</u>	<u>6,469</u>
Represented by:			
Fund balances			
Accumulated funds		<u>-</u>	<u>6,469</u>

Approved and authorised for issue by the board of directors on **2.8 MAY 2020**

CHAN Shut Wah )
) Directors
 LI Wilson )
)

Note: The organisation has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

The notes on pages 23 to 39 form part of these financial statements.

Statement of changes in accumulated funds for the year ended 31 December 2019

(Expressed in Hong Kong dollars)

	<i>Accumulated funds</i> \$	<i>Total</i> \$
As at 1 January 2018	6,469	6,469
Designated surplus and total comprehensive income for the year	-	-
As at 31 December 2018 and 1 January 2019	6,469	6,469
Designated deficit and total comprehensive income for the year	(6,469)	(6,469)
As at 31 December 2019	-	-

The notes on pages 23 to 39 form part of these financial statements.

Cash flow statement for the year ended 31 December 2019 (Expressed in Hong Kong dollars)

	Note	2019 \$	2018 (Note) \$
Operating activities			
Designated deficit for the year		(6,469)	-
Adjustments for:			
Interest income	4	(1,569,542)	(531,110)
Depreciation	13	2,619,325	652,911
Amortisation of intangible assets	14	1,360,294	621,001
Gain on disposal of property, plant and equipment	4	-	(57)
Write-off of interest in a subsidiary		6,469	-
Finance Cost		90,573	-
		<hr/>	<hr/>
Operating surplus before changes in working capital		2,500,650	742,745
Decrease/(increase) in debtors		47,537	(146,189)
(Increase)/decrease in deposits and prepayments		(1,204,723)	2,432,028
(Decrease)/increase in creditors and accrued expenses		(2,785,497)	1,596,238
Decrease in deferred income		-	(1,629,081)
(Decrease)/increase in net amounts due to MSF entities		(28,635,342)	32,928,123
		<hr/>	<hr/>
Net cash (used in)/generated from operating activities		<u>(30,077,375)</u>	<u>35,923,864</u>
Investing activities			
Payment for the purchase of property, plant and equipment	13	(149,905)	(424,159)
Payment for the purchase of intangible assets	14	(945,900)	(4,087,442)
Proceeds from disposal of property, plant and equipment		-	1,500
Interest received		1,569,542	531,110
		<hr/>	<hr/>
Net cash generated from/(used in) investing activities		<u>473,737</u>	<u>(3,978,991)</u>

Cash flow statement
for the year ended 31 December 2019 (continued)
(Expressed in Hong Kong dollars)

	Note	2019 \$	2018 (Note) \$
Financing activities			
Capital element of lease rental paid	19	(1,880,047)	-
Interest element of lease rental paid	19	(90,573)	-
Net cash used in financing activities		<u>(1,970,620)</u>	<u>-</u>
Net (decrease)/increase in cash and cash equivalents		(31,574,258)	31,944,873
Cash and cash equivalents at 1 January		67,969,834	36,024,961
Cash and cash equivalents at 31 December		<u>36,395,576</u>	<u>67,969,834</u>

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

Note: The organisation has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

The notes on pages 23 to 39 form part of these financial statements.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Status of the organisation

The organisation is limited by guarantee, such that under the provisions of the organisation's articles of association, every member shall, in the event of the organisation being wound up, contribute such amount as may be required to meet the liabilities of the organisation, but not exceeding \$100 each. As at 31 December 2019, the organisation has 508 (2018: 459) members.

2 Significant accounting policies

(a) 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. Significant accounting policies adopted by the organisation are disclosed below.

(b) Basis of preparation of the financial statements

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

The organisation's subsidiary was dissolved in 2019 and comparative figures in these financial statements are presented on the organisation's standalone basis.

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

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

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 2019, 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.

2 Significant accounting policies (continued)

(c) Changes in accounting policies

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the organisation.

The organisation has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities of HK\$2,734,878 and right-of-use assets of HK\$2,931,845 and to derecognise prepaid rentals of HK\$196,967 in respect of leases which were previously classified as operating leases under HKAS 17. Comparative information as at 31 December 2018 has not been restated.

The organisation has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(d) Property, plant and equipment

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

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

- Leasehold improvements	Over the remaining lease term
- Furniture and fixtures	5 years
- Office equipment	5 years
- Computer equipment	3 $\frac{1}{3}$ years
- Right-of-use assets	Over the remaining lease term

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

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

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

2 Significant accounting policies (continued)

(e) Intangible assets

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

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

Both the period and method of amortisation are reviewed annually.

(f) Leased assets

At inception of a contract, the organisation assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the 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 direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(A) As a lessee - Policy applicable from 1 January 2019

At the lease commencement date, the organisation recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the organisation, are primarily office equipment. When the organisation enters into a lease in respect of a low-value asset, the organisation decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see note 2(d)).

2 Significant accounting policies (continued)

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the organisation's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the organisation will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

In the statement of financial position, the organisation presents right-of-use assets within the same line item as similar underlying assets and presents lease liabilities separately.

(B) *As a lessee* - Policy applicable prior to 1 January 2019

In the comparative period, as a lessee the organisation classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the organisation. Leases which did not transfer substantially all the risks and rewards of ownership to the organisation were classified as operating leases.

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

(g) **Receivables**

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

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

The organisation recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs. The loss allowance is estimated using a provision matrix based on the organisation's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date. ECLs are remeasured at each reporting date with any changes recognised as an impairment gain or loss in profit or loss. The organisation recognises an impairment gain or loss with a corresponding adjustment to the carrying amount of receivables through a loss allowance account.

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

2 Significant accounting policies (continued)

(h) Creditors

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

(i) Cash and cash equivalents

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

(j) Employee benefits

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

(k) Provisions and contingent liabilities

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

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

(l) Revenue recognition

(i) Donation income

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

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

(ii) Interest income

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

2 Significant accounting policies (continued)

(m) Translation of foreign currencies

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

(n) Related parties

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

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

3 Donations income

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

4 Other income

	2019	2018
	\$	\$
Associate membership fee	8,050	5,550
Bank interest income	1,569,542	531,110
Tickets and book sales	64,510	67,556
Gain on disposal of property, plant and equipment	-	57
Others	4,381	-
	<u>1,646,483</u>	<u>604,273</u>

5 Designated deficit for the year

Designated deficit for the year is arrived at after charging:

	2019	2018
	\$	\$
Salaries, wages and other benefits (including contributions to defined contribution retirement plan of \$1,835,015 (2018: \$1,692,386))	34,244,143	31,721,878
Auditors' remuneration	150,000	135,000
Depreciation (note 13)		
- owned plant and equipment	622,567	652,911
- right-of-use assets	1,996,758	-
Amortisation (note 14)	1,360,294	621,001
Interest on lease liabilities	90,573	-
Lease charge for properties under HKAS 17	-	2,424,724
Rental for short-term leases	452,975	-
	<u>452,975</u>	<u>-</u>

6 Emergency and medical programmes

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

<i>Missions</i>	<i>2019</i>	<i>2018</i>
	\$	\$
Afghanistan	21,955,563	27,074,732
Bangladesh	17,940,661	11,668,077
Belgium	1,318,482	1,543,819
Bolivia	2,030,378	781,454
Brazil	1,753,828	407,659
Burundi	13,138,333	4,341,842
Cambodia	737,235	1,544,137
Cameroon	4,189,808	-
Central African Republic	12,769,561	18,786,830
Chad	-	3,759,677
Côte d'Ivoire	165,029	2,938,006
Democratic Republic of Congo	38,035,463	49,469,579
Egypt	4,798,065	3,718,496
Eritrea	79,417	-
Ethiopia	9,000,000	6,500,000
Ghana	-	505,587
Greece	7,074	1,980
Guinea	3,326,878	4,645,889
Guinea Bissau	2,683,536	-
Haiti	7,821,969	11,015,916
Hong Kong	620	-
India	11,618,638	14,995,972
Indonesia	1,324,385	626,929
Iraq	18,562,198	18,698,169
Italy	3,562,048	4,864,123
Kenya	5,860,377	3,662,176
Lebanon	24,489,822	19,930,035
Libya	3,000,000	4,000,000
Madagascar	23,673	5,830
Malawi	2,685,813	4,373,976
Malaysia	10,000,000	5,000,000
Mali	10,392,791	5,078,890
Malta	-	227,103
Mauritania	30,472	3,039,832
Mozambique	6,158,091	3,654,035
Myanmar	6,000,000	9,000,000
Nauru	409,874	1,708,293
Nicaragua	239	187,766
Niger	9,886,712	-
Nigeria	18,935,968	12,346,969
Pakistan	18,236,450	12,502,254
Palestine	701,406	1,564,025
Papua New Guinea	-	2,000
Russia	39,030	609,378
Sierra Leone	11,170,960	6,166,346

6 Emergency and medical programmes (continued)

	2019 \$	2018 \$
South Africa	3,024,366	5,882,187
South Sudan	20,133,859	27,410,537
Sudan	6,371,783	-
Syria	10,418,137	27,660,637
Tunisia	-	36
Ukraine	5,617,633	2,164,975
Uzbekistan	-	3,000,000
Venezuela	8,965,913	3,743,084
Yemen	6,371,348	10,751,790
Zimbabwe	3,210,536	6,748,417
Migrant Support Balkan Route	6,134,744	8,976,446
MSF Academic Field projects	488,566	-
	<u>375,577,732</u>	<u>377,285,890</u>

7 Programme support and development

Included in expenditures for programme support and development is an amount of \$35,990,956 (2018: \$40,600,963) transferred to operational centre in MSF Belgium to aid indirect operational costs.

8 Other humanitarian activities

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

	2019 \$	2018 \$
DNDi	1,352,028	1,381,364
Access Campaign	1,962,775	1,867,779
	<u>3,314,803</u>	<u>3,249,143</u>

9 Management and general administration

Included in expenditures for management and general administration is an amount of \$7,678,278 (2018: \$7,531,109) transferred to MSF International for management and general administration expenditure purposes.

10 Directors' emolument

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

	2019 \$	2018 \$
Directors' fees	-	-
Salaries, allowances and benefits in kind	-	-
Discretionary bonuses	-	-
Retirement scheme contributions	-	-

11 Taxation

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

12 Interest in a subsidiary

Details of the subsidiary at 31 December 2018 were as follows:

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

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

13 Property, plant and equipment

	<i>Leasehold improvements</i> \$	<i>Furniture and fixtures</i> \$	<i>Office equipment</i> \$	<i>Computer equipment</i> \$	<i>Right-of-use assets</i> \$	<i>Total</i> \$
Cost:						
At 31 December 2018	954,531	441,786	442,416	1,882,471	-	3,721,204
Impact on initial application of HKFRS 16 (note)	-	-	-	-	2,931,845	2,931,845
At 1 January 2019	954,531	441,786	442,416	1,882,471	2,931,845	6,653,049
Additions	-	-	12,460	137,445	632,353	782,258
Disposals	-	-	(11,645)	(12,800)	-	(24,445)
Adjustments	-	-	-	-	6,319,660	6,319,660
At 31 December 2019	<u>954,531</u>	<u>441,786</u>	<u>443,231</u>	<u>2,007,116</u>	<u>9,883,858</u>	<u>13,730,522</u>
Accumulated depreciation:						
At 1 January 2019	582,373	336,343	319,472	1,385,680	-	2,623,868
Charge for the year	229,469	66,966	58,780	267,352	1,996,758	2,619,325
Written off on disposal	-	-	(11,645)	(12,800)	-	(24,445)
At 31 December 2019	<u>811,842</u>	<u>403,309</u>	<u>366,607</u>	<u>1,640,232</u>	<u>1,996,758</u>	<u>5,218,748</u>
Net book value:						
At 31 December 2019	<u>142,689</u>	<u>38,477</u>	<u>76,624</u>	<u>366,884</u>	<u>7,887,100</u>	<u>8,511,774</u>

Note: The organisation has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. See note 2(c).

13 Property, plant and equipment (continued)

	Leasehold improvements \$	Furniture and fixtures \$	Office equipment \$	Computer equipment \$	Right-of-use assets \$	Total \$
Cost:						
At 1 January 2018	905,331	614,305	748,511	1,994,374	-	4,262,521
Additions	49,200	-	31,237	343,722	-	424,159
Disposals	-	(172,519)	(337,332)	(455,625)	-	(965,476)
At 31 December 2018	<u>954,531</u>	<u>441,786</u>	<u>442,416</u>	<u>1,882,471</u>	-	<u>3,721,204</u>
Accumulated depreciation:						
At 1 January 2018	334,937	434,025	591,375	1,574,653	-	2,934,990
Charge for the year	247,436	74,837	63,986	266,652	-	652,911
Written off on disposal	-	(172,519)	(335,889)	(455,625)	-	(964,033)
At 31 December 2018	<u>582,373</u>	<u>336,343</u>	<u>319,472</u>	<u>1,385,680</u>	-	<u>2,623,868</u>
Net book value:						
At 31 December 2018	<u>372,158</u>	<u>105,443</u>	<u>122,944</u>	<u>496,791</u>	-	<u>1,097,336</u>

Right-of-use assets relate to several office premises leased for own use. In 2019, the organisation has entered into two new leases for existing office premises which run for three to four years without an extension option. This resulted in an adjustment of \$6,319,660 to the right-of-use assets.

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2019 \$
Depreciation	1,996,758
Interest on lease liabilities (note 5)	90,573
Rental for short-term leases (note 5)	452,975

14 Intangible assets

	Computer software HKD
Cost:	
At 1 January 2018	\$ -
Addition	4,087,442
At 31 December 2018 and 1 January 2019	\$ 4,087,442
Addition	945,900
At 31 December 2019	\$ 5,033,342
Accumulated amortisation:	
At 1 January 2018	\$ -
Charge for the year ^(*)	621,001
At 31 December 2018 and 1 January 2019	\$ 621,001
Charge for the year ^(*)	1,360,294
At 31 December 2019	\$ 1,981,295
Net book value:	
At 31 December 2019	\$ 3,052,047
At 31 December 2018	\$ 3,466,441

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

15 Debtors, deposits and prepayments

Included in deposits and prepayments are deposits of \$1,334,787 (2018: \$1,076,150) which are expected to be recovered after one year. All of the other debtors, deposits and prepayments are expected to be recovered or recognised as expense within one year.

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

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

17 Creditors and accrued expenses

Except for \$1,580,706 (2018: \$2,837,897) which is not expected to be settled within one year, the remaining balance of creditors and accrued expenses are expected to be settled within one year.

18 Lease liabilities

The following table shows the remaining contractual maturities of the organisation's lease liabilities at the end of the current and previous reporting periods and at the date of transition to HKFRS 16:

	31 December 2019		1 January 2019 (Note)		31 December 2018 (Note)	
	Present value of the lease payments \$	Total lease payments \$	Present value of the lease payments \$	Total lease payments \$	Present value of the lease payments \$	Total lease payments \$
Within 1 year	<u>2,081,622</u>	<u>2,243,486</u>	<u>1,745,273</u>	<u>1,806,258</u>	-	-
After 1 year but within 2 years	2,162,275	2,269,633	989,605	1,000,920	-	-
After 2 years but within 5 years	<u>3,562,947</u>	<u>3,635,483</u>	-	-	-	-
	<u>5,725,222</u>	<u>5,905,116</u>	<u>989,605</u>	<u>1,000,920</u>	-	-
	<u>7,806,844</u>	<u>8,148,602</u>	<u>2,734,878</u>	<u>2,807,178</u>	-	-
Less: total future interest expenses		<u>(341,758)</u>		<u>(72,300)</u>		-
Present value of lease liabilities		<u>7,806,844</u>		<u>2,734,878</u>		-

Note: The organisation has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Comparative information as at 31 December 2018 has not been restated. Further details on the impact of the transition to HKFRS 16 are set out in note 2(c).

19 Reconciliation of liabilities arising from financing activities

The table below details changes in the organisation's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the cash flow statement as cash flows from financing activities.

	<i>Lease liabilities</i> \$ (Note 18)
At 31 December 2018	-
Impact on initial application of HKFRS 16 (Note)	2,734,878
At 1 January 2019	2,734,878
Changes from financing cash flows:	
Capital element of lease rentals paid	(1,880,047)
Interest element of lease rentals paid	(90,573)
Total changes from financing cash flows	(1,970,620)
Other changes:	
Increase in lease liabilities from entering into new leases during the period	632,353
Increase in lease liabilities due to modification of leases	6,319,660
Finance cost	90,573
Total other changes	7,042,586
At 31 December 2019	7,806,844

Note: The organisation has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. See note 2(c).

20 Fund-raising events requiring Public Subscription Permit from Social Welfare Department or Lottery Licence from Television and Entertainment Licensing Authority

As stipulated by the Laws of Hong Kong, the organisation applied for Public Subscription Permits ("PSP") from the Social Welfare Department or Lottery Licence from the Television and Entertainment Licensing Authority for the "7.7 MSF Day Campaign" ("the event") during the period from 5 July 2019 to 7 July 2019. The donation results of the event have been included in the statement of comprehensive income. The surplus of the event is for supporting Medecins Sans Frontieres medical relief work by providing those people who are in need with medical care in different countries. All the proceeds collected have been credited to the designated bank account of the organisation before being used for payment of expenditures for the purposes specified in the permit on 10 July 2019.

20 Fund-raising events requiring Public Subscription Permit from Social Welfare Department or Lottery Licence from Television and Entertainment Licensing Authority (continued)

	2019 \$
PSP No.	2019/127/1
Donations Received	4,750
Total Campaign Expenses for this Event	4,490

21 Financial risk management and fair values

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

(a) 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.

(b) Liquidity risk

Apart from the going concern consideration mentioned in note 2(b), 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.

(c) Fair values

All financial instruments were carried at amounts not materially different from their fair values as at 31 December 2019 and 2018.

22 Members' liability

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

23 Operating lease commitments

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

	2018
	\$
Within one year	2,989,009
After one year but within five years	1,752,714
	<hr/>
	4,741,723
	<hr/>

The organisation is the lessee in respect of a number of properties and items of office equipment held under leases which were previously classified as operating leases under HKAS 17. The organisation has initially applied HKFRS 16 using the modified retrospective approach at 1 January 2019. Under this approach, the organisation adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 2(c)). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 2(g), and the details regarding the organisation's future lease payments are disclosed in note 18.

24 Material related party transactions

(a) Key management personnel remuneration

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

(b) Transactions with related parties

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

25 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2019

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2019 and which have not been adopted in these financial statements.

The organisation is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the financial statements.