

Report of the Directors and Audited Financial Statements

MEDECINS SANS FRONTIERES (HK) LIMITED

31 December 2022



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 2022.

### 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 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 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 2022, Ukraine was added to a long list of armed conflicts. MSF switched their existing Ukraine MDR-TB programs to an emergency response reaching all parts of the country. Referral systems, mobile clinics, mental health support, surgical activities and many more projects were started. Additional activities were set up as well in some neighbouring countries where people took refuge.

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

The lack of other organisations and funding in Afghanistan led to a significant increase of our medical activities within the country. In northern Nigeria and the wider Sahel region, MSF increased activities against malnutrition.

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)*

Rohingya refugees in Bangladesh remain wholly reliant on humanitarian aid since their 2017 exodus from conflict in northern Rakhine. Political turmoil has weakened Myanmar's healthcare system significantly and the planned handover of some of MSF medical activities to the Ministry of health had to be revised, as the country faces many supply issues.

In Hong Kong, MSF supported the COVID-19 response on vaccination and mental health, focusing on vulnerable groups within the community. 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 break down 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 nobody is 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)*

(b) MSF HK Office Activities

*(i) Key Financial Indicators*

- Donations received from the public amounted to HK\$373.3 million in 2022 (2021: HK\$410.9 million), which was a decrease of 9.2% (2021: decrease of 0.9%) or HK\$37.6 million (2021: decrease of HK\$3.6 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 94.5% (2021: 92.2%) of the donations were from individual donors and the rest from trusts and corporations.
- We spent a total of HK\$321.2 million (2021: HK\$357.4 million) in supporting the social mission, representing 85.7% of total income (2021: 86.8%).
- Fundraising costs were HK\$33.2 million (2021: HK\$36.9 million), representing 8.9% (2021: 9.0%) of total income.
- Management and administration costs were HK\$20.3 million (2021: HK\$17.3 million), representing 5.4% (2021: 4.2%) of total income.

*(ii) Donation Income and Expenses*

The donation income of 2022 has been continuously affected by COVID-19 and the uncertainty of the economic outlook. It has dropped to HK\$373,269,293 (9.2% down compared to 2021). Regular monthly donations contributed 66% of the total donations. This resulted in a return on investment (ROI) of 11.2 times (2021 ROI: 11.1 times).

The total number of active donors for both regular and one-off was 130,925, while regular monthly donors dropped by 8.9%.

Regular monthly donations have always helped MSF to stay proactive in response to disasters and emergencies. Given the economic uncertainty and the sustained social distancing measures, which limited the opportunities for face-to-face fundraising, raising funds from the public remained challenging. Expansion of the donor base and supporter pool for conversion are key priorities of MSF and require investment.

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 2022 financial year, MSF HK contributed a total of HK\$262.4 million (2021: HK\$296.8 million) to various emergency and medical humanitarian programmes in about 38 (2021: 43) countries around the world, representing 70.0% (2021: 72.1%) of total income.

Apart from these programme expenses, HK\$47.3 million (2021: HK\$48.9 million) was allocated for programme support and development, of which HK\$23.4 million (2021: HK\$28.3 million) was transferred to OCB to aid the indirect operational costs.

The remaining income of HK\$11.4 million (2021: HK\$11.7 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.

29 (2021: 20) new members were recruited to join our pool of field workers, resulting in a total of 126 (2021: 94) deployments, of which, 17 (2021: 14) went for their first assignment. Around 59% of our deployments were to fill medical roles (e.g., specialists, doctors, nurses) and the remaining 41% were non-medical positions in functions such as logistics, finance and human resources.

In 2022, the top countries of deployment were: Ukraine, Yemen, South Sudan, Afghanistan and Iraq.

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 also closely followed the medicine and vaccine developments in China for possible use in MSF operations. For example, there have been outbreaks of hepatitis E in some countries (such as Namibia and South Sudan) in recent years but there has been little movement on hepatitis E vaccine research and development worldwide. With the efforts of all parties, we purchased the world's first listed hepatitis E vaccine from a Chinese manufacturer, and successfully delivered it to carry out vaccination campaigns in epidemic areas. We also continued to raise awareness of people in crisis, covering topics including medical care in the intense conflict in Afghanistan, the wounded and displaced in Gaza and survivors of sexual violence in the Central African Republic.

MSF HK has further began supporting field operations to engage with Chinese stakeholders in their countries of operation. While this is being trialled in Myanmar, it could ultimately become relevant to MSF medical projects around the world. This is done in recognition of the increased global influence of China and the potential relevance of Chinese stakeholders in helping to achieve MSF's core medical mission.

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 Taiwan branch is 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 2021 and 2022. 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 donation from private sources in the regional.

To further the objective of consolidating MSF's public identity, MSF HK embarked on a review of the key areas where regional audiences misunderstand MSF's identity. Based on this review, MSF HK will create 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*

Social distancing measures continued to be imposed for most of the year in 2022, limiting the possibility of organising public engagement activities in Hong Kong and the region. Engagement with donors continued through online activities, including three webinars with donors covering topics on COVID-19, mental health and a virtual field visit to Nigeria.

To continue our annual MSF Orienteering Competition during social distancing, for the second year we conducted a virtual orienteering competition using an enhanced version of the mobile application.

This year's MSF Day finale was held on 13 July 2022. During this annual signature event, we had over 70 volunteers from Hong Kong and Singapore participated in the "Mapathon" to map the missing parts of Mozambique, which is constantly affected by conflict, natural disasters and other humanitarian crises

As for the engagement with students, MSF continued to share information and stories of our work in webinars and talks with tertiary institutes and student associations. In Hong Kong, our international mobile staff and office staff did 8 sharing sessions, with 6 of them in physical format, as more face-to-face classes had resumed in the second half of the year.

In Singapore we also held "MSF goes to campus" sessions and interacted with students from two universities on humanitarian issues.

(vii) *Diversity and Inclusion*

MSF HK recruits people (field workers and office staff) from multicultural Southeast Asia and Greater China regions therefore bringing in talent as well as diversity to our social missions. Within the MSF HK office and its regional branches, a DEI (Diversity, Equity and Inclusion) working group was formed to lead and coordinate the various initiatives to improve representation and inclusiveness within the organization.

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, develops its people, associates them in the decision-making, and ensures 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 25 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 2022, 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.

## 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 adopts the Enterprise Risk Management (ERM) framework for identifying and monitoring risk for prioritizing strategies, actions and enhancements for establishing a robust control environment.

Based on the framework, a detailed risk register is 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: staff behaviour, privacy data protection, financial crimes and economic downturn.

Business Review (continued)

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

(d) Risk and Compliance (continued)

Our mitigation actions are that we proactively review and implement code of conduct, staff policy and internal processes and procedures to ensure integrity and correct behaviour. We adopt 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 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 targeting mainly private and individual regular donors 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. This systems will 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 2022 MSF HK was able to commit 85.7% of our total expenditure to support the social mission (2021: 86.8%), which is well above the average MSF global social mission contribution of 80.4% in 2021.

Management and administration costs accounted for 5.4% (2021: 4.2%) of MSF HK's total outgoings. These expenses were devoted to general management, administration, financial management, and human resources. 1.4% (2021: 1.2%) 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 exponentially increased and allows MSF to provide timely and personalised updates and responses to its donors.

(ii) *Staff*

To promote and enhance the engagement in the collective direction of MSF HK, the qualifying period to be a member of the MSF HK Association has been shortened from one year to six months. This helps to directly develop the relationship with our staff going beyond the normal employer-employee one.

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 2022, we strengthened our team by having key positions on board such as a Head of Information Technology, Director of Finance, Risk and Compliance, and Director of Analysis to support our operational needs in the region. We have also reinforced our China team to ensure we have adequate capacity to work with various Chinese stakeholders on health and medical humanitarian aid.

(iii) *Field Workers*

At the end of 2022, MSF HK had 351 (2021:308) active field workers in our pool, recruited from a range of different countries in Southeast Asia and Greater China regions. 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 constant support and commitment is 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.

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 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 2022, MSF HK has 558 (2021: 541) 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*

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. At the same time, providing medical information on health issues that the home society needs or cares about is another huge priority. 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 2022, MSF HK devoted capacity to communicate about COVID-19 project activities in Hong Kong, including COVID-19 info packs for social media, mental health awareness webinars and a mini-documentary focusing on our medical consultation and vaccination campaign, and care home assessments for the community. We also made efforts to raise awareness about lesser-known public health crises and access to medical tools for neglected diseases, such as methanol poisoning and m-pox (formerly monkeypox) vaccines.

*(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 has worked in collaboration with various local community organisations that serve the marginalised population. We adopted a patient-centred approach and with support from our local partners we engaged with members of the vulnerable communities and listened to their worries and concerns in addition to the medical care we provided.

We will continue to engage with our local partners and expand our network in the community to understand better the neglected health needs of the vulnerable groups and further build up future response capacities.

## 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.

#### *(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 2022 outlook, we are living through fundamental changes in our society because of heightened global geopolitical tension, conflict and uncertainty around the region. We expect to see economic recovery gradually happening in 2023, mainly driven by a relaxation of COVID-19 related restrictions and continued recovery in consumption. However, the downside risks are rising due to a slowdown in external demand, rising inflationary pressures and the deterioration of the geopolitical environment.

Our goal and commitment remain the same in 2023. Our goal is to build a dynamic, agile, robust and efficient regional MSF entity with a digital-first mind set and holistic engagement with our people – staff, supporters, and patients. Our commitment is to increase our focus on areas where we are strongest, continue progressively our transformation to maximise the value we bring as a regional office hub, and to advance our people-centric approach in each and every action.

The Hong Kong regional head office is on the way to reinforcing core priorities: to leverage on our Asian voice and regional presence, maximise our strength in mobilising resources to provide impactful medical humanitarian action, facilitate vital operations work in a complex and changing humanitarian landscape in our region. The key drivers to support these undertakings are strategic engagements with our communities; strong awareness and relevant public positioning; enhancement of our medical and humanitarian identity; and consolidation of our community base of staff, association members, and supporters across Hong Kong, Guangzhou, Beijing, Taiwan, Singapore and other countries in Southeast Asia.

As a medical humanitarian organisation, we remain alert to the ebb and flow of COVID-19 in the countries where we have projects and offices and stay focused on how we could make a difference during difficult circumstances to support communities bearing the brunt of the pandemic and other less reported crises.

We will continue to strengthen our commitment to the quality of care for our patients; duty of care to our staff; and emphasis on transparency for our supporters. People – our staff, supporters, patients – make MSF and are at the heart of what we do during these challenging times.

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:

CHAN Shannon Melissa  
WONG Poh Fei  
LOW Hwee Ling, Sally  
LIM Suet Fong  
BACCHETTA Adrio Serafino  
KOERNIAWAN Heru Sutanto  
LI Kandice Ellen  
CHAN Shut Wah (resigned on 27 August 2022)  
COPPENS Catherina Philomena Henrica (resigned on 27 August 2022)  
LI Wilson (resigned on 27 August 2022)  
ZAINAL Husni Mubarak (appointed on 27 August 2022)  
CHU King Hei (appointed on 27 August 2022)

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.

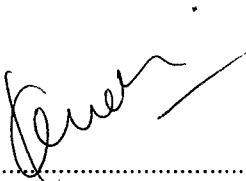
Directors' interests in transactions, arrangements or contracts

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

  
.....  
LI Kandice Ellen

Hong Kong

30 MAY 2023





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 44, which comprise the statement of financial position as at 31 December 2022, 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 2022 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 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.
- 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

30 MAY 2023

MEDECINS SANS FRONTIERES (HK) LIMITED

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	Notes	2022 HK\$	2021 HK\$
Donations income	3	373,269,293	410,895,688
Other income	4	<u>1,649,372</u>	<u>818,627</u>
Total income		374,918,665	411,714,315
Less: Expenditures			
Emergency and medical programmes	7	(262,400,706)	(296,813,933)
Programme support and development	8	( 47,390,487)	( 48,942,358)
Public awareness and other campaigns		( 9,441,464)	( 9,501,737)
Other humanitarian activities	9	<u>( 2,003,534)</u>	<u>( 2,163,739)</u>
Social mission		(321,236,191)	(357,421,767)
Management and general administration	10	( 20,344,217)	( 17,325,338)
Fundraising		( 33,196,223)	( 36,864,181)
Finance cost	6	<u>( 70,324)</u>	<u>( 126,565)</u>
Total expenditures		(374,846,955)	(411,737,851)
Surplus/(deficit) from operating activities		71,710	( 23,536)
Net exchange (loss)/gain		<u>( 71,710)</u>	<u>23,536</u>
DESIGNATED SURPLUS/(DEFICIT) 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 2022

	Notes	2022 HK\$	2021 HK\$
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	2,743,033	4,800,665
Intangible assets	14	889,857	792,488
Deposit	15	98,296	-
Total non-current assets		<u>3,731,186</u>	<u>5,593,153</u>
<b>CURRENT ASSETS</b>			
Debtors	15	1,553,009	56,531
Prepayment and deposits	15	1,925,741	3,456,610
Amount due from MSF International	16	147,200	483,466
Amount due from MSF Belgium	16	255,834	48,924
Amount due from MSF Holland	16	36,403	66,456
Amount due from MSF Japan	16	425,907	184,085
Amount due from MSF Spain	16	3,940	8,174
Amount due from MSF Australia	16	527,772	253,023
Amount due from MSF France	16	570,696	139,331
Amount due from MSF Switzerland	16	4,907	804
Amount due from MSF TW Foundation	16	50,095	2,389
Cash and cash equivalents	17	<u>31,579,719</u>	<u>78,449,495</u>
Total current assets		<u>37,081,223</u>	<u>83,149,288</u>
<b>CURRENT LIABILITIES</b>			
Creditors and accrued expenses	18	6,722,611	9,985,112
Lease liabilities	13	1,833,222	2,441,102
Amount due to MSF Belgium	16	26,777,732	73,006,085
Amount due to MSF International	16	3,472,551	1,064,579
Amount due to MSF USA	16	23,076	25,724
Amount due to MSF Australia	16	623,594	439,856
Amount due to MSF Japan	16	423,791	91,120
Amount due to MSF South Africa	16	-	8,713
Amount due to MSF France	16	354,251	211,217
Amount due to MSF Korea	16	336,239	-
Amount due to MSF Spain	16	49,898	-
Total current liabilities		<u>40,616,965</u>	<u>87,273,508</u>
<b>NET CURRENT LIABILITIES</b>		<u>( 3,535,742)</u>	<u>( 4,124,220)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>195,444</u>	<u>1,468,933</u>

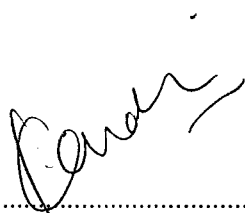
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MEDECINS SANS FRONTIERES (HK) LIMITED

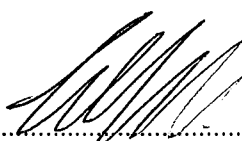
STATEMENT OF FINANCIAL POSITION (continued)

31 December 2022

	Note	2022 HK\$	2021 HK\$
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities	13	<u>195,444</u>	<u>1,468,933</u>
Total non-current liabilities		<u>195,444</u>	<u>1,468,933</u>
Net assets		<u>-</u>	<u>-</u>
Represented by:			
<b>Fund balances</b>			
Accumulated funds		<u>-</u>	<u>-</u>



.....  
LI Kandice-Ellen ✓  
Director ✓



.....  
CHU King Hei ✓  
Director ✓

MEDECINS SANS FRONTIERES (HK) LIMITED

STATEMENT OF CHANGES IN ACCUMULATED FUNDS

Year ended 31 December 2022

	Accumulated funds HK\$
At 1 January 2021	-
Designated deficit and total comprehensive income for the year	<u>-</u>
At 31 December 2021 and at 1 January 2022	-
Designated surplus and total comprehensive income for the year	<u>-</u>
At 31 December 2022	<u><u>-</u></u>

MEDECINS SANS FRONTIERES (HK) LIMITED

STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Notes	2022 HK\$	2021 HK\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Designated surplus/(deficit) for the year		-	-
Adjustments for:			
Bank interest income	4	( 548,225)	( 452,038)
Depreciation	5	2,935,651	3,083,720
Gain on disposal of items of property, plant and equipment	4	-	( 600)
Amortisation of intangible asset	5	469,631	1,537,487
Loss on disposal of intangible asset	5	-	693,428
Finance cost	6	70,324	126,565
		<u>2,927,381</u>	<u>4,988,562</u>
(Increase)/decrease in debtors		( 1,496,478)	113,437
Decrease in prepayment and deposits	19(a)	1,337,302	432,680
(Decrease)/increase in creditors and accrued expenses		( 3,262,501)	3,165,281
Movement in balance with MSF entities		<u>(43,622,264)</u>	<u>23,031,836</u>
Net cash flows (used in)/from operating activities		<u>(44,116,560)</u>	<u>31,731,796</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		548,225	452,038
Purchases of items of property, plant and equipment	13	( 142,380)	( 445,225)
Purchases of items of intangible assets	14	( 567,000)	( 552,000)
Proceeds from disposal of items of property, plant and equipment		-	600
Net cash flows used in investing activities		<u>( 161,155)</u>	<u>( 544,587)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Principal portion of lease payments	19(b)	( 2,521,737)	( 2,661,958)
Interest element on lease liabilities	19(b)	( 70,324)	( 126,565)
Net cash flows used in financing activities		<u>( 2,592,061)</u>	<u>( 2,788,523)</u>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of year		<u>78,449,495</u>	<u>50,050,809</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<u><u>31,579,719</u></u>	<u><u>78,449,495</u></u>
<b>ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	17	<u><u>31,579,719</u></u>	<u><u>78,449,495</u></u>



# MEDECINS SANS FRONTIERES (HK) LIMITED

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

### 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 2022, the Organisation has 558 (2021: 541) members.

### 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 2022, 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.

31 December 2022

## 2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 3	<i>Reference to the conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual improvements to HKFRSs 2018-2020	<i>Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41</i>

The nature and impact of the 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 the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>3</sup></i>
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback<sup>2</sup></i>
HKFRS 17	<i>Insurance Contracts<sup>1</sup></i>
Amendments to HKFRS 17	<i>Insurance Contracts<sup>1,5</sup></i>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information<sup>6</sup></i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the "2020 Amendments")<sup>2,4</sup></i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the "2022 Amendments")<sup>2</sup></i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies<sup>2</sup></i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates<sup>1</sup></i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transactions<sup>1</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>3</sup> No mandatory effective date yet determined but available for adoption

<sup>4</sup> As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised in October 2020 to align the corresponding wording with no change in conclusion

<sup>5</sup> As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

MEDECINS SANS FRONTIERES (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2022

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS  
(continued)

- <sup>6</sup> An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

The Organisation is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Organisation considers that these new and revised HKFRSs are unlikely to have a significant impact on the Organisation's results of operations and financial position.

2.5 SUMMARY OF SIGNIFICANT 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;
  - (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 (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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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%
Computer equipment	33⅓%

*Right-of-use assets*

Buildings	Over the lease terms
-----------	----------------------

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).

31 December 2022

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

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.

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.

31 December 2022

2.5 SUMMARY OF SIGNIFICANT 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

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Organisation's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including demand deposits, which are not restricted as to use.

MEDECINS SANS FRONTIERES (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2022

2.5 SUMMARY OF SIGNIFICANT 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.

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 2022

4. OTHER INCOME

Other income includes the following:

	2022 HK\$	2021 HK\$
Associate membership fee	6,550	6,400
Grant income from MSF International	-	346,730
Grant income from MSF Australia	1,062,752	-
Bank interest income	548,225	452,038
Tickets and book sales	3,230	12,859
Gain on disposal of items of property, plant and equipment	-	600
Others	28,615	-
	<u>1,649,372</u>	<u>818,627</u>

5. DESIGNATED SURPLUS/(DEFICIT)

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

	2022 HK\$	2021 HK\$
Depreciation (note 13)	2,935,651	3,083,720
Amortisation (note 14)	469,631	1,537,487
Loss on disposal of intangible asset	-	693,428
Auditor's remuneration	158,000	165,000
Staff costs (excluding directors' remuneration (note 11)):		
Salaries, allowances and benefits in kind	37,688,769	34,675,386
Pension scheme contributions	2,319,148	2,065,765
	<u>40,007,917</u>	<u>36,741,151</u>
Foreign exchange differences, net	<u>( 71,710)</u>	<u>23,536</u>

6. FINANCE COST

	2022 HK\$	2021 HK\$
Interest on lease liabilities	<u>70,324</u>	<u>126,565</u>



MEDECINS SANS FRONTIERES (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2022

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>	2022 HK\$	2021 HK\$
Afghanistan	16,582,141	6,580,707
Bangladesh	11,146,246	7,980,029
Belgium	3,976,054	1,567,041
Benin	1,606,513	54,860
Bolivia	-	761,363
Brazil	1,035,814	980,984
Burundi	3,022,794	2,140,853
Cameroon	-	509,767
Central African Republic	8,803,734	4,292,131
Cote d'Ivoire	163,309	78,403
Democratic Republic of Congo	27,120,095	27,287,971
Egypt	3,925,488	2,441,775
Eritrea	-	53,929
Ethiopia	3,690,868	9,909,398
Greece	1,254,960	1,696,240
Guinea	3,862,885	1,684,512
Haiti	8,443,147	5,065,600
Hong Kong	2,227,753	33,195
India	2,955,056	12,843,852
Indonesia	1,078,652	2,203,646
Iraq	8,550,780	5,783,037
Italy	2,713,586	1,075,757
Kenya	1,811,274	2,630,558
Lebanon	3,853,887	7,270,520
Libya	-	1,000,000
Madagascar	-	20,000
Malaysia	8,680,000	9,000,000
Mali	2,528,053	2,400,254
Mozambique	2,328,062	1,346,999
Myanmar	10,000,000	10,000,000
Nigeria	16,937,163	14,366,372
Pakistan	6,831,963	14,681,169
Palestine	4,403,615	6,738,464
Philippines	-	155,000

MEDECINS SANS FRONTIERES (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2022

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</i> (continued)	2022 HK\$	2021 HK\$
Sierra Leone	4,434,002	1,828,093
South Africa	1,855,213	1,777,164
South Sudan	13,764,504	8,151,837
Sudan	2,077,305	1,678,813
Syria	16,292,164	8,946,714
Ukraine	4,330,375	3,205,385
Uganda	290,743	-
Venezuela	7,402,998	3,442,498
Yemen	14,795,565	21,483,025
Zimbabwe	1,569,823	890,514
Migrant Support Balkan Route	229,470	125,316
MSF Academic Field projects	-	608,836
Fund allocated for unforeseeable emergencies programmes	<u>25,824,652</u>	<u>80,041,352</u>
	<u>262,400,706</u> *	<u>296,813,933</u> *

\* HK\$185,720,706 (2021: HK\$215,292,433) was granted to operational centre in MSF Belgium, HK\$76,680,000 (2021: HK\$81,346,500) was granted to operational centre in MSF Holland and Nil (2021: HK\$175,000) was granted to operational centre in MSF France.

8. PROGRAMME SUPPORT AND DEVELOPMENT

Included in expenditures for programme support and development is an amount of HK\$23,393,605 (2021: HK\$28,278,652) and HK\$8,520,000 (2021: HK\$9,038,500) transferred to operational centre in MSF Belgium and MSF Holland, respectively, HK\$713,529 (2021: Nil), HK\$713,529 (2021: Nil), HK\$336,239 (2021: Nil) and HK\$354,251 (2021: Nil) transferred to MSF Australia, MSF Japan, MSF Korea and MSF France, respectively for SEEAP regional development project, and HK\$2,180,002 (2021: HK\$959,915) transferred to MSF International office to aid indirect operational costs.

MEDECINS SANS FRONTIERES (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2022

9. OTHER HUMANITARIAN ACTIVITIES

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

	2022 HK\$	2021 HK\$
Drugs for Neglected Disease initiative ("DNDi")	844,737	980,604
Access Campaign	<u>1,158,797</u>	<u>1,183,135</u>
	<u>2,003,534</u>	<u>2,163,739</u>

10. MANAGEMENT AND GENERAL ADMINISTRATION

Included in expenditures for management and general administration is an amount of HK\$5,257,995 (2021: HK\$4,888,286) 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:

	2022 HK\$	2021 HK\$
Fees	-	-
Other emoluments:		
Salaries, allowances and benefits in kind	-	-
Pension scheme contributions	<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 2022

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\$	
	Buildings HK\$					Total HK\$
<b>31 December 2022</b>						
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 2022

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

	Right-of-use assets		Owned assets				Total HK\$
	Buildings HK\$	Leasehold improvements HK\$	Furniture and fixtures HK\$	Office equipment HK\$	Computer equipment HK\$	Total HK\$	
<b>31 December 2021</b>							
At 1 January 2021:	11,578,437	954,531	441,786	449,911	1,977,556	3,823,784	15,402,221
Cost	(4,823,027)	(954,531)	(441,786)	(414,973)	(1,684,632)	(3,495,922)	(8,318,949)
Accumulated depreciation							
Net carrying amount	6,755,410	-	-	34,938	292,924	327,862	7,083,272
At 1 January 2021, net of accumulated depreciation	6,755,410	-	-	34,938	292,924	327,862	7,083,272
Additions	-	-	-	-	445,225	445,225	445,225
Modification of right-of-use asset	355,888	-	-	-	-	-	355,888
Depreciation provided during the year	(2,857,648)	-	-	(13,408)	(212,664)	(226,072)	(3,083,720)
At 31 December 2021, net of accumulated depreciation	4,253,650	-	-	21,530	525,485	547,015	4,800,665
At 31 December 2021:							
Cost	11,934,325	954,531	384,279	449,911	2,422,781	4,211,502	16,145,827
Accumulated depreciation	(7,680,675)	(954,531)	(384,279)	(428,381)	(1,897,296)	(3,664,487)	(11,345,162)
Net carrying amount	4,253,650	-	-	21,530	525,485	547,015	4,800,665

MEDECINS SANS FRONTIERES (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2022

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**

	2022 HK\$	2021 HK\$
Within one year	1,866,098	2,504,398
After one year but within five years	<u>199,022</u>	<u>1,481,606</u>
Lease liabilities (undiscounted)	2,065,120	3,986,004
Discount amount	<u>( 36,454)</u>	<u>( 75,969)</u>
Lease liabilities (discounted)	<u>2,028,666</u>	<u>3,910,035</u>
Current	<u>1,833,222</u>	<u>2,441,102</u>
Non-current	<u>195,444</u>	<u>1,468,933</u>

The incremental borrowing rate applied to the lease liabilities recognised at 31 December 2022 was 2.97%. (2021: 2.81%).

**Movements of carrying amounts of lease liabilities for the years ended 31 December 2022 and 2021**

	HK\$
At 1 January 2021	6,216,105
Modification	355,888
Accretion of interest	126,565
Payments	<u>(2,788,523)</u>
At 1 January 2022	3,910,035
Additions	48,470
Modification	591,898
Accretion of interest	70,324
Payments	<u>(2,592,061)</u>
	<u>2,028,666</u>

MEDECINS SANS FRONTIERES (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2022

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

**Amounts recognised in the statement of profit or loss for the years ended 31 December 2022 and 2021**

	2022 HK\$	2021 HK\$
Depreciation expense of right-of-use assets	2,697,352	2,857,648
Interest expense on lease liabilities	70,324	126,565
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>134,284</u>	<u>141,837</u>
	<u><u>2,901,960</u></u>	<u><u>3,126,050</u></u>

The Organisation had total cash outflows for leases of HK\$2,726,345 in 2022 (2021: HK\$2,930,360). 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 (2021: Nil) and lease liabilities of HK\$48,470 in 2022 (2021: Nil).

14. INTANGIBLE ASSETS

	Computer software HK\$
<b>31 December 2022</b>	
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><u>889,857</u></u>
At 31 December 2022	
Cost	4,009,470
Accumulated amortisation	<u>(3,119,613)</u>
Net carrying amount	<u><u>889,857</u></u>

MEDECINS SANS FRONTIERES (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2022

14. INTANGIBLE ASSETS (continued)

	Computer software HK\$
<b>31 December 2021</b>	
At 1 January 2021	
Cost	5,991,523
Accumulated amortisation	<u>(3,520,120)</u>
Net carrying amount	<u>2,471,403</u>
At 1 January 2021, net of accumulated amortisation	2,471,403
Additions	552,000
Disposal	( 693,428)
Amortisation provided during the year*	<u>(1,537,487)</u>
At 31 December 2021, net of accumulated amortisation	<u>792,488</u>
At 31 December 2021	
Cost	3,442,470
Accumulated amortisation	<u>(2,649,982)</u>
Net carrying amount	<u>792,488</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.



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NOTES TO FINANCIAL STATEMENTS

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15. DEBTORS, PREPAYMENT AND DEPOSITS

	2022 HK\$	2021 HK\$
Deposits and debtors	2,638,716	1,295,067
Prepayments	<u>938,330</u>	<u>2,218,074</u>
	3,577,046	3,513,141
Portion classified as current assets	<u>(3,478,750)</u>	<u>(3,513,141)</u>
Non-current portion	<u>98,296</u>	<u>-</u>

*Impairment of debtors, prepayment and deposits*

The carrying amount of other receivables approximated to their fair value as at 31 December 2022 and 2021. Their recoverability was assessed with reference to the credit status of the debtors, and the expected credit losses as at 31 December 2022 and 2021 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

	2022 HK\$	2021 HK\$
Cash and bank balances	<u>31,579,719</u>	<u>78,449,495</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.

18. CREDITORS AND ACCRUED EXPENSES

	2022 HK\$	2021 HK\$
Creditors	1,034,857	3,615,414
Accrued expenses	<u>5,687,754</u>	<u>6,369,698</u>
	<u>6,722,611</u>	<u>9,985,112</u>

MEDECINS SANS FRONTIERES (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2022

19. NOTE TO THE STATEMENT OF CASH FLOWS

(a) Major non cash transactions

During the year, 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 2021	6,216,105
Changes from financing cash flows	(2,661,958)
Modification	355,888
Finance charges on lease liabilities	126,565
Interest element of lease liabilities	<u>( 126,565)</u>
At 31 December 2021 and 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	<u>2,028,666</u>

20. RELATED PARTY TRANSACTIONS

(a) Apart from the grant income from MSF International and 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 2022

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	
	2022	2021
	HK\$	HK\$
Financial assets included in debtors, prepayment and deposits (note 15)	2,638,716	1,295,067
Amount due from MSF entities	2,022,754	1,186,652
Cash and cash equivalents	31,579,719	78,449,495
	<u>36,241,189</u>	<u>80,931,214</u>

Financial liabilities

	Financial liabilities at amortised cost	
	2022	2021
	HK\$	HK\$
Amount due to MSF entities	32,061,132	74,847,294
Financial liabilities included in creditors and accrued expenses	3,120,483	6,347,360
Lease liabilities	2,028,666	3,910,035
	<u>37,210,281</u>	<u>85,104,689</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.

31 December 2022

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.

MEDECINS SANS FRONTIERES (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2022

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:

<b>31 December 2022</b>	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 in creditors and accrued expenses	-	3,120,483	-	3,120,483
Lease liabilities (note 13)	-	1,866,098	199,022	2,065,120
	<u>32,061,132</u>	<u>4,986,581</u>	<u>199,022</u>	<u>37,246,735</u>
 <b>31 December 2021</b>				
	On demand HK\$	Less than one year HK\$	More than one year HK\$	Total HK\$
Amount due to MSF entities	78,847,294	-	-	78,847,294
Financial liabilities included in creditors and accrued expenses	-	6,347,360	-	6,347,360
Lease liabilities (note 13)	-	2,504,398	1,481,606	3,986,004
	<u>78,847,294</u>	<u>8,851,758</u>	<u>1,481,606</u>	<u>89,180,658</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 2022 and 31 December 2021.

MEDECINS SANS FRONTIERES (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2022

25. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on

30 MAY 2023