SOLIDARIDAD NETWORK ASIA LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

LEE, AU & CO.

CERTIFIED PUBLIC ACCOUNTANTS

HONG KONG

SOLIDARIDAD NETWORK ASIA LIMITED 禾眾亞洲有限公司
DIRECTORS' REPORT

The directors submit herewith their annual report together with the audited financial statements for the year ended 31 December 2017.

PRINCIPAL PLACE OF BUSINESS

Solidaridad Network Asia Limited is a company incorporated and domiciled in Hong Kong and has its registered office and principal place of business at Rooms 1318-20, Hollywood Plaza, 610 Nathan Road, Mongkok, Kowloon, Hong Kong.

PRINCIPAL ACTIVITY

The company is a not-for-profit organisation and the principal activity of the company during the year is supporting organisations in developing countries working to combat poverty systematically.

DIVIDENDS

The directors do not recommend the payment of any dividend for the year.

DIRECTORS

The directors who held office during the year were: -

Nicolaas Josephus Maria ROOZEN	
Shatadru CHATTOPADHAYAY	
Ying MA	
Subramaniyam MUMUSAMY	
Mahesh Haribhai MEHTA	
Shahamin Sahadat ZAMAN	- appointed on 19 January 2017
Cheng Hai TEOH	- resigned on 19 January 2017

In accordance with Articles of Association of the company, all remaining directors continue in office.

PERMITTED INDEMNITY PROVISION

At no time during the year were there any permitted indemnity provisions in force for the benefit of one or more directors of the company.

At the time of approval of this report, there are no permitted indemnity provisions in force for the benefit of one or more directors of the company.

EQUITY-LINKED ARRANGEMENTS

During the year, the company entered into no equity-linked agreement.

At the end of the year, the company subsisted of no equity-linked agreement.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the company a party to any arrangements to enable the directors of the company to acquire benefits by means of acquisition of shares or debentures of the company or any other body corporate.

BUSINESS REVIEW

In pursuant to section 388 and Schedule 5 of Hong Kong Companies Ordinance (Cap. 622), the directors have presented the business review regarding to the financial year ended 31 December 2017.

Key developments

In 2017, Solidaridad Network Asia Limited ("Solidaridad") implemented programmes in partnership with private partners, CSOs, research institutions, financial institutions, government bodies, industry associations, donor bodies etc. The collaborations with each of the partners were aimed towards bringing a change in the livelihoods of the small holder farmers and industry workers through sustainable management of resources. The partnership with IFC continues to be the most influential especially in Sugar and formulation of a National Sugar Code. The private partnerships with companies like DCM Shriram, Vippy Industries in India and Agora in Bangladesh is continuing.

New Partnerships with STAHL, PUM and Leather Industry Association like UPLIA and STA were formed. These partnerships are geared towards policy influencing towards adoption of safe and clean technologies in leather.

Solidaridad also facilitated in a number of multi stakeholder initiatives for facilitating public and corporate policies in Asia to promote sustainable practices and investments in commodities like Tea, Palm Oil, Textiles etc.

Organisation

Solidaridad operation in the region continued to grow rapidly. In 2017 Solidaridad in Asia was operating in India, Sri Lanka, Bangladesh, Hong Kong, Malaysia, Indonesia, Myanmar and Israel with 226 staff members. The number of offices increased from 14 to 23 offices. The increase was primarily due to setting of five offices in Sri Lanka. Most of the staff in regional offices are drawn from diverse backgrounds and experts in delivering high value services to our business partners and donors. Solidaridad Asia has also made significant new investment on developing senior capacity in IT solutions development (5 IT developers), Impact investment, gender and on climate change. Solidaridad Asia also support three International Programme Coordinators supporting global programmes on tea, sugarcane and dairy sub-sectors.

BUSINESS REVIEW (CONT'D)

Organisation (cont'd)

Solidaridad in the region after a careful review have taken some innovative approaches for delivering cutting-edge sustainability programmes. We decided not to compete with local agricultural extension agencies or grass root level NGOs by developing business models around technical assistance on the ground. Instead, we have hired top scientists and business leaders in the team to come up with innovative solutions for sustainable development that could be implemented at scale. There is a clarity about the strength areas of Solidaridad in Asia. We are a global civil society organisation that provides innovative sustainability solutions across different supply chains. Towards that identity, Solidaridad in Asia is recognised for: a) Innovative solution-oriented approach, b) Our deep understanding of different supply chains; c) Ability to deliver solutions from farm to fork at scale; d) Highly experienced professionals operating from 23 offices; e) Access to low cost technologies; f) Ability to provide a neutral platform for different stakeholders to come together with similar goals.

Achievements

Adoption of climate smart agriculture practices ensuring lesser use of chemicals to protect, preserve and sustain "Land" was achieved by South and South East Asia ("SSEA") in 380,000 hectares of area. Against the backdrop of uninhibited use of chemicals and fast degrading land, initiatives like India Palm Oil Sustainability Framework and Trust Tea, truly National Standards having endorsement from Government were established. Trust tea was able to certify 281,000 Ha land under Tea cultivation.

Water being the most stressed natural resources, SSEA through its interventions like drip irrigation, trash mulching, use of bio controls and proper land preparation was able to avoid water usage of 27 Billion litres. The Sugar programme prominently displayed that better agri-techniques with stakeholder engagement can avoid water use of 5 billion litres. A landscape approach to resolve the Mid Gangetic plains pollution and water stress was achieved through successful formation of Multi Stakeholder Platform that saw leather cluster joining the fray to reduce untreated effluents being discharged. 740 Ha forests have been mapped through participation mapping process and pledged for conservation in Indonesia.

390,000 number of small holders were the drivers of change with SSEA facilitating actions and rewriting the script for small holders in terms of productivity. Across multiple commodities the farmers experienced production increases ranging from 15% in sugar to 50% in Soy. First time in a decade, Mango farmers in Bangladesh were able to export pest and chemical free Mangoes. Recognizing the role that women play in agriculture, SSEA through its innovative mobilization strategy that included door step delivery of extension services and breaking social norms, was able to capacitate 21,989 number of women.

BUSINESS REVIEW (CONT'D)

Finance and control

At the time of annual planning for 2017, Regional Economic Centre, South and South East Asia ("REC SSEA") submitted project budget of Euro 8,723,004 out of total budget of Euro 9,261,254 (in 2016 Project budget Euro 6,823,995 and Total Budget Euro 7,360,453) to International Supervisory Board ("ISB"). By end of the year 2017, the project budget was increased to Euro 12,175,189. Almost 29% increase recorded over the approval budget for 2017 and 80% against 2016 project budget. The major source of increase was due to the implementation of Safal –II in Bangladesh, Trustea-II in India and European Union ("EU") funded WASH project in Sri Lanka. Similarly, the project utilisation also recorded an increase, from Euro 6,359,937 in 2016, it reached to Euro 10,439,710.

The REC SSEA Accounting System through Tally accounting Package is uniformly implemented in India, Bangladesh and Indonesia country office of SSEA. Custom made excel tools are developed for each programme for Finance MIS preparation and monitoring. The tools also help for preparing audited utilization statement for each Donor as per the Donor requirements. For efficient and regular monitoring of the donor budget as per the approved budget lines, cloud based application is conceptualised. REC SSEA IT team will pilot test it in consultation with the finance team.

Due to some challenges in Finance Force in REC SSEA, a pragmatic solution has been identified. An interface between TALLY and Finance Force will be used which will allow financial transactions from TALLY to Finance Force on regular intervals.

Challenges ahead

Producing more food, feed, fibre and fuel from agriculture with fewer natural resources to meet ever-rising and evolving demand is emerging as the ultimate challenge for Asia. Pressures on land, water, and forests are increasing. In 2017, EU passed a bill to stop using palm oil for biofuels. However, Indonesia, the world's biggest producer of palm oil, is currently pushing for increased domestic consumption of biodiesel through a policy that calls for a minimum bio, or palm oil content of 30 percent in all diesel sold in the country by 2020, up from the current requirement of 20 percent. If achieved, Indonesia's annual biodiesel consumption would rise to 18.6 million tons. China, meanwhile, has begun discussions with Indonesia and Malaysia, to boost its blending target to a minimum of 5 percent palm oil in biodiesel. India's palm oil consumption as edible oil is increasing rapidly as well. It is an ironic situation because bio-diesel expansion is primarily to address the UN Paris climate declaration to curb Asian countries rising greenhouse gas emissions. Yet, the expansion of the palm oil sector contributes significantly to climate change, primarily due to its impact on peat and forest ecosystems.

BUSINESS REVIEW (CONT'D)

Challenges ahead (Cont'd)

Markets are demanding from their suppliers to provide certified, traceable and 'deforestation-free' palm oil. But certification to a large extent has not been able to address the issue of deforestation, reduced availability of water and land or low income of the farmers. Therefore, Solidaridad in Asia is advocating three strategic pillars: a) Local ownership of sustainability discourse; b) Focus on impact rather than compliance; c) find a balanced approach between social, economic and environmental priorities of the stakeholders in Asia.

AUDITORS

Lee, Au & Co., retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Lee, Au & Co. as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

APPROVAL OF DIRECTORS' REPORT

The report was approved by the directors on 8 May 2018.

On behalf of the board

Chairman
Nicolaas Josephus Maria ROOZEN
Hong Kong

李歐會計師行
Lee, Au & Co.
Certified Public Accountants

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NORMAN LEE 李勵堅會計師
THOMAS LEE 李浩堯會計師

Independent Auditor's Report to the Members of Solidaridad Network Asia Limited 禾眾亞洲有限公司 (Incorporated in Hong Kong with liability limited by guarantee)

Opinion

We have audited the financial statements of Solidaridad Network Asia Limited 禾眾亞洲有限公司 set out on pages 9 to 30, which comprise the statement of financial position as at 31 December 2017, and the statement of profit or loss and other comprehensive income, the statement of changes in 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 company as at 31 December 2017 and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards 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 issued by the Hong Kong Institute of Certified Public Accountants. 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 company 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.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the directors' report but does not include 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.

Responsibilities of Directors and Those Charged with Governance 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 Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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 company'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 company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

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 Hong Kong Standards on Auditing 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 Hong Kong Standards on Auditing, we exercise professional judgement and maintain professional skepticism 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 company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

- 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 company'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 company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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.

Lee Au Co

Lee, Au & Co.
Certified Public Accountants

HONG KONG: 8 May 2018

SOLIDARIDAD NETWORK ASIA LIMITED 禾眾亞洲有限公司
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	**2017**	2016
		EUR	EUR
Project income	3	**11,326,139**	6,982,152
Project implementation cost		**(10,146,861)**	(6,248,086)
Gross surplus		**1,179,278**	734,066
Other income	4	**13,826**	57,502
Other net gain	5	**649**	1,945
Administrative and other operating expenses		**(662,475)**	(561,595)
Surplus for the year	6	**531,278**	231,918

The notes on pages 14 to 30 form an integral part of these financial statements.

SOLIDARIDAD NETWORK ASIA LIMITED 禾眾亞洲有限公司
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016
	EUR	EUR
Surplus for the year	**531,278**	231,918
Other comprehensive income for the year	**-**	-
Total comprehensive income for the year	**531,278**	231,918

The notes on pages 14 to 30 form an integral part of these financial statements.

SOLIDARIDAD NETWORK ASIA LIMITED 禾眾亞洲有限公司
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	Note	2017 EUR	2016 EUR
Non-current assets			
Property, plant and equipment	9	**7,499**	5,255
Current assets			
Other receivables	10	**1,893,092**	156,830
Cash and bank balances		**5,619,471**	6,461,428
		7,512,563	6,618,258
Current liabilities			
Trade payables	11	**(451,570)**	(423,505)
Accrued charges	12	**(1,639,633)**	(364,857)
Deposits received	13	**(217,887)**	(200,120)
Restricted funds	14	**(4,229,159)**	(5,184,496)
		(6,538,249)	(6,172,978)
Net current assets		**974,314**	445,280
NET ASSETS		**981,813**	450,535
RESERVES			
Accumulated surplus		**981,813**	450,535

Approved and authorised for issue by the board of directors on 8 May 2018 and signed on its behalf.

Director
Nicolaas Josephus Maria ROOZEN

Director
Shatadru CHATTOPADHAYAY

SOLIDARIDAD NETWORK ASIA LIMITED 禾眾亞洲有限公司

The notes on pages 14 to 30 form an integral part of these financial statements.

SOLIDARIDAD NETWORK ASIA LIMITED 禾眾亞洲有限公司
STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Accumulated surplus EUR
Balance at 1 January 2016	137,950
Changes in funds for 2016	
Total comprehensive income for the year	231,918
Restricted funds transfer from Unilever Asia Pvt Ltd.	80,667
Balance at 31 December 2016 and 1 January 2017	450,535
Changes in funds for 2017	
Total comprehensive income for the year	531,278
Balance at 31 December 2017	981,813

The notes on pages 14 to 30 form an integral part of these financial statements.

SOLIDARIDAD NETWORK ASIA LIMITED 禾眾亞洲有限公司
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016
	EUR	EUR
Cash flows from operating activities		
Surplus for the year	**531,278**	231,918
Adjustments for:		
Depreciation	**2,620**	1,648
Interest income	**(51)**	(15)
Restricted funds transfer from Unilever Asia Pvt Ltd.	**-**	80,667
Operating surplus before working capital changes	**533,847**	314,218
(Increase)/decrease in other receivable	**(1,736,262)**	102,188
Increase in trade payables	**28,065**	180,704
Increase in accrued charges	**1,274,776**	119,772
Increase in deposit received	**17,767**	200,120
(Decrease)/increase in restricted funds	**(955,337)**	2,248,900
Net cash (used in)/generated from operating activities	**(837,144)**	3,165,902
Cash flows from investing activities		
Payment for the purchase of property, plant and equipment	**(4,864)**	(6,014)
Interest received	**51**	15
Net cash used in investing activities	**(4,813)**	(5,999)
Net (decrease)/increase in cash and cash equivalents	**(841,957)**	3,159,903
Cash and cash equivalents at 1 January	**6,461,428**	3,301,525
Cash and cash equivalents at 31 December	**5,619,471**	6,461,428
Analysis of the balance of cash and cash equivalents		
Cash and bank balances	**5,619,471**	6,461,428

The notes on pages 14 to 30 form an integral part of these financial statements.

1. PRINCIPAL ACCOUNTING POLICIES

(a) Statements 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 Hong Kong Financial Reporting Standards, 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. A summary of the significant accounting policies adopted by the company is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the company. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the company for the current and prior accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

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

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 18.

1. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(c) Property, plant and equipment

Property, plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and any accumulated impairment losses (see note 1(d)).

The cost of an asset 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 the assets have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets, the expenditure is capitalised as an additional cost to the assets.

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

Computer	33 1/3%
Office equipment	20%

An item of asset is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on derecognition of the asset, calculated as the difference between the net disposal proceeds and the carrying amount of the item, is included in profit or loss in the period the item is derecognised.

(d) Impairment of assets

(i) Impairment of other receivables

Other receivables that are stated at cost or amortised cost or are reviewed at each date of the statement of financial position to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the company about one or more of the following loss events:

- significant financial difficulty of the debtor;

- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor;

1. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(d) Impairment of assets (cont'd)

(i) Impairment of other receivables (cont'd)

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each date of the statement of financial position to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- Property, plant and equipment

If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised in profit or loss if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

1. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(e) Other receivables

Other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses (note 1(d)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses.

(f) Trade and other payables

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

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(h) Provisions and contingent liabilities

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

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

(i) Translation of foreign currencies

Monetary assets and liabilities in foreign currencies are translated into Euro. at the rates of exchange ruling at the date of the statement of financial position. Transactions during the year are translated into Euro. at the rates of exchange ruling at the dates of the transactions. Profits and losses resulting from the above translation policy are included in profit or loss for the year.

1. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(j) Employee benefits

Salaries, annual bonuses, paid annual leave, obligations contributions to defined contribution retirement plans, including contributions payable under the Hong Kong Mandatory Provident Fund Schemes Ordinance, and the cost of non-monetary benefits are recognised as expenses in profit or loss as incurred.

(k) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the date of statement of financial position, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the date of statement of financial position. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each date of statement of financial position and is reduced to the extent that it is no longer probable that sufficient taxation profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

1. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(k) Income tax (cont'd)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the company has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income levied by the same taxation authority on either:
    - the same taxable entity; or
    - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(l) Related parties

(a) A person, or a close member of that person's family, is related to the company if that person:

(i) has control or joint control over the company;

(ii) has significant influence over the company; or

(iii) is a member of the key management personnel of the company or the company's parent.

(b) An entity is related to the company if any of the following conditions applies:

(i) The entity is a member of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the company or an entity related to the company.

(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).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the company or to the company's parent.

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

1. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(m) Revenue recognition

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

(i) Project income

Income against the project is recognised to the extent of the project expenditure incurred subject to the availability of fund and the project expenditure to complete the project can be measured reliably.

(ii) Interest income

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

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the company. None of these impact on the accounting policies of the company.

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

3. PROJECT INCOME

Project income represented income accrued from the execution of the project activities specified in the project agreement.

4. OTHER INCOME

	2017	2016
	EUR	EUR
Bank interest income	**51**	15
Sundry income	**13,775**	57,487
	13,826	57,502

5. OTHER NET GAIN

	2017	2016
	EUR	EUR
Gain on exchange, net	**649**	1,945

6. SURPLUS FOR THE YEAR

	2017	2016
	EUR	EUR
The surplus for the year is stated after charging:-		
Auditors' remuneration	**2,439**	2,439
Depreciation	**2,620**	1,648
Overseas staff expenses (including directors' emoluments, note 7)	**260,838**	213,244

7. DIRECTORS' EMOLUMENTS

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

	2017	2016
	EUR	EUR
Director fee	**14,000**	11,769

8. INCOME TAX

(a) As the company has not derived any profits from Hong Kong, no provision for current taxation is considered necessary.

(b) Reconciliation between tax expense and accounting surplus at applicable tax rate:-

	2017	2016
	EUR	EUR
Surplus for the year	**531,278**	231,918
Tax at the applicable tax rate of 16.5% (2016: 16.5%)	**87,661**	38,266
Tax effect of non-deductible expense	**432**	272
Tax effect of non-taxable revenue	**(88,093)**	(38,538)
Tax expense	**-**	-

(c) There is no deferred tax asset or liability.

9. PROPERTY, PLANT AND EQUIPMENT

	Computer	Office equipment	Total
	EUR	EUR	EUR
Cost			
At 1 January 2016	2,949	-	2,949
Addition during the year	-	6,014	6,014
At 31 December 2016	2,949	6,014	8,963
At 1 January 2017	2,949	6,014	8,963
Addition during the year	-	4,864	4,864
At 31 December 2017	**2,949**	**10,878**	**13,827**
Accumulated depreciation			
At 1 January 2016	2,060	-	2,060
Charge for the year	445	1,203	1,648
At 31 December 2016	2,505	1,203	3,708
At 1 January 2017	2,505	1,203	3,708
Charge for the year	444	2,176	2,620
At 31 December 2017	**2,949**	**3,379**	**6,328**
Net book value			
At 31 December 2017	**-**	**7,499**	**7,499**
At 31 December 2016	444	4,811	5,255

10. OTHER RECEIVABLES

	2017	2016
	EUR	EUR
Sundry debtors	**1,812,445**	122,657
Deposit paid	**6,352**	4,738
Temporary advance	**74,295**	29,435
	1,893,092	156,830

11. TRADE PAYABLES

	2017	2016
	EUR	EUR
Trade payables	**451,570**	423,505

12. ACCRUED CHARGES

	2017	2016
	EUR	EUR
Auditors' remuneration	**2,439**	2,439
Professional and consultancy fee	**1,637,194**	362,418
	1,639,633	364,857

13. DEPOSITS RECEIVED

	2017	2016
	EUR	EUR
Dimension Engineers Limited	**217,887**	200,120

14. RESTRICTED FUNDS

	2017	2016
	EUR	EUR
Arkema France	**29,369**	24,639
BASF SE	**94,828**	50,342
Coca-Cola Foundation	**237,660**	347,715
Embassy of Kingdom of Netherlands	**624,318**	3,453,294
Foundation Solidaridad Latinio Americana	**1,130,530**	467,810
IDH-The Sustainable Trade Initiative	**(3,328)**	69,271
Stichting Solidaridad	**1,885,388**	451,783
International Finance Corporation	**(52,749)**	72,658
Netherlands Enterprises Agency - RVO	**25,768**	-
Solideridad North America	**85,311**	46,946
Seafood Trade Intelligence Portal B.V.	**9,599**	20,787
Syngenta Crop Protection AG, Basel	**2,053**	107
The Global Alliance for Improved Nutrition	**63,769**	46,452
Unilever Asia Pvt Ltd.	**96,643**	132,692
	4,229,159	5,184,496

15. CAPITAL MANAGEMENT

Capital comprises reserves stated on the statement of financial position. The company's objective when managing capital is to safeguard its ability to continue as a going concern.

The company manages capital by regularly monitoring its current and expected liquidity requirements rather than using debt/equity ratio analysis.

The company is not subject to either internally or externally imposed capital requirements.

16. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

The company has classified the following financial assets under the category of "loan and receivable as per HKAS 39":

	2017	2016
	EUR	EUR
Other receivables	**1,893,092**	156,830
Bank balances	**5,619,471**	6,461,428
	7,512,563	6,618,258

The company has classified the following financial liabilities under the category of "financial liabilities at amortised cost as per HKFRS 9".

	2017	2016
	EUR	EUR
Trade payables	**451,570**	423,505
Accrued charges	**1,639,633**	364,857
Deposits received	**217,887**	200,120
Restricted funds	**4,229,159**	5,184,496
	6,538,249	6,172,978

The company is exposed to various kinds of risks in its operation and financial instruments. The company's risk management objective and policies mainly focus on minimizing the potential adverse effects of these risks on the company by closely monitoring the individual exposure as follows:-

(a) Foreign currency risk

The company has no significant exposure to foreign currency risks as substantially all of the company's transactions are denominated in Euros.

(b) Liquidity risk

The company regularly monitors current and expected liquidity requirements to ensure that it maintains sufficient cash and cash equivalents to meet its liquidity requirements in the short and longer term.

16. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CON'T)

(b) Liquidity risk (cont'd)

As at 31 December 2017, the financial liabilities of the company are analysed into relevant maturity brackets based on their contractual maturity in the table below.

2017

	Up to 3 months	**>3 months to 1 year**	**> 1 year**	**Not determinable since repayable on demand**	**Total**
	EUR	**EUR**	**EUR**	**EUR**	**EUR**
Trade payables	-	**451,570**	-	-	**451,570**
Accrued charges	**1,639,633**	-	-	-	**1,639,633**
Deposits received	-	-	**217,887**	-	**217,887**
Restricted funds	-	-	-	**4,229,159**	**4,229,159**
	1,639,633	**451,570**	**217,887**	**4,229,159**	**6,538,249**

As at 31 December 2016, the financial liabilities of the company are analysed into relevant maturity brackets based on their contractual maturity in the table below.

2016

	Up to 3 months	>3 months to 1 year	> 1 year	Not determinable since repayable on demand	Total
	EUR	EUR	EUR	EUR	EUR
Trade payables	-	423,505	-	-	423,505
Accrued charges	364,857	-	-	-	364,857
Deposits received	-	-	200,120	-	200,120
Restricted funds	-	-	-	5,184,496	5,184,496
	364,857	423,505	200,120	5,184,496	6,172,978

(c) Interest rate risk

Except for the cash at bank, the company has no significant interest-bearing assets and liabilities.

The company's income and operating cash flows are substantially independent of changes in market interest rate. Management does not anticipate significant impact resulted from changes in interest rate on interest bearing assets.

The company's exposure to interest rates on financial assets are detailed below:

	2017	2016
	EUR	EUR
Bank balances	**4,406,976**	5,709,233

(i) Sensitivity analysis

As at 31 December 2017, if interest rates increase/ decrease by 100 basis points with all other variables held constant, the company's surplus for the year would have increased/decreased by approximately EUR 4,407 (2016: EUR 5,709).

17. RELATED PARTY TRANSACTIONS AND DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

(a) In addition to the transactions and balance detailed elsewhere in these financial statements, the company had the following transactions with related party:-

	2017	2016
	EUR	EUR
Project income derived from Stichting Solidaridad	**4,985,045**	953,932
Consultancy expenses incurred for Solidaridad Network India Pvt. Ltd.	**72,331**	107,975
Project expenditure incurred for Solidaridad Greater China Limited	**111,692**	208,496
Network contribution expenses incurred for Solidaridad Network Foundation	**130,587**	-

The amount due to/from Stichting Solidaridad, of EUR75,689 (2016: EUR72,177) is included in trade payables, EUR1,885,388 (2016: EUR451,783) is included in restricted fund, and EUR1,380,577 (2016: EUR Nil) is included in other receivables.

The amount due from Solidaridad Network India Pvt Ltd., of EUR3,239 (2016: EUR4,514) is included in other receivables.

The amount due to Solidaridad Greater China Limited, of EUR79,426 (2016: EUR Nil) is included in trade payables.

The amount due to Solidaridad Network Foundation, of EUR130,587 (2016: EUR Nil) is included in trade payables.

Balances with related parties are unsecured, interest-free and repayable on demand.

(b) Except for the related party transaction as disclosed above, no other transaction, arrangement or contract of significance to which the company was a party subsisted at the end of the year or at any time during the year in which any director had a material interest.

18. ACCOUNTING JUDGEMENTS AND ESTIMATES

Key sources of estimation uncertainty and critical accounting judgements in applying the company's accounting policies

Note 16 contains information about the assumptions and their risk factors relating to financial instruments. Other key sources of estimation uncertainty and assumptions are as follows:

(a) Impairment on other receivables

The policy for impairment losses for bad and doubtful debts of the company is based on the evaluation of the collectability of the outstanding balances and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate recoverability of these receivables, including the current liquidity and creditworthiness of each counterparty. If the financial conditions of the counterparties of the company were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required.

19. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2017 and which have not been adopted in these financial statements. These include the following which may be relevant to the company.

	Effective for accounting periods beginning on or after
HKFRS 9, Financial instruments	1 January 2018
HKFRS 15, Revenue from contracts with customers	1 January 2018
Amendments to HKFRS 2, Share-based payment: Classification and measurement of share-based payment transactions	1 January 2018
Amendments to HKAS 40, investment property: Transfers of investment property	1 January 2018
HK(IFRIC) 22, Foreign currency transactions and advance consideration	1 January 2018
HKFRS 16, Leases	1 January 2019
HK(IFRIC) 23, Uncertainty over income tax treatments	1 January 2019

The company is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the company has identified some aspects of the new standards which may have a significant impact on the financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 9 and HKFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the company, and further impacts may be identified before the standards are initially applied in the company's financial statements for the year ending 31 December 2018. The company may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial statements.

HKFRS 9, Financial instruments

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, Financial instruments: Recognition and measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities. Expected impacts of the new requirements on the company's financial statements are as follows:

19. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (CONT'D)

HKFRS 9, Financial instruments (cont'd)

(a) Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI) as follows:

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then effective interest, impairments and gains/losses on disposal will be recognised in profit or loss.

- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

Based on the preliminary assessment, the company expects that its financial assets currently measured at amortised cost and FVTPL will continue with their respective classification and measurements upon the adoption of HKFRS 9.

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's own credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The company currently does not have any financial liabilities designated at FVTPL and therefore this new requirement may not have any impact on the group on adoption of HKFRS 9.

(b) Impairment

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the company's trade receivables and other financial assets. However, a more detailed analysis is required to determine the extent of the impact.

19. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (CONT'D)

HKFRS 9, Financial instruments (cont'd)

(c) Hedge accounting

HKFRS 9 does not fundamentally change the requirements relating to measuring and recognising ineffectiveness under HKAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting. The company currently does not have any transactions eligible for hedge accounting and therefore the accounting for its hedging relationships may not have any impact on the group on adoption of HKFRS 9.

HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts. The company is currently assessing the impacts of adopting HKFRS 15 on its financial statements. Based on the preliminary assessment, the company has identified the following areas which are likely to be affected:

(a) Timing of revenue recognition

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(ii) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(iii) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity' s activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

19. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (CONT'D)

HKFRS 15, Revenue from contracts with customers (cont'd)

As a result of this change from the risk-and-reward approach to the contract-by-contract transfer-of-control approach, further analysis is required to determine whether this change in accounting policy may have a material impact on the amounts reported in any given financial reporting period.

(b) Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance or in arrears.

The company is in the process of assessing whether this component in the company's payment schemes would be significant to the contract and therefore whether, once HKFRS 15 is adopted, the transaction price would need to be adjusted for the purposes of recognising revenue.

(c) Sales with a right of return

The company expects that the adoption of HKFRS 15 will not materially affect how the company recognises revenue and cost of sales when the customers have a right of return. However, the new requirement to recognise separately a return asset for the products expected to be returned will impact the presentation in the statement of financial position.

HKFRS 16, Leases

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

The company currently does not have any finance leases and operating leases transactions and therefore the accounting for the lease arrangements may not have any impact on the company on adoption of HKFRS 16.